Master's Thesis of Public Administration

Determinant Factors to Achieve The Inflow of FDI in ASEAN Countries

Case Study: Comparison Among Lao PDR, Thailand, and Vietnam: Lesson Learned for Laos

아세안 국가의 FDI 유입 결정요인

: 라오스, 태국, 베트남 간 비교를 통한
라오스에 대한 교훈을 중심으로

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Abstract

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The inward FDI is one of the largest sources of the country's revenue after tax excising. In this regard, every country wants to find a viable strategy to move forward with FDI attraction. On this note, ASEAN members attempt to attract inward FDI to the government, specifically from the developing countries and emerging economies such as Thailand, Vietnam, and Lao PDR endeavor to attract foreign direct investment to strengthen their economic prowess in pursuit of sustainable development. Thus, this paper will seek the determinant factors of inward FDI in ASEAN, particularly Thailand and Vietnam. On the other hand, we will catch up on Lao PDR lessons for more significant inward FDI attraction.

This paper criticizes to link between the levels of foreign direct investment inflow and Doing Business indicators, including the cost and time (days) starting a business, the cost to register property. The host country's specific indicators, such as trade openness, quality of infrastructure, location, regime, culture, and natural resources, were collected from several research sources from ADB, UNCTAD, and World Bank.

The study found to reduce the cost and time (days) required starting a business, and the cost to register the property in the host country will help attract the inward FDI at some particular level. Then the country's specific indicators will be the second row of consideration of investors such as natural resources, culture, location of the country, debt level, trade openness, quality of human resources and quality of infrastructure, and geopolitics another layer to attract inward FDI. Especially, natural resources need innovative technology and the creative process to put more value-added. The infrastructure quality includes transportation infrastructure and communication infrastructure, which are critical for securing and circumventing the extra payment during transportation. Overall, a comparison among three countries found that the most critical factor to drive FDI into the host country is the human capital quality, more specifically skilled labor for the industries. However, the study's result is limited because it is conducted in a holistic framework of the relationship between inward FDI and the determinant factors to attract FDI. Therefore, to refine the research, the more specific on some significant indicators for inward FDI will improve particular regulation in macro policies in the host country.

Keywords: Foreign Direct Investment, Start a Business, Natural Resources, Trade Openness, Inflation Rate, Geopolitics, Human Capital, Infrastructure.

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List of Acronyms

ASEAN	=	Association of Southeast Asian Nations
BIT	=	Bilateral Investment Treaty
BTA	=	Bilateral Trade Agreement
CLMV	=	Cambodia, Lao PDR, Myanmar, and Vietnam
CPTTP	=	Comprehensive and Progressive Agreement for the Tran-Pacific Partnership
DBI	=	Doing Business Indicators
DDI	=	Domestic Direct Investment
EVFTA	=	EU-Vietnam Investment Projection Agreement
EVIPA	=	EU-Vietnam Free Trade Agreement
FDI	=	Foreign Direct Investment
GDP	=	Gross Domestic Product
GMS	=	Gross Mekong Sub-Region
GNI	=	Gross National Income
GPR	=	Geopolitics
MNEs	=	Multinational Enterprises
ODA	=	Official Development Assistant
SEZ	=	Special Economic Zone
SOEs	=	State Owned Enterprises
TPP	=	Tran-Pacific Partnership
UNCTAD	=	United Nations Conference on Trade and Agreement Development
UXO	=	Unexploded Ordnance
WTO	=	World Trade Organization

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Chapter 1. Introduction

1.1. The Association of Southeast Asia (ASEAN) Overview

Association of Southeast Asia was established (ASEAN) on 8 August 1967 (Secretariat A. , ASEAN Economic Community, 2016). The foundation's perspective was to enhance the economic, social, and cultural development in the region. On the other hand, promoting regional peace and prosperity supports active collaboration, mutual interest in the financial, and cooperation more effectively for members (Secretariat A. , 2017).

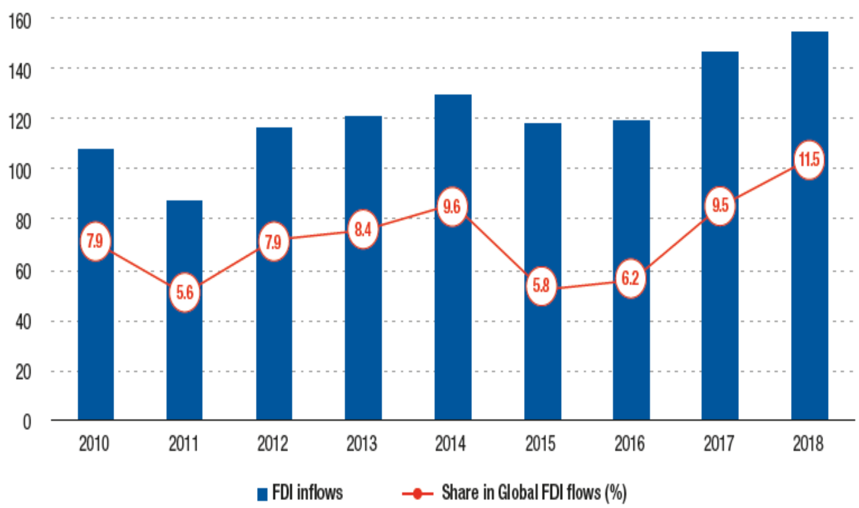
In 2015, the ASEAN created the AEC (ASEAN Economic Community) (Secretariat A. , 2017), which allows the members to pursue their economic benefit by the single market and reducing trade barriers among ASEAN members. That was affecting a total GDP amount of US$ 2,6 billion and over 600 million people (Secretariat T. A., 2017). Since the establishment of ASEAN, the economy has rapidly risen in terms of Foreign Direct Investment inflows. In 1972, the foreign direct investment (FDI) inflows amounted to US$ 539 million US$, and it later increased by 500%. However, by 1998, a crisis made a growth rate of 23% dropped, and in 2008 ASEAN incurred trouble from the world market again because of the worldwide financial crisis (Brensztein, E., Gregorio., Lee J-W, 1998). This event has made (Secretariat A. , 2015)leaders rediscussed and reshaped the ASEAN system in a community and attempted to attract more Foreign Direct Investment from the outer region. To achieve this, the ASEAN leaders have to reduce the barriers, cost minimization, and good government behavior.

FDI attractiveness has engaged in the ASEAN community since ASEAN has adopted the ASEAN Free Trade Agreements (FTAs) in 1992 (Secretariat T. A., 2017). The bilateral and multilateral agreement on trade in the region has officially been implementing. The concept of ASEAN + 1 FTAs become the initiative agreement between ASEAN- China free trade area, which also becomes the master of other contracts such as (UNCTAD A. S., 2016) ASEAN – NAFTA and ASEAN – European Union and ASEAN + 3 (China, Japan, and South Korea).

Since then, the FDI had flowed in the ASEAN year by year as the record in 2017 the FDI inflow increased in the member (Secretariat A. , 2016). The FDI recipient (figure 1) showed the amount of FDI increased by US$ 110 billion in 2010, and the share in global FDI was 7,9%. The FDI inflow accrued in 2014 with the amount of more than US$ 120 billion, and the percentage of global FDI is 9,6%, and in 2018, FDI inflow in ASEAN almost reached US$ 160 billion (UNCTAD A. S., 2018), and the FDI share in ASEAN was 11,5%.

Figure 1: Inward FDI in ASEAN (2010-2018)

(Billions of US$ and % of share)

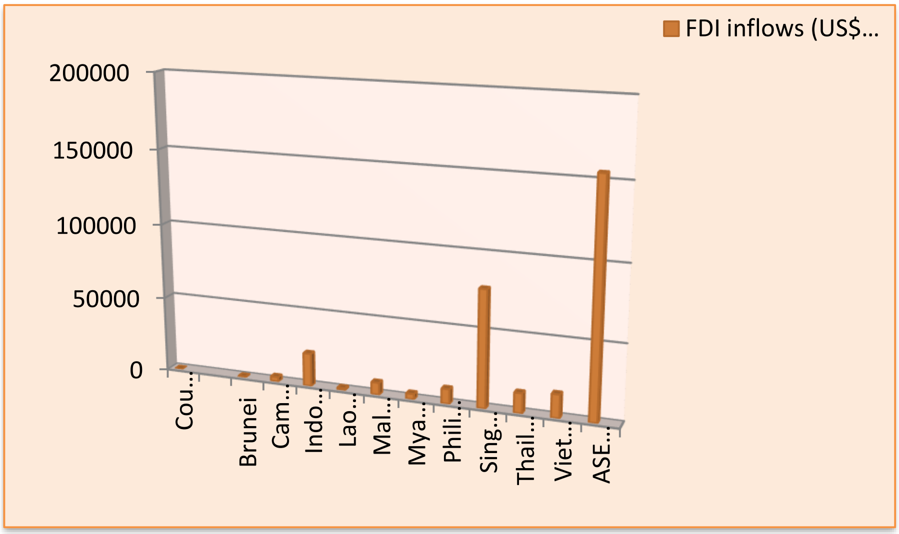


Source: ASEAN secretariat, (2019)

Figure 2 shows the differentiation of the FDI inward inflows in each country of ASEAN. Singapore, Indonesia, Thailand, Philippines, Malaysia, and Vietnam are well-doing in FDI attraction. The graph is assuming that Vietnam is very close to the other old members attracting almost similar amounts. This country can contribute to the total amount of inward FDI of nearly US$160 million into ASEAN. Vietnam is one of the countries that have economically emerged in the ASEAN now suitable for analysis.

Nowadays, it remains some problems in the delay to permit for foreign investors' business, the transparency of the process, the document permission for the investment, the cost to start a business (Bank, Doing Business, 2008), the time to start a business, the cost to register property, and another relevant factor of the country-specific. Therefore, this will be the objective to describe and figure out the answer to in the thesis.

Figure 2: FDI attracted by ASEAN from 2010-2018



Source: ASEAN secretariat, (2019)

This research will analyze and focus on standard and different features that have a positive and negative impact on FDI inflow into Thailand, Vietnam, and Lao PDR. The FDI is one of the most significant capital inflows and gains many foreign technicians and high technology. Thus, there are a lot of benefits to the host country. On the contrary, the high level of FDI inflow means the host country must create the rule of law and be prepared to strengthen the domestic business for competition in an internal market and human knowledge. Besides, infrastructure on-road and communication is also an essential factor to cope with inward FDI. The determinant factors of inward FDI are from various sources. Most of them are determined in the Doing Business indicators, such as the cost and time to start a business, registering property, and the cost to enforce a contract. These indicators are simple data that can collect from the World Bank.

Thailand and Vietnam are both the emerging economic growth in the ASEAN and the region. Thailand was a flourishing country in attracting inward FDI. Meanwhile, Vietnam is an emerging economy due to Vietnam having a long coast with a deep-sea quay, and it is very famous, like a Danang quay and socialism. This country is one of an enormous populace and cheap labor costs. It is also the destination of foreign investors who want an investment with affordable labor costs. A lot of laws related to investment were adopted to promote inward FDI. Besides, competitiveness among them, Lao PDR, seems to face the problem because of land-locked country and the small number of population, it deems to be the most challenged to discuss the level of competitiveness with Thailand and Vietnam on the one hand.

On the other hand, Thailand, Vietnam, and Lao PDR are sharing borders. Furthermore, Thailand and Vietnam are great examples of attracting inward FDI in the region because of economic growth up very fast in a short period. Inward FDI's successful background reveals that these two countries have potential and are fascinated to analyze the inward FDI's successful experience. To be parallel, Lao PDR is located in between them and has a good relationship with China, but the inward FDI is not yet increasing as it should.

Therefore, the research paper chooses these three countries to analyze and study because they are both intriguing and fascinating for the inward FDI. Once, the other is they take a short time to rebuild their countries' economies and rapid pace for attracting foreign investors. Moreover, these countries are fascinating to study because they have different regimes and geography but can compete well. Above mention reason behind leading to research by finding and drawing the policy for Lao PDR in the foreign direct investment sector and other inward FDI of Thailand and Vietnam. Opting in Thailand and Vietnam to be the research qualitative case study due to these countries always stays with different political views; they are located in diverse geography and differentiated in culture and perspective. However, they have a similarity to the members of ASEAN, based on natural resources (in different levels) to push up economic development, based on regulation reform to attract the inward FDI, and based on the ranking of Doing Business indicators to obtain an intimate level from the foreign investors. Various factors of these countries' well-doing lead to a study on the comparative analysis of the familiar and differentiated determinant factors influential for inward FDI of the host country. Aims for drawing and creating a better policy suggestion for more attractive and fascinated inward FDI for the Laos investment sector. Finally, those strengths and weak points of FDI inflow attractiveness will generate a policy implication for the FDI promotion sector of Lao PDR to reconcile and contain some in the investment promotion strategy in the future.

On the other hand, at the regional and country-level, some processes and implementations need to consider. For example, ASEAN integration comprises various countries that have differentiated in economic growth. Thus the members of ASEAN still have differences in economic growth rate, which includes (Secretariat A. , 2011) the GDP growth rate, GDP per capita, Gross National Income (GNI), inflation rate, exchange rate, trade balance, and trade openness (Bui, 2014). Besides, the infrastructure of communication and road development, and quality is still far from each other. It knows that infrastructure on-road (Ismail, 2009) is essential for trade and traveling; hence there will be the beneficiary in terms of economic development if the road is.

Moreover, human capital is also a core factor for the development and the inflow of FDI because high human resources will increase the capacity to develop and produce. As every country always needs high human capital to drive an economy. On the other hand, foreign investors also need high human resources for labor productivity (Aseidu, 2006), and eventually, they will receive high production. For example, instead of, the company will hire employee five people for a task but if there is a person can hold 5 in 1 job that will be a big sake for the company due to saving expenditure example: Singapore, Norway, New Zealand, Sweden, etc., these countries albeit will have a small market size (Busse, 2008) but they can achieve inward FDI attractiveness as can be seen in the high ranking of every year in the Doing Business Ranking, World Bank. Furthermore, natural resource abundance is a traditional factor for foreign investors to consider. For example, the country with mines, forestry, and water will attract more investors in a hydropower plant and mining inflow.

As mentioned above, the gap between the old and new members of ASEAN is high. Consequently, FDI attraction is also different. The research will focus on the determinant factor, influencing the inflow of FDI in ASEAN members (Lawrence S. Welch, 2007). This comparison is based on the empirical analysis of inward FDI among Thailand, Vietnam, and Lao PDR on FDI inflow. Then the result of the comparison will generate the essential factors to FDI inflow.

Consequently (Griggio, 2017), the finalize will notify the improvement of Lao PDR in the FDI sector to apply and attract more inward FDI as Thailand and Vietnam, which are very successful inflow of FDI in the region.

Hence, the paper will also analyze and summarize the common feature and the differentiation feature of each country's inward FDI in the target group as Thailand, Vietnam, and Laos. The paper will try to identify the common and different FDI elements in terms of the political scenario, economic stability, strength of the implementation rule of law, arrangement with the corruption, scarcity, and abundance of natural resources. Besides, other country strategies toward the FDI attraction, such as in Thailand as a victorious country, attract FDI a few decades ago in service, trade, and multinational enterprise. Moreover, the stability of politics combines with the level of corruption index that can lead to government collapse. In 2019 Thailand ranked to corruption rank of 101 out of 180 (International, 2019).

Meanwhile, the inflow of FDI in Vietnam becomes a large source of capital inflows and technology transfer. It also contributed to driving economic growth and the development of developing countries such as Vietnam. In 1986, after Vietnam economically reformed, known as Doi Moi, had liberalized and introduced the economy and opened up opportunities for foreign investors in Vietnam. It was started from 1988-1900 with US$ 1,600 million and jumped to US$ 71,726 million in 2008 (Binh, 2016). Consequently, this was because of the power of the decentralization of policy that started in 1996 on FDI amendment law (Huyen, 2015) such as granting investment license, leasing land, providing export and import licenses, and recruiting labor. Recently, Vietnam has further enhanced its policy on investment environment improvement to no restrictions on size, industry, and geographic areas based on investment law and enterprise law. Besides, they also improve the system of mechanism and policies toward incentives and making it more convenient for investors. These mechanisms and policies focus on improving and simplifying the administrative procedure. This guideline is called for the investment to create innovation in building essential social-economic infrastructure, promote the advantages of human resources, and improve human resources to meet the quality of business's demand and encourage business development and transparency on information for the company.

Lao PDR always emphasizes how important inward FDI affects economic growth. So innovation and improvement of their procedure to make more transparent and expedite the system are the priority. Meanwhile, other developing countries also try to promote their countries to attract global investors. FDI can bring massive capital to the nation, increase job employment, technology spillover, and infrastructure development. Also, the FDI is not only performance as a significant source of funding but also expands capital accumulation and intensifies the quality of capital stock (IPD, 2014).

Moreover, foreign investors will generate export volume and further opportunities to access the global market. This reason replies to why Lao PDR has adopted lots of law and investment promotion, enterprise law, labor law, and other related laws to serve foreign investors in various sectors. The Lao Government already marks a significant platform for them, including the Special Economic Zone (SEZ). This sector gives special incentives and tax holidays to the business invested in education institutes in rural areas. For investors who invest in a megaproject like a hydropower plant, mining that directly affects economic development will get further incentive.

1.2. ASEAN Macroeconomic Overview

The following data will help to understand more about ASEAN economics among the members and the given country's economic growth and the differentiation of their economy. The chapter will reveal the population (Secretariat A. , 2017), GDP including GDP at the current price, GDP per capita, Nominal GDP from 2010-2018, and the GDP growth rate.

1.2.1. Gross Domestic Product

This chapter will introduce the ASEAN members' population and their GDP at current price and capital per capita. The ASEAN separated into two groups: First, old members, namely: Thailand, Indonesia, Singapore, Brunei, the Philippines, and Malaysia. Those countries do not link the land, but they are rich in economics with pretty high income per capita. Second, new members, including Cambodia, Laos, Myanmar, and Vietnam (CLMV), have shared the land border, and these countries still have low-middle income per capita. The CLMV countries are even less developed and industrialized than the first group, as shown in Table 1.

Table 1: The population and GDP of ASEAN members in 2019

ASEAN Countries	Total Population (million)	Gross Domestic Product	
		Current Price	per capita
		US$ billion	US$
Brunei	0.447	13.6	31,895
Cambodia	16.494	24.5	1,535
Indonesia	266.998	1,041.60	3,928
Lao PDR	7.163	18.1	2,627
Malaysia	32.801	354.2	10,907
Myanmar	53.019	71.5	1,328
Philippines	108.307	342.6	3,213
Singapore	5.67	361	64,273
Thailand	67.913	505.1	7,443
Vietnam	95.484	240.7	2,542
Total	**654.296**	**2972.9**	**129,691**
CLMV	**172.16**	**354.8**	**8,032**
ASEAN-6	**482.136**	**2,618.10**	**121,659**

Source: ASEAN secretariat, (2019)

Table 1 demonstrates the gap between the new and old ASEAN countries from 2010-2018 regarding the population and their GDP per capita. The crack and differentiation were still high and among them. For instance, CLVM countries GDP per capita was lower than the other others older members for the total amount by US$8,032 and US$ 121,659 for specific Cambodia, Myanmar was reconciling to be the weakest of the income per capita is around US$1,535 and US$1,328 respectively when compared with old ASEAN countries. Still, Vietnam and Lao PDR were pretty close up to the senior member countries when reached against Indonesia and the Philippines that have their income per capita around US$3,984 and US$3,213, respectively. This Table showed how much of the ASEAN member country's gap in terms of the annual income per capita. Besides, This number also means the FDI level was different in terms of economic growth and institute development.

Table 2: GDP Growth Rate in ASEAN from 2010-2018 (US$)

Country	Year						
	2010	**2011**	**2012**	**2013**	**2016**	**2017**	**2018**
Brunei Darussalam	35,525	47,116	47,648	44,560	27,436	28,433	30,645
Cambodia	801	900	950	1,052	1,257	1,402	1,541
Indonesia	2,977	3,498	3,564	3,636	3,598	3,871	3,930
Lao PDR	1,079	1,262	1,565	1,799	2,400	2,510	2,627
Malaysia	8,772	10,259	10,671	10,663	9,442	10,041	11,067
Myanmar	811	1,127	1,190	1,209	1,221	1,249	1,441
Philippines	2,147	2,364	2,595	2,737	2,951	2,992	3,215
Singapore	46,570	53,233	55,546	56,967	56,724	60,306	64,567
Thailand	5,181	5,602	5,982	6,301	6,113	6,737	7,446
Viet Nam	1,338	1,543	1,755	1,908	2,216	2,390	2,546

Source: ASEAN secretariat, (2019)

The GDP growth rate was very high in an emerging economy because many development phenomena of low income would change to middle income. Likewise, the developed countries were lower than the new ones because the economic growth was saturated. However, the GDP per capita (Table 2) shows that even the GDP growth rate in the CLMV countries was very high, but the GDP per capita was still low.

1.2.2. Inflation

The inflation rate (Table 3) in the old members was quite exciting and educational. After the climax of inflation in 2011 and 2013, Brunei, Singapore, Thailand, and Malaysia gradually decreased and closed to zero. The inflation was not also mean that their country's economy themselves were well-being and prosperity. Still, it was also elucidating the capacity to import and export commodities of those countries and FDI's attractiveness into their countries.

Table 3: Inflation rate

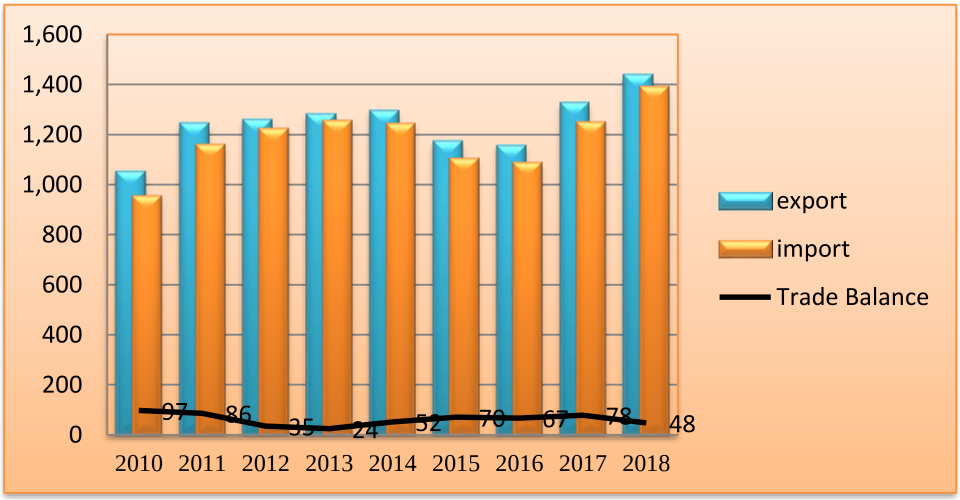
Percentage, (%)

Country	Year								
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Brunei Darussalam	-2.1	1.8	0.4	0.2	(0.2)	(1.0)	(1.6)	(0.1)	0.1
Cambodia	3.1	4.9	2.5	4.6	2.4	2.8	3.9	2.3	1.6
Indonesia	7	3.8	4.3	8.4	2.7	3.4	3.0	3.6	3.1
Lao PDR	5.8	7.7	4.7	6.6	2.4	0.9	2.5	0.1	1.5
Malaysia	2.2	3.0	1.2	3.2	2.7	2.7	1.8	3.4	0.2
Myanmar	0.5	0.7	6.0	4.4	(0.1)	10.3	6.6	4.0	6.8
Philippines	3.6	4.2	3.0	4.1	2.7	1.5	2.6	3.3	6.6
Singapore	4.6	5.5	4.3	1.5	(0.1)	(0.6)	0.2	0.3	0.5
Thailand	3	3.5	3.6	1.7	0.6	(0.9)	1.1	0.8	0.4
Viet Nam	7.9	18.1	6.8	6.0	1.8	0.6	4.7	2.8	2.7

Source: ASEAN secretariat, (2019)

1.2.3. Trade Balance

Figure 3: Trade Balance of all ASEAN Members Against Partners (2010-2018)



Source: ASEAN secretariat, (2019)

Figure 3 indicates the number of imports and export as well as the trade balance. In 2010, the export and import of goods and services started by US$1,049 billion and US$ 952 billion, respectively. It trended to be lower than another year when compare in 2018 to the net amount of export and import by US$1,436 billion and US$1,388 billion, by can be notified that the trade balance in 2010 was higher than 2018 by half and the desirably was gradually increased year by year.

1.3. Purpose of Research

The incremental role of FDI in a host country sharply contributes to economic development and other sector improvements. It enhances instruments to drive the awareness of society to increase their quality of people. However, FDI inflow does not only bring brightness to the host country, but it also brings challenges to the host country like a shadow. For example, the ASEAN, albeit it seems to be well integrated within ten members, on the other side, the economic development gap and inequality between the developed and developing countries in an association is still the main barrier, especially the developing countries. To decrease the hole, it needs to find out the best FDI inflow opportunities, driving economic growth. Besides, applying lessons learned from countries that have significantly achieved (Thailand, Vietnam, Singapore, etc.) to other developing countries such as Laos, Myanmar, and Cambodia. Therefore, this paper will seek to compare inward FDI factors that have outstanding achievement in FDI attractiveness, such as Thailand and Vietnam, after applying lessons learned for Lao PDR.

To pursue the objective, this paper seeks to analyze and prove indicators that might impact the inflow of FDI. The Doing Business indicators determined by the World Bank will play an essential role in exploring, including the data from the ASEAN Secretariat, UNCTAD, and empirical research in the field of FDI inflow as a demanding country. They recommend being evidence for justification in a comparability case study of Thailand and Vietnam's economy, which are more economic strength and emerged economy in the region and lesson learned of Lao PDR for inward FDI attractiveness.

The research examines the significant factors that become the causal of FDI inflow in Thailand and Vietnam. Moreover, the paper figure out the lessons learned for Lao PDR to achieve the inward FDI. These common indicators include the time and cost of starting a business and registering property.

Besides, the specific indicators of the host country such as GDP per capita, inflation rate, debt level, trade openness, government institution (the rule of law and corruption indicators), infrastructure development, policy, and regulation aspect, location, geopolitics, human capital, macroeconomic factors, and natural resources endowment will also take in the observation. Even though the market size and natural resources will be the first influential factor to convince foreign investors, if we look at some countries with the best rank in the business, there is not too much of a populace and resources. For instance, Singapore and New Zealand have successfully achieved FDI with top rank in Doing Business indicators. The secret of great success might be from specific indicators of each country, such as location, regime, degree of corruption, level of debt, culture, market efficiency, government effectiveness, and market infrastructure.

To answer the fact-finding of the determinant factors influence the inward FDI in the ASEAN members, specifically, Thailand, Vietnam, and Lao PDR. Finally, trying to find what Lao PDR can learn from their experience to achieve FDI inflow, consistency to the purpose of the research thesis, the research will answer questions and hypothesis as below:

1) What are the common determinant factors that impact the inflow of FDI in the ASEAN?
2) What are the specific factors that differentiate the achievement of inward FDI of Thailand, Vietnam, and Laos?
3) How does Lao PDR apply the determinants of those countries for more inward FDI attraction?

We expect that the demanding country of inward FDI will try to change, adapt, and upgrade their status in the selected Doing Business indicators of the World Bank to reverse the result of inward FDI better than previously. In other words, the chosen DBI will have a negative correlation and a significant positive impact on the inward FDI. Therefore, research based on the following hypothesis:

- If the government reduces the number of days that require starting a business, it will positively impact the host country's FDI inflow.

- If the host country can reduce the cost of starting a business, it will positively impact the inward FDI.
- If the host country can reduce the cost to register property, it will positively impact the inward FDI.
- If the host country can reduce the cost to enforce contracts, it will positively impact the inward FDI.
- If the host country can give more people income or increase GDP per capita, it will positively impact the inward FDI.
- Suppose the host country can be stable at the inflation rate or guarantee the inflation rate's stability in the future. It will positively impact the inflow of FDI.
- If the host country regulates further facilitation to the trade and liberalization and de-regularization, it will positively impact the inward FDI.
- If the host country can upgrade the unskilled labor to semi-skilled labor and skilled labor, it will positively impact the inward FDI.
- If the host country's location is convenient and can facilitate trade in the region, it will positively impact the inward FDI.
- Suppose the host country's geopolitics is in a good range of politics, macroeconomic, and geography in the international and regional. It will positively impact associated with the inward FDI.
- If the host country's culture has a long historical correlation to another state or the culture is similar, it will positively impact the inward FDI.
- Suppose the host country's rule of law is strict, and its implementation is in conformity to the regulation enactment. There is enough regulation; it will positively impact the inward FDI.
- If the host country has abundant natural resources such as water, forestry, and mining, it will positively impact FDI inflow.
- If the host country's infrastructure is improved, constructed a new route, and expansion in quantity and quality, it will positively impact the inward FDI.
- If the host country can create a better condition market infrastructure and its efficiency, and mining, it associates with a positive impact on the inward FDI.

1.4. Research Methodology and Research structure

Many factors are affecting the inflow of FDI. Most of them are very important for investors to consider based on factors in the regional and specific country factors differentiated. However, this research will focus on the specific comparative case study among Thailand, Vietnam, and Lao PDR. The comparison focuses on the cost and time to start a business, the cost to register property, the quality of human resources, trade openness, macroeconomic components, natural resources, on-road infrastructure quality, and communication. The final most important is an institutional factor and specific factors of FDI inflow in each country, such as location, regime, transparency, culture, market efficiency, government effectiveness, and Market infrastructure.

The paper will seek to answer the question by various secondary data sources published on the FDI analysis, especially the statistical data of the Ease Doing business of the World Bank, ASEAN annual report, and ASEAN secretariat. On the other hand, the online information from Asian Development Bank (ADB), World Trade Organization, and United Nations Conference on Trade (UNCTAD), ASEAN Economic Community (AEC), several conferences related to inward FDI. The rest of those parts will notify the empirical analysis of other sources of the international and domestic experts that have written on FDI determinants.

The qualitative research method is based explicitly on comparative case study analysis, which will be started from the theoretical issues and ended with the observation of researchers related to some parts from empirical research and observation to explain the reason behind the achievement of those determinants factors.

The study separates into five chapters, including chapter 1 will present the introduction of this study that consists of the background of the study, study questions, the purpose of the study, the significance of the research and methodology, and study structure. Chapter 2 will present the theoretical framework that consists of some holistic theories framework and literature studies related to the study's topic, including summarizing how to go. Chapter 3 will present the FDI development of case study countries, including economic growth challenges faced by Thailand, Vietnam, and Lao PDR. Chapter 4 will propose a qualitative case study hypothesis that uses in the research thesis. It includes the research variable and correlation, research analysis, policy implication, and lessons learned after comparability within Thailand, Vietnam, and Lao PDR. Chapter 5 will conclude the critical finding of the previous chapters and the study's implication to contribute to the strength of FDI attractiveness in Lao PDR through comparability. Moreover, the study will give useful suggestions and recommendations for future studies related to this topic regarding policy and regulatory implications associated with FDI to promote inward FDI attractiveness.

In this research thesis, we expect to determine the relationship between common and different features and the inward FDI indicators of Thailand, Vietnam, and Laos that positively influence FDI's inflow. The research thesis will utilize data from the empirical literature on FDI and data available for doing research.

1.5. Significance of the study

The economic growth of the Lao PDR remains in a stable ranking among ASEAN members. Recently, the government pays much effort to transfer the landlocked to a land-linked country to stimulate economic growth and more Foreign Direct Investment into the country, as inward FDI is the most significant factor in alleviating poverty and workers' unemployment. The Lao government concentrates on the world's openness by participating in various regional and international integration, international forums, and other essential conferences; this effort recognized by the World Bank, United Nations, and Asian Development Bank. The government has declared a one-stop service for foreign investment. However, Lao PDR still staggers to attract more investment than the other ASEAN members, specifically CLMV countries. Thus, finding keys to FDI attractiveness from the World Bank of Doing Business standard of this paper will be more useful for competitive the inward FDI in the region, especially the comparative against Thailand and Vietnam. Therefore, the way to compare will create a good opportunity to adapt and improve a good FDI attraction strategy.

Moreover, this research will contribute to data analysis of FDI inflow due to nowadays research papers that focus on only ASEAN and some countries with high experience in the FDI attraction such as Thailand, Vietnam, Indonesia, Malaysia, Brunei, Singapore, the Philippines. Therefore, this paper will extract foreign investors in the Asian region, especially Korean investors who want to invest in Laos. Still, they do not know the strategy key factors to success and threaten the investment program. The literature review result will be utility for other scholars or professionals interested in the inflow of FDI policy in Lao PDR.

1.6. Scope and Limitation

The paper will concentrate on the secondary data that derives from various sources of international and national data. Hence, the economic information is entirely accurate and trustful and combined with the empirical analysis from the researchers' knowledge background of ASEAN Secretariat and World Bank analysis data that can transform into the description and explanation of the study's result. However, the research needs more intensive data from an interview with specific authorities in charge of inward FDI in each country.

Chapter 2. Theory Framework

2.1. Concepts of Foreign Direct Investment

As a part of the Association of Southeast Asian (ASEAN), the community with more than 600 million people with diversity in belief, culture, language, and economic development. ASEAN is one of the organizations that have a high gap of economic-social development among their members. For instance, the GDP per capita of Singapore is around US$60,000, then the lowest GDP per capita in Myanmar, with around US$1,300. This number does not demonstrate only the differentiation in economic development. Still, it also ascribes as differentiation in human capital development, infrastructure development, the depreciation of the currency, the uncertainty of GDP growth rate, and the institution administers the economic development. However, as a developing country and still preparing for financial transfer, it is tough to strengthen its economy. The fastest way to push economic growth and receive massive currency is the Foreign Direct Investment inflows. Therefore, ASEAN and individual members try to attract FDI inflow by determining various significant instruments to attract investors to invest and make a manufacturing base in their territory and promote themselves in the world community conceive and interest.

To implement this strategy, the World Bank has introduced the Doing Business channel for investors interested in investing and finding the opportunity to plant their money. ASEAN members try to promote themselves through DBI and to focus on attracting investors, especially Singapore, Thailand, Brunei Darussalam, Malaysia, Philippines, and Vietnam, respectively. Most of this country put into a good rank in doing business for inward FDI perspective. Consequently, even though those countries will not yet reach Singapore's position, at least they are in a good ranking in Doing Business indicators. For example, in the last few years, Thailand and Vietnam were still in a hundred orders (Doing Business, 2019). Consequently, they both successfully attracted investors in terms of (Huyen, 2015) transparency, trade facilitation, information accession, and information asymmetry solution (Bui, 2014). The investors' confidence and trust in the openness system and to make sure that (Binh, 2016) investors will not pay extra money for bribery.

2.2. The motivation for the inflow of FDI

Table 4: Summary of determinant factors (Independent Variables) on inward FDI

No	Common Determinants (Independent Variables)	supporting literature	information sources	Isolation Determinant (Independent Variables)
1	Time (days) required to start a business	(Kasongo, 2011), (Gottschalk, 2001), (Phonesavanh Xaypanya, Paweenawat, 2014), Karimi, (2009)	Doing Business, World Bank, 2019	Location
2	Cost to start a business	Kasongo (2011). Desire (2011)	Doing Business, World Bank, 2019	Geopolitics
3	cost to register property	Aseidu (2006). Kasongo (2011)	Doing Business, World Bank, 2019	Debt level
4	cost to enforce contracts	Bitzenis (2004)	Doing Business, World Bank, 2019	Culture
5	GDP per capita	Busse (2008). Blonogen (2005)	Doing Business, World Bank, 2019	Rule of Law
6	Inflation rate	Griggio (2017). David (1985). Stein (2020)	Doing Business, World Bank, 2019	Natural Resources
7	Trade openness	Bui, (2014). Norris (2010). Huyen (2015)	Doing Business, World Bank, 2019	Market infrastructure and its efficiency
8	Human capital	Ismail (2009). Walsh (2010). Tumura, (1994), (2016), Bui, (2014), Duong, (2019)	International Labour Organization (ILO), 2019	Infrastructure

Source: Author

Likewise, the Thailand government also tries its best to stimulate and escalate economic development by developing many laws and management system. Setting the export-led growth strategy due to Thailand is one of the eight priority destinations for foreign direct investment (UNCTAD, 2013). Even though Thailand will detain a very significant remark for the best FDI inflow destination, there is not only a bright side, but the shadow side should also appear. There are a dozen Challenges that need and are urgent to solve. For example, the implementation of Thai Government's commercial law of many coordinator agencies and complexities (Aduldech Klong Klaew, 2016), besides that in terms of regional integration consequence the foreign investors also claim the Thai authority to reduce the level of barriers to trade and investment and improve the environment of investment. As the commercial law becomes the barrier to the import-export procedure of the trading across the border, the result reveals that the commercial law complexity is one of the institutional problems that have significantly affected the inflow of FDI.

Lao PDR is the least developed, landlocked country, and low-middle income (Bank, Doing Business, 2017). Therefore, the Lao government endeavors to instigate economic growth by trading with neighbors that share borders altogether. Another dimension is to prepare themselves for the Belt Road Initiative (BRI) (IPD, 2014) railroad that is going to complete in 2021. The Lao government has a critical part of the investment, namely one-stop services in charge of the Ministry of Planning and investment. They have adopted so many policies and regulations to support foreign investment inflows and train many staff, technical staff, and bureaucrats, directly and indirectly, to investment support. These causal activities aim to push up economic growth, employment, human capital, increasing innovation, technology inflows, restructuring the public sector, and together step with consistency, leaving no one behind.

Many researchers and scholars argued about the determinant factors of FDI inflow (Fernandez-Aria, 1996) and (Gottschalk, 2001) examined the push and factors that mean PUSH as an external recipient FDI. It will lead to the host country's supply-side and the PULL factors as internal factors and sometimes controlled by DDI (Domestic Direct Investment) of the host country, and the host country will act as the demand side. Hence, this is the point that the paper will consider using the PULL factor, which allows the host country to control.

2.3. Theoretical of Determinant factors of FDI inflow

Continued on the determinant factors of inward FDI and the host country, including Lao PDR, Thailand, and Vietnam as a demand side, the paper will elaborate, ascribe, and explain later. The researcher will identify three main core groups found in the (Anyanwu, 2011) used as dependent, independent variables, and the demanding side's control parameters. Firstly, the economic factors such as the host country's market size include GDP growth, GDP per capita, real GDP, and inflation rate. Secondly, the group of investment factors, including trade openness, natural resources endowment, and thirdly, is institutional factors that affect the business environment, including the quality of infrastructure, human capital, political stability, good governance, and corruption. However, some different factors of specific FDI inflow features that need to consider (Table 7) said that the enormous investment opportunities are from the host countries to the Multinational Enterprises (MNEs) for the good option. Still, many countries in the region for the MNEs will choose the best offer from one country only in the region. This statement can explain that even though the countries are members of the same region, it does not mean that every country will be equity in the same range of the policy, meaning that the policy's implementation might be successful. Some policies are not. These policies also suggest each country's environmental condition is different, affecting the performance as well. It has been a long time ago of discussion from many researchers, scholars, and experts about the determinant factors to accomplished the inflow of FDI, and these are still a unanimous issue that should be further discussed and find out the same point of view for instance:

- David O. Cushman (1985) analyzed the model of direct investment in various relationships between foreign and domestic production. The direct investment effect of risk-adjusted expected real foreign currency appreciation was lower foreign capital cost, thus stimulating direct investment. Shown that if the foreign currency appreciation and the local currency depreciation would be an essential benchmark to attract inward FDI because the foreign investors were able to pay a lower cost for starting a business.

- Jonathan Eaton and Akiko Tamura (1994) examined Japan and the U.S Exporters, which analyzed both countries the direction of foreign direct investment. The U.S was interested in the countries with middle-income market size and explained that the low level of income market size was difficult to support for Foreign Investment. However, the high wage and high education of the human capital of high-income countries still deter investment. On the contrary, Japan perceives the country with an abundance of Natural resources. Both countries' investments should concern transportation cost; market size includes the GDP of a country, GDP per capita, power of purchasing parity, exchange rate, inflation rate and nominal rate, high level of human capital, and natural resources endowment.
- Nicholas Billington (1999) made a research of the location of foreign indirect investment: an empirical analysis by using of a multiregional model, consisting of 11 regions of the U.K. and each model attempted to encompass all those locational factors, he can find that the market size variable (income and economic growth in the macroeconomic), unemployment, level of host country import and certain policy variables (corporate tax and interest rate) were significant determinants of location.
- Bellac (2008) analyzed the politics that influence the determinant factor for Foreign Direct Investment from 11 host economies (U.S. plus EU-6 and four central and Eastern Europe). The analysis collected industry-level data from 1995 through 2003. He found that the inflow of FDI depended on the host country's indicators, such as the tax excising, the level of barriers to trade, the labor cost, the political stability, GDP per capita GDP growth rate, and inflation rate.
- Mohammad Sharif Karimi (2009) examined ASEAN's determinant factors of inward FDI with three critical keys. The economic condition such as Market size, income level, GDP, labor cost, and skilled labor. The host country's policy trade openness and the last is natural resources, urbanization, demand pattern, location
- Ismail (2009) identified the determinants of FDI in ASEAN members. The result found that besides the traditional FDI inflow factors such as market size

in the host country. There were other indicators, such as the shorter distance of freighting, common in language. Next, the macroeconomic factors such as lower inflation rate, higher exchange rate, good management of government budget, and final factors were economic and social factors such as good telecommunication and infrastructure and transparency.

- VijayaKumar, N., Sridharan P., and Rao, K. C. S, (2010) investigated FDI's determinant in five large economically emerged countries, such as Brazil, Russia, India, China, and South Africa (BRICS) from 1975 to 2007. This study used panel data analysis. The result found that the market size, labor cost, exchange rate, economic stability, and infrastructure facilitates were the major influential factors to attract FDI to the host countries. On the other hand, trade openness was not a significant factor.
- Phonesavanh Xaypanya, Poomthan Rangakakulnuwar, and Sasiwimon Warunsiri Paweenawat (2014) found that FDI's determinant factors are real exchange rate, inflation rate, gross domestic product (GDP), level of openness.
- Hong Hiep Hoang and Duc Hung Bui (2014) analyzed the determinant factors of inward FDI in ASEAN. They found that inward FDI's main factor mostly came from the market size, trade openness, quality infrastructure, human capital, and labor productivity. These were also primary factors that positively impacted the inflow of FDI. Additionally, exchange rate policy, real interest rate, political risk, and corruption also affect FDI's inflow. Surprisingly, the cheap labor did not help attract FDI to the region because foreign investors are particularly interested in labor productivity.
- Ho Thanh Tri (2019) examined the impact of financial integration and other variables on foreign direct investment capital inflows in ASEAN 3 (Cambodia, Lao PDR, and Vietnam) and ASEAN 5 (Indonesia, Malaysia, Philippines, Thailand, and Singapore). Furthermore, the gross domestic product, interest rate, infrastructure facility, labor cost, and trade openness also positively impact the inflow of FDI in the host countries. Still, the empirical results also found that the FDI in ASEAN positively correlated to market size, infrastructure facilities of host countries. The labor cost, as well as trade openness, were negatively correlated in ASEAN3.

As arguments mentioned earlier, many determinant factors influence FDI's inflow in the host country: their political stability, which means their business stability. Most of the determinant factors that comply with various factors occur in many researchers abovementioned; nevertheless, they can divide into only three main factors: Firstly, economic factors, Secondly, the investment environment factors, and thirdly, the institutional. Every factor includes several factors that are very important to consider the FDI inflow level in the host country.

Doing Business becomes a vital factor for every country worldwide due to the investors who want to process their capital to each country (Ease of Doing Business Report, 2020). They need to investigate those countries' situation and status before moving funds and mechanisms, technology, and technical staff. Therefore, this channel is one of the most popular options for foreign investors, specifically the firm with more than one owner. They utilize this channel to check the time and the cost of starting a business or registering a property in the host country matter and other specific indicators.

However, the Doing Business Indicators (Bank, 2020) does not include the full range of factors in the institution's policies and quality that affect its quality competitiveness (Kasongo, 2013). For example, political stability, market size, macroeconomic stability, government effectiveness, market efficiency, culture, and corruption. These indicators are considered as determinant factors that are influencing the inflow of FDI in the host country.

Hence, this thesis attempt to move the investigation into the inward FDI policy within the way as follows: first, looking closely at the correlation between the Doing Business indicators impact to the FDI inflow in broadening the perspective of ASEAN member countries and then go specifically to compare among Lao PDR, Thailand, and Vietnam. Secondly, the thesis pursues an example of empirical examination through a statistics method that responds to the FDI selection in Doing Business indicators: Starting a Business, Property Registration. Thirdly, the paper will consider each country's potential indicators. Lastly, firmly intend to focus on the lesson learned and policy implication that Lao PDR can grasp after comparison with two countries that have successfully attracted FDI in the region like Thailand Vietnam from 2010 through 2018.

The research study has looked for the determinant factors of FDI by comparing Thailand, Vietnam economies, and Lao PDR economy and following the thesis's question, 'What are common determinant factors that impact FDI's inflow into the ASEAN? Thus, the study will examine the significant determinants of inward FDI (Table 7) that can apply to compare Thailand, Vietnam, and Lao PDR. The process will follow the Doing Business, including the time (days) required to start a business, the cost to start a business, the cost to register property, and the cost to enforce contracts. The paper will also compare economic factors (Phonesavanh Xaypanya, Poomthan Rangkakulnuwar, and Sasiwimon Warunsiri Paweenawat, 2014), including GDP per capita, inflation rate. Then go through the investment environment factor, including trade openness and natural resources (Stein, 2020) and (DIOUF, 2011). Finally, the paper will follow up with the institution (Kasongo, 2013), including the rule of law (policy), human capital quality, and road infrastructure quality. Specifically, the geopolitics, culture, FDI by population and market infrastructure and its efficiency, and location impact of the mega-project railroad from the Belt Road Initiative (BRI) that connect between Lao PDR and China, later will connect to Thailand, Vietnam, Myanmar, and Cambodia.

Trade openness represents the openness level and economic integration level in the host country with the rest of the world. Trade openness means that trade barriers are related to goods, commodities. Besides, openness also gives foreign investors a chance to gain more benefits in the host country. (Aseidu, 2006) and (Nooribakhsh, 2001) confirmed the openness level brought a positive impact on the inward FDI in the host country. Thus, this paper expects to find a strong positive among openness level and the inflow of FDI.

Quality infrastructure becomes one of the essential instruments to the inflow of FDI .the investors consider a good quality of infrastructure development (Aseidu, 2006) such as a vast and comfortable motorway, railway, quays, and dry ports. Furthermore, the infrastructure in telecommunication such as internet access and phone network also criticize. The quality of infrastructure reckons as an important instrument to attract foreign investors in basic (Bui, 2014) and (Ismail, 2009). Several researchers' statistical analyses found that the infrastructure is an important instrument and positively affects FDI inflow. Therefore, this paper will analyze and compare Thailand, Vietnam, and Laos' infrastructure and find a correlation between the infrastructure and FDI inflow in this research.

Human capital represents the quality of the labor in the host country are the main factors that have positive impacts on the inflow of FDI (Aseidu, 2006), (Nooribakhsh, 2001) and (Masron, 2010). The qualitative workers can handle successful and great jobs if there are high technology and suitable mechanisms. For example, Singapore, New Zealand, Sweden, Norway, Finland, and Denmark have a great achievement for inward FDI. On the one hand, these countries also arrange a top ranking in the most fascinating countries to ease doing business and start doing business. One interesting topic is why countries become the top countries to be more attractive in investing in Multinational Companies (MNCs) because they are all small countries and populations. Since Laos is a small and small number of people as affecting market size. Hence the quality of staff, professional, education, and vocational training will be applied to analyze and compare according to the number of native citizens hired in the workplace each year.

However, the inflow of FDI will bring many benefits and utility to the host country's economic growth, skilled labor, capital inflows, and technology transferred opportunity and more productivity (Schnitzer, 2000). In contrast, the influx of FDI also accompanies other dark sides to the host country, such as the debt level, and it may bring risk to the host country's sovereignty. However, this is an unambiguous act of expropriation; in this case, the debt refusal will lead to international sanction punishment. On the other hand, the external debt influence constrains FDI's inflow if the external debt is higher than the percentage of GDP per capita limited.

The other issues for the investors who want to invest in a host country need to consider the geopolitical risk (GPR) issue because the GPR will increase the market's price and instability (Krane, 2020). GPR includes political instability (Caldara, 2018), terrorism, a conflict between the countries, or the state that can disrupt investors and international relations. These risks are becoming the most essential and severe issue for the investors, and it concludes to be the critical determinants in FDI inflow (Nyande Fania, 2020). The political risk included in the

GPR is significant to the investors because the GPR is non-quantifiable, which brings to the non-quantifiable risk; it can cause a lot of damages without planning for investors (Li, 2019). They necessitate looking into the GPR as one doing business indicators unless it will become a crucial issue to affect the business objective (Malmgren, 2015). The GPR forecasts the market and price instability and helps scan the business environment to strengthen the investors' investing strategy (Malmgren, 2015) when facing a geopolitical event (IIA, 2009). The regime is the independent variable (Table 4) that can lead to the FDI inflow. For example, Vietnamese investors want to expand their business or move their business location to another country. so Lao PDR will choose because they share a similar ideology on socialism. (Figure 4) There are three countries, namely China, Vietnam, and Laos, located in the region. Both share borders with one another, and triple countries have similar regimes, especially China, which is the most powerful country in terms of economic growth and purchasing power. Therefore, Laos and Vietnam deem to grasp up much more advantage in land linking and administration similarity.

Figure 4: Map of Lao PDR and neighboring countries

Source: CIA, World Fact Book

The level of corruption is always a significant determinant factor that impacts the FDI inflow. The degree of corruption in the institution is also different according to the domestic administration and the country's background and traditional behavior, and the differentiation between the level of living cost and the official minimum wage (Lawrence S. Welch, 2007). As in ASEAN, the Transparency International ranking[1], Singapore ranked 4 out of 180, Malaysia is 51, Brunei Darussalam is 35, Indonesia is 85, Thailand is 101, and Vietnam is 96 and Lao PDR 130. This number of rankings is showing to the trust and confidence of the international community in the countries. This risk will directly impact the cost of starting a business, the time (days) starting a business, the cost to register property, and the cost of labor in productivity, because the corruption will raise every single value of doing business of each unit.

Natural resources are abundant in Thailand, Vietnam, and Laos. These countries have similar resources, such as minerals, forests, hydropower, gas, and crude oil. However, it depends on the level of abundance. For instance, Thailand is a big country with plenty of underground mineral resources (Omondi, 2019) such as coal, natural gas, gold, zinc, tin copper, gypsum, etc. Besides that, there is a forest that can produce hardwood, and the fishery becomes critical of seafood and fishing to find fresh food, and it is also a tourist attraction and the fish industry to export ((CIA), 2020). Lao PDR focus on natural resource management for sustainable development with specific emphasis on hydropower and mining ((WB), 2010). The hydropower and mining sectors have significantly contributed to Lao PDR's economic growth, which was 7.5% during 2005-2010. If there is good management, this can turn into genuine development assets for its benefit and people.

The paper will then analyze Thailand, Vietnam, and Laos' endeavor and strategy to attract FDI inflow strategy and maximize FDI worldwide, develop technology, and labor forces. It will mainly criticize the competition situation to attract foreign investors, design incentive strategies, and start doing business facilitation strategies.

[1] The Corruption Perceptions Index 2019 ranks (Transparency International: the global coalition against corruption) 180 countries and territories by their perceived levels of public sector corruption, according to experts and business people.

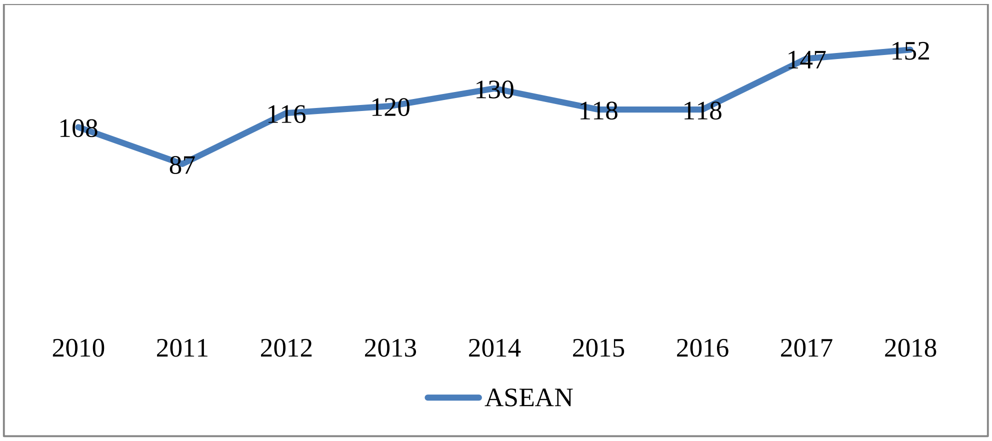
After that, the thesis will compare and analyze strategies to attract FDI inflows among Thailand, Vietnam, and Lao PDR with determinant factors that influent the inward FDI. This comparability expects to find the specific predominant factor to attract the inflow of FDI to the region and those factors that can find a relationship between those indicators and the FDI inflow to Lao PDR, Thailand, and Vietnam. Finally, this paper will come up with a result for the most influential factors that affect the inflow of FDI and lessons learned for Lao PDR. Moreover, the recommendation for further research on FDI attractiveness that needs to modify Laos' FDI sector in the future will provide.

Chapter 3. Background of Analysis

3.1. The Essential of Inward FDI in the Region

Foreign Direct Investment (FDI) flows to ASEAN rose in 2012 by about US$ 116 billion after the number dropped in 2011 by US$ 87 billion (figure 5). After that, the number level of FDI investment gradually increase by US$ 118 billion in 2016, and it tended to grow up in 2017 by US$ 147 billion. In 2018 the FDI value still grew up year by year. It also estimated that in 2019 and 2020, until accomplishing the ASEAN blueprint in 2025, the FDI in this region trend will accrue more and more. Because the rising investments in eight member states such as Indonesia five-fold from US$ 3.9 billion in 2016 to US$23.1 billion, flowing to Thailand in triple times to US$ 9.1 billion and flowing to the Philippines can calculate by 21% to US$10 billion. For the new members of ASEAN CLMV (Cambodia, Lao PDR, Vietnam, and Vietnam) after combining reached a record level in 2017 by 21% to US$ 23 billion or 17% of inward FDI inflow to the ASEAN, Vietnam with the largest recipient in among the ASEAN by exceeding US$ 14 billion or 60% of inwards FDI inflow in among CLMV countries.

Figure 5: ASEAN FDI Net Inflows from 2010-2018 (in Billion US$)



Sources: ASEAN Secretariat, (2019)

Table 5 shows that the number of inward FDI by country in the ASEAN. The intra-ASEAN FDI inflow trends increased from 2010 by US$ 16 billion, and it came to the peak of the FDI inflow in 2016 with an amount of US$25 billion, and later the value tended to decrease. However, the number of extra-ASEAN countries still significantly increased and grew up year by year. European Union investors are in the same trend that fluctuates for investor capital by starting from 2010 of US$ 21 billion and slowly increased and decreased in some years and before come to the climax point in 2015 with an amount of US$ 4 billion before the FDI value went down again. Russia and South Korea are in a good trend of FDI inflow in ASEAN; the FDI value gradually increased from 2011 before it climbed up in 2015. The United States was always a vast partner of ASEAN, and the FDI value was almost equal to the combination of 10 members of ASEAN together in 2017. China was one of the biggest partners in the region. It was also an immense power that is very close to the ASEAN region; however, the number of investments in the ASEAN was not pretty high if compared to the United States, and the value fluctuated from 2010-2018.

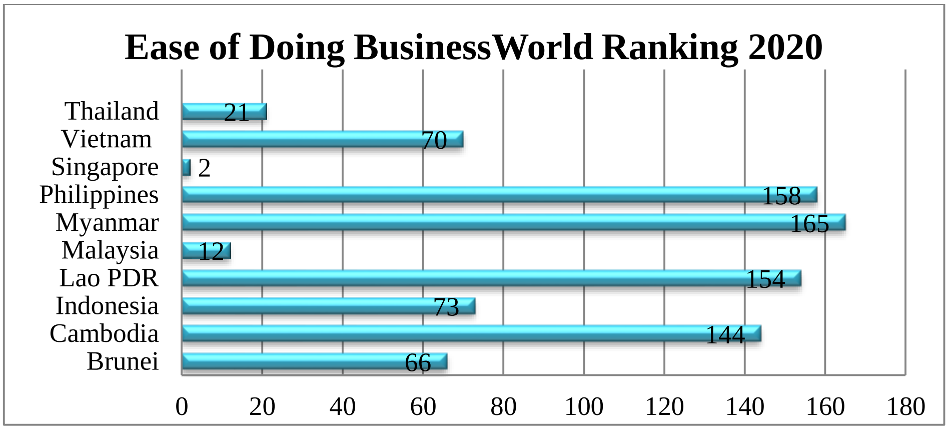
Table 5: FDI Inflow in ASEAN by Country (in millions)

Country	2010	2011	2012	2014	2015	2017	2018
Intra - ASEAN	16,306.36	15,836.73	23,900.78	22,180.88	20,819.28	25,474.19	23,188.35
European Union	21,145.15	24,419.26	-2,536.66	28,943.27	20,373.04	14,916.08	21,613.47
China	3,488.60	7,194.31	7,975.22	6,811.74	6,571.77	13,700.59	9,940.08
India	3,801.21	-2,106.17	7,040.65	1,163.50	1,473.43	-107.51	1,516.05
Japan	12,986.96	7,797.57	14,852.79	13,436.07	12,962.34	16,148.97	20,954.55
Republic of Korea	4,319.26	1,774.27	1,278.51	5,257.24	5,608.82	4,535.18	5,887.50
Russian Federation	54.50	10.15	189.05	-113.51	-24.44	47.75	55.71
United states	13,682.07	8,197.39	18,911.42	21,141.27	22,912.45	24,890.81	8,340.72

Source: ASEAN Secretariat, (2019)

All ASEAN members are doing well with the Doing Business of the World Bank ranking, especially the old members such as Singapore, Thailand, Malaysia, and Brunei by order of 2, 21, 12, and 66, respectively (figure 6). If comparing with the new members (CLMV) is pretty far worse than the old one, but Vietnam is a new emerging market in ASEAN and the fastest of economic growing up among the new members with the ranking 70. They do a better job than some old ASEAN members such as the Philippines and Indonesia, ranking 158 and 73.

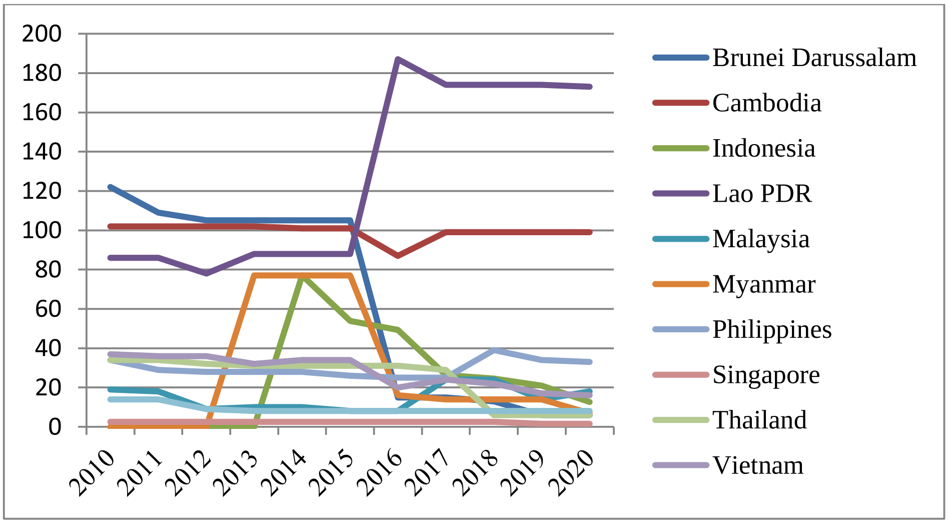
Figure 6: ASEAN Doing Business Aggregate Ranking from 2010-2018



Source: Doing Business Report (2020)

Figures 7 demonstrate the number of days starting a business in ASEAN; the time (days) began from 2010 Lao PDR, Malaysia, and Cambodia took a long time to allow newcomers to start a business. In 2015, Malaysia decreased the days of start to do business until a few days. On the contrary, Lao PDR and Cambodia remain the length of start business in their territory. Besides, Lao PDR also increased from 80 days in 2010 to more than 170 days in 2020. In 2010, the other ASEAN members started their days to start doing business under 40 days. South Korea and other countries tended to diminish the time under 20 days or even less than that except the Philippines.

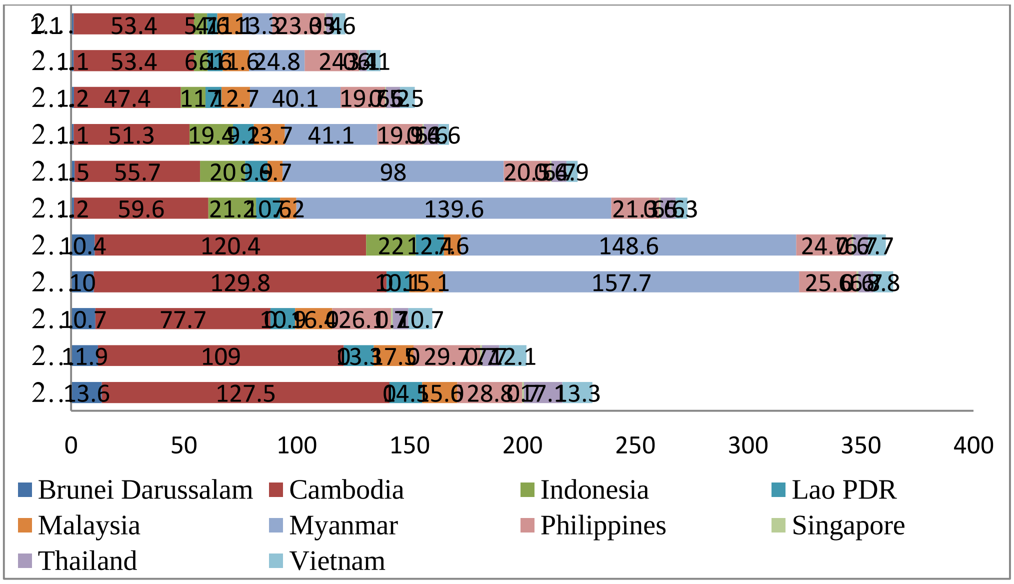
Figure 7: Time (days) required to start a business in ASEAN



Source: Doing Business Report (2020)

Figure 8 elucidates that the lowest cost to start a business was Singapore by a rate of less than point seven percent, followed by Brunei Darussalam and Thailand by 3 and 1,1 percent in 2020. The costs to start a business in Cambodia, Lao PDR, Philippines, Myanmar, and Vietnam, but Vietnam in 2020 decrease the percentage of income per capita to start a business even though the cost was high in 2010. In the case of Cambodia and Myanmar, where it was costly to create a place in the territory, Myanmar just opened for international foreigners, and the World Bank began to survey for business background in Myanmar. Still, in 2020 it is a better situation by 53% for the cost to start a business. Similarly to Cambodia, in 2010, they increased the cost to start a business pretty high by 127.5%, after the price decreased by 47.4%. In 2018, the lowest point of charge to start a business was before increasing a little bit in 2010 by 53.4%.

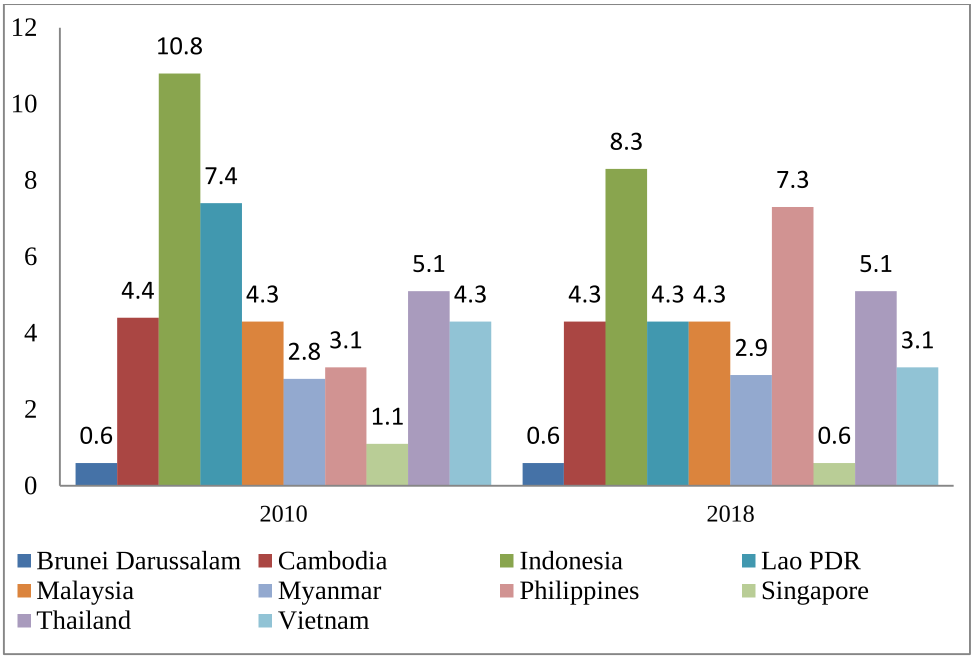
Figure 8: Cost of Starting a Business in ASEAN



Source: World Bank Doing Business Report (2019)

To conclude, the cost to start a business in ASEAN from 2010, albeit they were pretty high by the highest cost 127.5%. Still, they could not help to increase the number of Foreign Direct Investment. The minimizing cost to start a business is the way to sustainable foreign currency into the economy, and this also becomes the institutions' weak source due to corruption. Therefore, they have highly attempted to degrade the cost to start a business.

Figure 9: Cost (% of property value) to Register Property



Source: World Bank Doing Business indicator (2019)

Figure 9 expresses the cost of registering property in each country in ASEAN and South Korea. For instance, in 2010, the cost to register was high, especially Indonesia had a high price of 10.8% of property value to register, but the Brunei Darussalam that is always a lower cost of 0.6 and Singapore remained to play in an excellent ranking to decrease cost for registration property. South Korea remained a similar trend of charge to register at 3.3%. If we see the progress of Lao PDR and the Philippines try to move down, the cost comparison from 2010 for Lao PDR was 7.4% and go down by 4.3% in 2020. Likewise, in 2010 the Philippines cost was 3.1%, but in 2020 the price climbed up to 7.2%.

Table 6: External Debt Stock (% of GNI)

Country Name	2010	2011	2012	2013	2014	2015	2016	2017	2018
Thailand	32.54	31.90	39.08	38.55	37.80	34.64	35.01	36.23	35.09
Vietnam	40.30	41.57	41.19	39.95	40.85	42.45	43.55	48.87	46.70
Lao PDR	98.17	86.83	77.46	72.48	76.01	84.66	89.48	91.78	90.18

Source: World Bank (2019)

As shown in Tables 6, the external debt stock (% of GNI) of Lao PDR, Vietnam, and Thailand increase every year from 2010-2018. FDI also brings the debt level in the Lao government responsibility and accountability. On the other hand, the external debt stock in percent of GNI is also a big problem of the Lao government because it means the vulnerability of the FDI in Lao PDR. In other words, even though the FDI will positive and significant impact on economic growth. Still, if the percent of external debt against GNI is higher than half of the percent in GNI, it will limit the inflows of FDI. However, the FDI inflow will affect a positive impact but insignificant to economic growth anymore. In 2018, the external debt stock increased by 90.18%. If compared to 2013, the percent of external debt is 72.48%. In contrast, Vietnam and Thailand seem to manage the external debt stock well, even though they both are on the same track with Lao PDR as an attractive FDI country. Thailand and Vietnam are both well-doing to arrange external debt. The external debt (% of GNI) (Tanna, 2015) mentioned that the lower percent of external debt compares with lower roughly 60 percent of GNI. The inward FDI will positively and significantly affect the rapid growth of the economy in the host country.

3.1. The Inward FDI attractiveness in Thailand

3.2.1. The policy and economic situation

Thailand is one of the countries located in Southeast Asia, with a population of almost 70 million (July 2020) ((CIA), 2020). Thailand shared a border with Myanmar, Lao PDR, and Malaysia and was governed by the kingdom regime.

Over the last four decades, Thailand has made remarkable progress in social and economic development, moving from a low-income to an upper-income country in less than a generation (Aduldech Klong Klaew B. G., 2016). Thailand has been a widely cited development success story, with sustained strong growth and impressive poverty reduction. (Bank, 2019). Thailand’s economy grew at an average annual rate of 7.5% in the boom years of 1960 to 1996 and 5% following the Asian Financial Crisis during 1999-2005, creating millions of jobs that helped pull millions of people out of poverty.

Thailand has a well-developed infrastructure, a free enterprise economy, and a generally pro-investment policy. Thailand is one of the countries that are highly dependent on international trade. The exportation accounting rate is at two-thirds of GDP. The export includes electronic devices, agriculture commodities, automobiles, and processed foods (Board of Investment, 2019) (Board of Investment T. (., 2020). The industry and services sectors produce about 90% of GDP. The agriculture sector comprised almost two-thirds of all labor force. However, Thailand has attracted around 5 million migrant workers, and most of them come from neighboring countries such as Laos, Myanmar, and Cambodia.

Table 7: Changes of Some of Doing Business Indicators and FDI Inflow

	2008	2009	2012	2014	2015	2017	2018
FDI inflow (in million US$)	8,561	6,411	12,899	4,975	8,927	8,045	13,398
FDI inflow (% of GDP)	2.9	2.3	3.2	1.2	2.2	1.8	2.7
Cost to enforce contracts (% of claim)	12.4	12.4	12.4	12.4	16.9	16.9	16.9
Days to Enforce the judgment of contracts	..	..	120	120	120	120	100
Days to fill and service of enforcement contracts	..	..	..	60	60	60	60
Enforcing contracts: Procedures (number)	36	36	36	36	36	..	..
Cost to Register property (% of property value)	8.1	2.7	7.7	7.5	7.5	7.4	7.3
Cost to Starting a business (% of income per capita)	16.2	14.7	7	6.7	6.6	6.6	6.2
Procedures required to start a business	10	10	8	7	7	6	5
Time (days) required to start business	35	35	32	31	31	29	6
Ranking of Ease of doing business index	15	..	..	..	..	27	26

Source: World Bank (2019)

Thailand’s economy was slowing down during 2014-2015 because of the coup, and then the military junta got the administration power as a government. The economic situation was a total economic area with a high inflation rate, low employment rate, and excessive public external debt levels. Even though Thailand’s economy depends on the political system and its economic growth faced with several challenges, this economy is still considered a miracle that can move from a low-income country to an upper-income country in a couple of decades ((CIA), 2020). Thailand’s economy is also in a good rank of Doing Business of the World Bank in 2008 by 16 before a grade will climb up by 26 in 2018. One of the most important factors is the political instability, coup, military junta. The military intervened because of the government's change many times and was chaotic as well as turmoil. This factor has a direct negative impact on the trust and confidentiality of foreign investors.

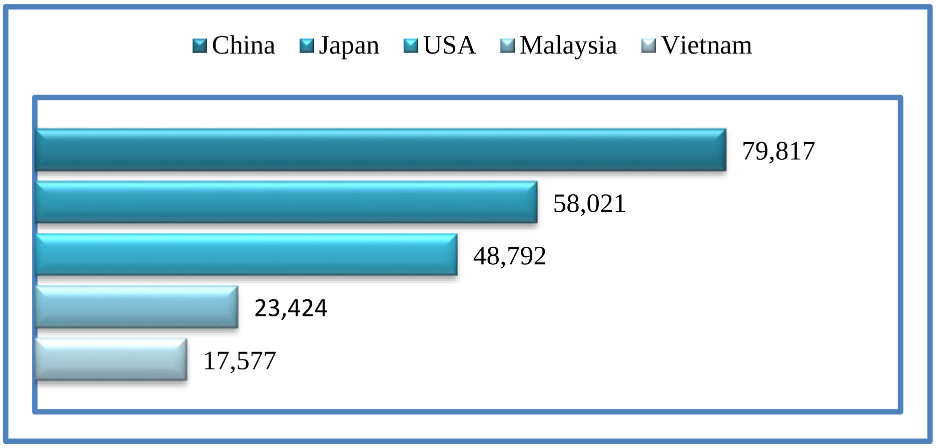
On the other hand, political risk also affects the inflow of FDI in Thailand. In 2012, the FDI net inflow of FDI was US$ 12,899 million and suddenly dropped in 2014 by US$ 4,975 million because of the coup and changed in government. Nevertheless, the military junta can reduce the procedure's stage to start a business by ten processes in 2008 to five by 2018. It is also consistent with the time (days) required to start a business in 2008 took 35 days to complete the procedure (Table 7). After that, a couple of decades ago, the time (days) steeply decreased by six days or one week. Investors can proceed with their capital into the host country and start the business structure. Thus the cost of starting a business in 2008 by 16,2%, and it gradually decreased by more than triple in 2018 by 6,2%. Likewise, in 2008, the cost to register property reduced by 8,1%, before falling in 2018 by 7,3%, and it trended to decline more in 2020. Thailand is one of the strengths in law enforcement, and there is a precise process to implement the law, so the days to enforce the contract in 120 days in 2012, later the enforcement day for the business deal decreased by 100 days in 2018.

Therefore, Thailand plays a significant role in attracting FDI into ASEAN. The inflow of FDI can show an essential contribution to the inward FDI into the regional economic growth every single year. For instance, in 2008, the FDI inflow value (Table 11) was US$8,561 million, before gradually dropped in 2011 and continued to fall again between 2014 and 2016; it is the cause of the strike and turmoil in the country. Therefore, in 2018 the FDI inflow value went up by US$ 13,398 million after it went to the climax in 2015 by the amount of US$ 15,935 million. It is finally Thailand that can grasp up US$4,210. Since the industrialized product was too costly in China 10 years ago. It is the cause of the removal of FDI in the ASEAN region. At that time, Thailand was the industrial zone with innovative high-speed technology such as automotive and hard-disk drives. So the amount of FDI would simply be to get inside Thailand rather than other countries in the region. That attractiveness started in the 20th century when Thailand began to liberalize reform during King Rama IX, which brought an essential economic development level. Consequently, Thailand can attract numerous investments from multinational enterprises from developed countries such as Japan, South Korea, Australia, the European Union, United States, etc. The FDI is a significant factor for economic growth in Thailand and Southeast Asia during the 1990s. (Cheewatrakoolpong, 2015) It can lead to a change in investment via exportation, employment rate stimulation, increasing productivity, and macroeconomic growth.

However, Thailand had experienced worker scarcity for many years. This issue was from the mismatch between the demand and supply of the labor market in the country. On the other hand, workers' need is increasing because of Thailand's manufacturing base's increment in recent decades. Instead, the young Thai labor would like to study in higher education, such as bachelor's and master's degrees (Griggio, 2017), because they reconcile the vocational workers' poor job and tiredness job. Otherwise, the Thailand government adopted a minimum wage to obtain a bachelor's degree in 15,000 THB (approximately US$500) per month in 2011.

Moreover, Thailand is the top three countries in ASEAN for export products to the world. In 2018, the country marked export growth by 6.75 percent or US$246,77 billion. Thailand is the world's largest supplier of food and agricultural products such as rubber and rice. For example, the third-largest ranking of rubber suppliers, the top-ranking to export canned Tuna, and the second-largest global rice exportation (BOI, 2018). The primary exportation market of Thailand is not only in the ASEAN members but also in Europe and the Americas (figure 10), including China is the top trading partner by US$ 79,817, and the second is Japan, the USA, Malaysia, and Vietnam by dollar 17,577 dollar. The exportation product of Thailand to the world, especially to the trading partners, is Machinery, including computers, electricity machinery equipment, vehicle, gems, precious metals, and rubber and rubber articles (Commerce, 2020).

Figure 10: Five Major Trading Partners with Thailand



Source: Ministry of Commerce, Thailand, (2018)

3.2.2. Investment Environment Factor

Thailand is one of the countries that is making a colossal pace of economic development. One of the best practices in a couple of decades is attracting FDI inflow (BOI, 2019). However, Rome never builds in one day. Thailand's investment sector adopted the first economic development plan in 1961. Thai government tried to reduce the direct government involvement in the economy and privatization. Besides that, The import substitution policy introduced high-level protection and tariff, especially for consumer products. The Board of Investment (BOI) also established the tax concession and the industrial promotion Act this year. This issue led to the tariff re-structure for better protection of the domestic industry.

In 1972, the Thailand government had stimulated the exportation and amended investment promotion law. This policy was leading to a duty exemption on raw material and intermediate items for exporting industries. They also designated Alien Business law, which prohibited foreigners from entering several business areas and investment zones (21 out of 77 provinces) (BOI, 2018). Then, in

1977 the investment promotion law was enacted to introduce income tax holidays; they also introduced 50% concession import duty on machinery and tax incentives on raw material and machinery to promote a more profound industrial decentralization. In 1987, ten years later, the investment promotion was amended again, and it introduced the tax privileges and refund, industrial zone, and export–processing zone. In 1993, the Investment Promotion Act was amended to promote industrial decentralization with a broad incentive to enhance its rural areas.

After the Asian Financial crisis, the Thailand government extended the reform package that included the Foreign Business Act. It allowed for full foreign participation in most manufacturing sectors. Condominium Act allowed foreigners to wholly own buildings on two acres or less land (Department, 2004). The Corporate Debt Restructuring Advisory Committee was established to supervise and accelerated Debt restructuring. Bankruptcy was amended in 1999 to establish bankruptcy court, so foreigner was allowed to own 100% of shares in promoted manufacturing projects in 2000.

As a result of the reform and amendment of the Investment Promotion Act (BOI, 1977) after the Asian Financial crisis, the Thai government can substitute imports for export promotion, and the investment scenario has become much more liberal. The change in investment policy has a positive impact on the location of FDI inflow. The change means the direction of the greater openness, and it allows the investors to set up in a particular location

1. Trade openness

Thailand has an average of trade openness compared to the % of GDP. It demonstrates the number of policies and regulations for investment promotion is very high. The government makes a high concentration on the investment promotion innovation, and they undertake to facilitate the investment by various mechanisms of related authorities.

However, the military junta and political chaos started in 2014. It created instability and investors' untrusty, the new government from the military government (Griggio, 2017). Therefore, the exports of goods and services (% of GDP) of Thailand tended to slow down every year. As can be seen, in 2018, the % of export was 64.86% compared to 2011. It was 70.85% (Table 8). Likewise, the import of goods and services (% of the GDP) trended to decrease. For instance, in 2010, it was 60.76%, and in 2018 it gradually declined by 56.03%.

Table 8: **Trade Openness (import+export) to the GDP from 2010-2018**

	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Exports of goods and services (% of GDP)	66.48	70.85	68.95	67.17	68.39	67.63	67.06	66.68	64.86
Imports of goods and services (% of GDP)	60.76	68.82	68.72	65.29	62.51	57.2	53.49	54.22	56.03

Source: World Bank (2019)

2. Location

Thailand is one of the predominant locations in Southeast Asia. As can be seen in figure 11, Thailand shares borders with four different countries. It includes Lao PDR, Myanmar, Cambodia, and Malaysia. Thailand also has its gulf and close to the Andaman Sea that is prosperous by aquatic resources. On the other hand, it also explains the importance of Thailand's geography as located close to the Sea Line of Communication (SLOC). This communication line is a vital waterway to cruise between South Asia, the Middle East, and Europe with Southeast Asia, East Asia, China, and Russia. Therefore, Thailand is one of the dominant locations to make a dry port and quays for inventory. Moreover, Thailand is also a member of the Greater Mekong Sub-Region, where newly emerging markets offer better business opportunities. On the other hand, Thailand has a long story supported for economic integration with the neighboring country

A few decades ago, many companies were looking for low production costs and a sufficient infrastructure level for the necessary goods or intermediate parts to be assembled in the industrial sites. Therefore, foreign investors would love to choose the peripheral province of capital and around the main production zones. This strategy is to enter neighboring countries such as Myanmar, Laos, and Cambodia as ASEAN members. This corridor will comprise the ASEAN Economic Community as a free trade agreement among the ASEAN members and implement the ASEAN economic corridor. As factors as mentioned earlier, reflect low-cost production of Thailand moves to other poorer nations in ASEAN.

3. Geopolitics and Government effectiveness

Thailand is at the center of Asia's economic groups. This country becomes the essential actors for the world's investment and ASEAN (Krane, 2020). Thailand's location from the Northern part to the Southern part surrounded by the key players of the economy, such as China, India, Japan, South Korea, and ASEAN members with a population around this region is 35 billion People or constituting 32% of the world's GDP.

For almost 30 years, Thailand has connected with the world economy for trade and investment. It is recognized as a prime location for major industrial manufacturers, with the second-largest economy in Southeast Asia (Li, 2019). Thailand's geography link within the region where the periphery is 5000 Km (figure 11) means that the country can access roughly 4,6 billion consumers in Asia. On the other hand, Thailand attempts to develop logistic systems and integrate its transportation with those emerging economies.

Moreover, Thailand offers the tariff-free to 18 different nations in Asia and the Latin Americas, including ASEAN members, India, China, South Korea, Japan, New Zealand, Australia, Peru, and Chile. They have also signed 13 Free Trade Agreements (Nyande Fania, 2020), not including the Regional Comprehensive Economic Partnership (RCEP).

Figure 11: Map of the periphery of Thailand can access trade

Source: Ministry of Trade, Thailand, (2019) However, the Country always faces the dilemma; the country is still in chaos and turmoil for a decade because of the political instability, the military junta and the democracy protests, and government coup. This factor crucially affects the trust and the level of inward FDI of the host country. Until now, there are still some protests against the military junta. Thus, the government even confronts the turmoil and is still waiting for a giant protest wave.

Thailand is one of ASEAN's most economies growing by harvest from its location with high economic growth countries, including The Northern part of China. The Southern is Indonesia, from the West to the Eastern region, are Myanmar and Vietnam. Thailand uses the position as the center of the Sea Line of Communication (SLOC) point between the East Asian and the South Asian and the Middle East and the Western side to rapidly grow up the country's economy, including the manufacturing, trading, export, and other logistics. Therefore, Thailand utilizes its best geography for a comprehensive logistic connection between ASEAN and the world.

4. Market Infrastructure and Its Efficiency

Thailand is well-connected to the new ASEAN member's sub-regions: fast economic growth, including Cambodia, Lao PDR, Myanmar, and Vietnam (CLMV) (BOI, 2018). The connecting transportation among them is the road, rail, water gateway, and airways.

Furthermore, Thailand has a high quality of transportation such as air, land, sea, railway transportation, digital connectivity, skilled worker, the government's comprehensive policies, and investment incentives (BOI, A Business Guide to Thailand, 2019). These factors are making Thailand becomes an outstanding value when considering cost-effectiveness.

- Airport**:** Thailand has 38 airports, which include 12 international and 26 domestic airports. Those airports have served more than 140 million passengers each year. The country's aviation is in the position as the hub of the CLMV countries. Moreover, the Thai government plans to expand and upgrade the airport project at the Suvarnabhumi international airport in Bangkok, and this schedule will finish in 2026. After that, this airport will cope the double the number of passengers of now a day each year. On the other hand, U-Tapao airport also evolved (BOI, A Guide to Invest in Special Economic Zone , 2018). This airport will become an international airport in Thailand in world-class standard and modern passengers' terminals. This airport will be more than an airport because, after the expansion and upgrading, the airport can have 30 million passengers and tourists, and industrial logistics every year. Consequently, the development will transform the airport into the hub of the most advanced aircraft repair center and facilities for other related airline industries (BOI, Why Thailand, 2018). Moreover, it integrated with Don Muang Airport and Suvarnabhumi Airport's capacities.

- Highway and Road**:** the road infrastructure network in Thailand is not only connecting across the province in the whole country, but it also becomes a hub for land-based trade in Southeast Asia (Bank, Doing Business , 2008). Currently, the government has more than 42 international crossing border points, including Malaysia 9 points, Myanmar 6 points, Lal PDR 20 points, Cambodia 7 points. Besides, there are 51 temporary checkpoints. This temporary crossing checkpoint facilitates trade along Thailand's borders. These checkpoints enable cross-border trade to flourish as goods from neighboring countries through Thailand due to its strategic location. Moreover, Thailand has set up the plan for the infrastructure investment between Thailand to the Southern part of China; this plan's name is R12, which can reduce transportation time by 50 percent.
- Railway: The Thailand government has paid much high priority to the mega railway project. The plan for the expansion of track is a double railway line. The rail track will increase 15 times over the next seven years to 3,840 Km. Besides, 220 Km is a high-speed rail line (BOI, Why Thailand, 2018). This rail track will link three main airports to facilitate convenient transportation among the industrial zone /economic zone and Thailand's major cities. The development of surrounding areas will generate a wide variety of business opportunities, including logistics, real estate, and international trade.
- Shipping and Logistics: Thailand's shipping and logistics system are vast and influential, with accessibility to the Pacific Ocean and the Indian Ocean. Thailand's Eastern Seaboard is a thriving hub of international shipping traffic

(Aduldech Klong Klaew B. G., 2016). On the other hand, the country's strategy tries to strengthen the seaport by expanding ports and adding new deep seaports. One of the projects is the expanding port capacity in the Eastern Seaboard areas and including a cruise ship port in Sattahip and upgrades to major shipping ports in Laem Chabang and Matta phut. By 2023, upon the accomplishment, the Laem Chabang port will have an annual capacity of 18 million TEUs, increasing by 77 million annually in 2018 (Bank, The World Bank in Thailand, 2019). At present, the port handles 54% of Thailand's overall import and export traffic. It expects to increase by 2023 when the port project completes the new double-track railway and expands the four-lane thruway connected with the port.

- Digital connectivity: Thailand has a strong connection to the world of Digital information through multiple high capable bandwidth submarine cable systems. Currently, there are eight marine cable systems mostly owned by state enterprises. To provide the increasing demand and enable widespread adoption of cutting-edge information tools such as big data analysis (BOI, 2018), the Thai government is expanding its connectivity to the Asia-Pacific region spanning from Singapore to Japan and maintaining China. Two new submarine cable systems, the Southeast Asia-Japan and the CAT-China Aviation Cloud Telecom are under construction. They schedule to be completed in the last quarter of 2020 and 2022, respectively.

5. FDI promotion policy

The Board of Investment (BOI) amended new regulations. The principle of investment policy is to liberalize the investment regime for foreign investor's opportunities. This policy incentive includes foreign investors with 100% rights to possess the property, no local content requirement, no export documental requirement, and no foreign currency restriction (BOI, Investment Promotion Act, 1977). On the other hand, (BOI) has given more tax incentives such as import duty exemption/reductions, corporate income tax exemption up to 8 years, 50% reduction of corporate income tax for up to 5 years, double deduction on utility costs, and deduction for qualifying infrastructure cost.

However, Thailand's government strategy (BOI) has restructured sustainable economic development by focusing on the investment promotion policy (Griggio, 2017). They have set the amendment investment promotion policy by selected six significant points are the following:

- Promote investment that helps enhance national competitiveness by encouraging R&D, innovation, value creation in the agricultural, industrial, and services sectors, SMEs, fair competition, and inclusive growth.
- Promote environment-friendly activities, save energy, or use alternative energy to drive balanced and sustainable growth.'
- Promote clusters to create investment concentration under regional potential and strengthen value chains.
- Promote investment in the border province in the south of Thailand to help develop the local economy, which will support efforts to enhance security in the area.
- Promote special economic zones, especially in border areas, both inside and outside industrial estates, to create economic connectivity with neighboring countries and prepare for entry into the ASEAN Economic Community (AEC).
- Promote Thailand overseas investment to enhance the competitiveness of Thai business and Thailand's role in the global economy

Under the investment promotion act in 1997, BOI focused on developing and promoting foreign investment under seven activities such as agriculture and agricultural products, mineral, ceramics, and primary metal, light industry, metal product, machinery and transport equipment, electronic and electrical appliances industry, chemicals plastics and paper, services and public utilities.

3.2. The Inward FDI Attractiveness in Vietnam

3.2.3. The Policy and Economic Situation

Vietnam is one of the Indochina countries located in Southeast Asia and shares a border with China in the North. The most extended border shares with Lao PDR and the other is Cambodia, and in the sea, the territory has border sharing with the Gulf of Thailand, Gulf of Tonkin, and South China Sea (Dollar, 1996).

Vietnam has 331,210 square Kilometres in total and on water 21,140 square kilometers, with a total population of 98 million (July 2020) ((CIA), 2020).

Vietnam’s development over the past 30 years has been remarkable. Economic and political reforms under Đổi Mới, launched in 1986, have rapidly stimulated economic growth, transforming the world’s poorest nations into a lower-middle-income country. Its economy was in disastrous condition, and the people were very desperate for the poor situation. The consequence of the Soviet Collapse was a shock for the obedient states. In 1995, the average GDP growth rate was 6.4 percent. This rate was the highest rate among the 40 poorest countries in the World Development Report 1996 (Griggio, 2017). The economic growth rate fast affects the poverty reduced; this estimated that the poverty rate was reduced from 1995 by 75% to 50%. The factors behind Vietnam's robust growth assume from the openness level in general and its expanding relationship with neighboring countries (Nguyen, 2016), especially after Vietnam became ASEAN members. The reforms were the milestone of Vietnam in the economic integration in the region. Between 2002 and 2018, more than 45 million people were lifted out of poverty. Poverty rates declined sharply from over 70% to below 6% (US$3.2/day PPP), and GDP per capita increased by 2.5 times, standing over US$2,500 in 2018.

The economic development of Vietnam's history can divide into two periods. First, started from 1975-1985 was marked by a slow pace of development growth and high inflation. That is because of the centralization, which means the government remained in control of economic planning and market control, such as prices and economic goals, which affected economic instability because of no various actors in the economic chain (UNCTAD, 2008). The second period started from 1986 onwards after the new policy reform, which affected the positive economic growth and low inflation rate. The adopted market-oriented institutions and open the door to the world marked a significant change in the economy; the economic growth results increased the number of imports and exports and the number of inward FDI in the past decades. The inflow of FDI in Vietnam has become an impressive economic transition from a centrally planned economy to a market-oriented economy. Since 1986, the influx of FDI in Vietnam has increased very fast, with an annual growth of 6.7% in 2015 (ADB, 2018). On the other hand, FDI (Lan, 2006) also brought investment capital, stimulated export activities, skilled labor, and transferred technology opportunities and job creation.

In the medium-term, Vietnam’s economic outlook is positive, despite signs of cyclical moderation in growth. After peaking at 7.1% in 2018, real GDP growth slightly decelerated in 2019, led by weaker external demand and continued tightening of credit and fiscal policies. Real GDP growth remains robust at around 6.5% in 2020 and 2021 (UNCTAD, 2008). Annual headline inflation has been stable for the seven consecutive years – at single digits, trending towards 4% and below in recent years. The external balance remains under control and should continue to financial support by strong FDI inflow, which reached almost US$18 billion in 2018 (Bank, World Bank in Vietnam, 2019).

Vietnam ranks 48 out of 157 countries on the human capital index (HCI), second in ASEAN behind Singapore. A Vietnamese child born today will be 67% as productive when she grows up as she could be if she enjoyed complete education and full health (Vietnam M. o., 2009). Vietnam’s HCI is highest among middle-income countries, but there are some disparities within the country, especially for ethnic minorities (Nguyen N. A., 2007). There would also be a need to upgrade the workforce's skills to create productive jobs on a large scale in the future. Vietnam is a densely populated developing country transitioning since 1986 from the rigidities of a centrally planned, highly farming economy to a more industrial and market-based economy. This activity has raised income substantially. Vietnam was one of the poorest countries in the middle-income nation. Since the 90s, Vietnam’s economy grew faster, with a GDP growth of 6.7 % in 2017. The country’s medium-term outlook remains favorable, with GDP growth every year; the growth rate was 6% from 2010 until now. However, productivity growth has decreased in the last twenty years due to the labor force's increase slowing down.

On the other hand, labor productivity growth will not likely deliver Vietnam's growth rate to achieve. Simultaneously, while the macroeconomic remains stable, some vulnerability, including fiscal imbalances and unsolved quality of the banking sector's asset. In 1986, after the Doi Moi reform, the Vietnamese government changed policy to liberalize in trade and enterprise sector. So there is a robust private sector that drives economic growth.

Vietnam Socio-Economic Development Strategy from 2011 to 2020 (SEDS) marks significant economic phenomena of Vietnam about the necessity for social and environmental sustainability. However, the macroeconomic is remaining stable because of the communist government. Consequently, it can enhance the three breakthrough areas, such as promoting skill development (especially in modern and innovative technology), infrastructure development, and improving market institutions.

Table 9: Export Market Destination of Vietnam (Thousand, US$)

Importers	2010	2011	2012	2013	2015	2016	2017	2018
United States of America	14,250	16,970	19,680	23,869	33,475	38,473	41,549	47,580
China	7,742	11,613	12,835	13,177	16,567	21,950	35,394	41,366
Japan	7,727	11,091	13,064	13,544	14,100	14,671	16,792	18,833
Republic of Korea	3,092	4,866	5,580	6,682	89,153	11,406	14,807	18,240
Hong Kong, China	1,464	2,205	3,705	4,113	6,959	6,088	7,574	7,957
Netherlands	1,688	2,147	2,476	2,936	4,759	6,011	7,098	7,085
Germany	2,372	3,366	4,094	4,736	5,707	5,960	6,353	6,873
India	991	1,553	1,782	2,354	2,469	2,687	3,756	6,543

Source: Trade Map, (2019)

Although, the rising inflation rate, over-extension of credit, and inadequate supervision of public investments have constrained economic growth. As the government has enacted the new policies which create more liberalization, and after that in 2017 (ADB, 2018), Vietnam's GDP reached 6,8 percent, the following year, in 2018, the GDP grew 7.8 percent. In 2020, the GDP decreases by 4,1 percent because of the pandemic of Covid-19, then GDP will increase again in 2021 by 6,8 percent. In 2018, the total FDI was US$ 35.46 billion, equivalent to 98.8 percent if compared with 2017 (Fforde, 2016). Meanwhile, in 2018, as can be seen in table 9, the United States was Vietnam’s largest exportation destination with a turnover of US$ 47.580 billion; following by China with a turnover of US$41.366 billion, and Japan was the third turnover by US$18.833 billion and South Korea with a turnover of US$18.240 billion.

Vietnam is an emerging economy and a country ready to open to the world. Vietnam attempts to promote and enhance as much as possible in various sectors to prepare foreign investors and domestic investors to develop projects (Rakesh Gupta, 2014). As shown in Table 10, several sectors grew. They focused on manufacturing and processing products, real estate, production, electricity, gas steam, and air conditioning supply, construction products, accommodation, food services, wholesale and retail trade, repair motorcycle, transportation and storage, education and training, professional, scientific, and technical activities (ADB, 2018). Vietnam endeavors to develop four major investment projects such as manufacturing and processing products by 14,856 projects, Wholesale and retail trade; repair of motor vehicles and motorcycles by 4,949 projects, and informational and communication 2,266 projects. Therefore, Vietnam tried to boost its economy by manufacturing products and research and development.

Table 10: FDI Attraction in Vietnam by Sector

No.	Sector	Number of projects	Total registered investment capital (Mil. USD)
1	Manufacturing, processing	14,856	221,393.63
2	Construction	1,740	13,937.88
3	Accommodation and food service activities	882	12,079.78
4	Wholesale and retail trade; repair of motor vehicles and motorcycles	4,949	8,270.30
5	Transportation and storage	858	5,161.56
6	Mining and quarrying	108	4,896.95
7	Education and training	555	4,394.72
8	Information and communication	2,266	3,924.64

Source: Ministry of Planning and Investment (2020)

Vietnam is a country located in East Asia which shares the sea in South East Asia belonging to China, Taiwan, Hong Kong, Japan, and South Korea. On the other hand, it is not too much of an overestimate that Vietnam will learn and duplicate the lifestyle behavior, including culture exchange with these countries. Therefore, (as shown in Table 10), these countries will choose investors who have much more share to invest in Vietnam than others because they are all rich nations and have technological advancements. However, the land and the other investment factors are not comfortable for them to invest in their territory. Therefore, Vietnam can choose for its predominant counterparts with several convenient factors to move the capital.

Vietnam is one of the highest and the most expedite economic growth among ASEAN members. That is because of internal factors to support Vietnam's fast-growing economy, such as the Vietnamese government's strengths to implement every plan to stimulate its economy (Vietnam M. o., 2009). Table 11, the rank of ease doing business in 2008, the position was 91, and in 2018 the status jumped to 68 out of 190. Vietnamese law is one of the strongest in the ASEAN as well as the enforcement.

Hence, in 2018, the time (days) of starting a business dropped from 37 to 22 days. In 2018, the cost of registering investors' property fell by 1.2% to 0.6%. Vietnam played a high role in attracting FDI inflow in ASEAN, specifically in the CLMV countries. There was a vast market size with almost 100 million people. Economic growth tends to grow at a stable pace with a middle-income country.

Table 12, South Korea holds the most significant share of projects in Vietnam with 8,826 projects (Vietnam M. o., 2020). Secondly, Japan, by 4,548 projects, the third top ten investors in Vietnam is Singaporean, who has much more technology advantage to invest in the manufacturing and processing product because this country can develop much more in research and development (Koh, 2019). Moreover, Taiwan and Hong Kong, which have a close relationship with China. It is vital to separate the role of Hong Kong from China because Hong Kong is one of the most important actors to push up the economic growth of China. Hong Kong is the hub of world finance, and it is essential to boost China's role as Hong Kong is a part of China's territory.

Table 11: Changes of Some of Doing Business indicators and FDI Inflow

	2010	2013	2014	2015	2016	2017	2018
FDI inflow (in million US$)	8,000	8,900	9,200	11,800	12,600	14,100	15,500
FDI inflow (% of GDP)	6.9	5.2	4.9	6.1	6.1	6.3	6.3
Cost to enforce contracts (% of claim)	28.5	29	29	29	29	29	29
Days to Enforce a judgment of contracts	..	150	150	150	150	150	150
Days to fill and service of enforcement contracts	..	50	50	50	50	50	50
Enforcing contracts: Procedures (number)	36	36	36	36	..	..	..
Cost to Register property (% of property value)	1.1	0.6	0.6	0.6	0.6	0.6	0.6
Cost to Starting a business (% of income per capita)	13.3	8.8	7.7	5.3	4.9	4.6	6.5
Procedures required to start a business	10	9	9	9	9	9	9
Time (days) required to start business	37	32	34	34	20	24	22
Ranking of Ease of doing business index	..	..	..	..	..	82	68

Source: World Bank (2019)

Moreover, Vietnam's rule of law is rigorous, and political stability due to the socialist party governed the country since its establishment and then combined by the right direction of government's guidance and traditional culture of local people in diligence workers. After all, the rapid increase in the value of FDI inflow year by year in 2008, the FDI inflow was US$ 9,579 million to US$ 15,500 million in

2018. These changes make almost double of value increment of FDI inflow of Vietnam in the few decades.

Table 12: FDI Attraction by Counterparts

No.	Counterpart	Number of projects	Total registered investment capital (Mil. USD)
1	South Korea	8,826	68,315.88
2	Japan	4,548	60,097.70
3	Singapore	2,532	54,742.27
4	Taiwan	2,750	33,238.18
5	Hong Kong	1,877	24,731.11
6	British Virgin Islands	856	21,913.18
7	China	3,004	20,994.89
8	Malaysia	630	12,751.35
9	Thailand	574	12,396.77
10	Netherlands	355	10,245.66

Source: Ministry of Planning and Investment of Vietnam, (2018)

3.3.2. Environment Investment Factors

1. Trade Openness

Vietnam is one of the prosperous countries in Southeast Asia to improve economic growth after becoming ASEAN members in 1995. Vietnam's government tries to boost its economic growth by implementing trade openness to the world, especially the ASEAN members. However, Vietnam still faced difficulty from various points in the way of constructing the capital attraction. One of the issues is the trade partner’s data, trade liberalization, and trade policy. After they solve the internal trade barriers, they can boost their trade openness year by year. As shown in table 13, the number of export and import of goods and services increased. For example, in 2010, export was 72% and expanded in 2018 by 106%.

Table 13: Trade Openness (import+export) to the GDP from 2010-2018

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Exports of goods and services (% of GDP)	72	79.3	80.02	83.62	86.40	89.77	93.62	101.59	105.83
Imports of goods and services (% of GDP)	80.2	83.5	76.52	81.46	83.12	88.98	91.06	98.7911	102.47

Source: World Bank (2019)

2. Geopolitics and Government effectiveness

Vietnam is a socialist country; the communist party operates this country. The national assembly of Vietnam's communist party was held every five years (Commerce V. C., 2018). This national assembly will determine its strategies and adopt the chief policy on the socio-economic development plan's solution. The National Assembly elects the central committee, which later will select the central politburo party.

Three central authorities constitute Vietnam, including executive, juridical, legislative. The national assembly covered central authorities representatives for the legislative agency, the country's highest law-making body (Vietnam M. o., 2020). It comprises the delegates who are elected from the five years term. These people will come from multi-ethnic groups in the country. The national assembly plays two significant roles. First, it is a supreme state authority and a unique legislative body, and it has the power to promulgate and amend the constitution and laws.

The president (the head of state) is a significant position in the administration and party. He is elected by the National Assembly to represent Vietnam in domestic and foreign affairs for five years term. The president has the right to proclaim laws passed by the National Assembly and the standing committee. The president is also the commander-in-chief of the national armed forces and the chairman of the Defence and security council (WB, 2019). In foreign affairs, the president has the authority to appoint and sign international agreements and treaties. In the domestic, the president has the rights to appoint and dismiss the Prime Minister and the government members based on the National Assembly's resolution.

The government is the highest executive organ of the state. The Prime Minister is the head of the government. Nowadays, underneath the Vietnam government, Vietnam has established diplomatic relations with 178 countries (Vietnam M. o., 2020), and it also has economic and trading relations with 165 countries and territories. On the other hand, Vietnam is also a member of many international organizations and more than 650 non-governmental organizations. Moreover, Vietnam has become a member of many regionals and international organizations and bilateral trade agreements (BTA) (Vietnam M. o., 2009) with the United Nations. The BTA covers various sectors, including intellectual property rights, trade in services, development of investment regulations, and trade openness among the BTA countries.

Since establishing the country, Vietnam becomes the most attractive country for foreign investors because Vietnam has political stability without even single chaos, strike, or civil war. Besides that, the government also has good relationships with the neighborhood and other countries in the region and internationally, especially the ASEAN, APEC, and ASEM.

The Tran-Pacific Partnership (TPP) treaty was rejected by the single country United Nations in 2016. Still, in the process in 2017, Vietnam went into force the Comprehensive and Progressive Agreement for the Tran-Pacific Partnership (CPTTP) (another version of TPP, which excludes the United States) (Koh, 2019). The 14th National Assembly of Vietnam passed the resolution approving the CPTTP and its related documents on 12 November 2018. CPTPP took effect in Vietnam as of 14 January 2019. The EU-Vietnam Free Trade Agreement (EVFTA) and the EU-Vietnam Investment Projection Agreement (EVIPA) were officially signed in Hanoi. Whenever the EVFTA enters into force, the cost of more than 85.6 percent of tariff lines imposed on Vietnamese products will be eliminated.

Meanwhile, the remainder of the tariff will be gradually reduced and ultimately abolished over up to ten years (Vietnam M. o., 2020). Likewise, Vietnam commits to removing 48.5 percent of import tariffs on goods from the EU or 64.5 percent of the bloc export turnover. With the promising expectations under the EVFTA and EVIPA, Vietnam is looking vital for international trade.

3. Culture

Before the Chinese occupation, Vietnamese people had peacefully lived in the Red River delta. Since that period, Vietnamese people had developed their culture (Uwe Blien, 2011). They were able to conserve some of their cultures during this time before the Chinese era. However, after China's occupation, Vietnam integrated different elements during Chinese rules and their culture and Buddhism and Taoism's influence. These influences combined into one Vietnamese system of thinking, belief, lifestyle, and interpretations of the world (Investment, 2013).

Vietnamese culture relates to economic development that was pursued by the Vietnamese government in the last two decades. However, culture is not the only factor that plays a single important role in Vietnam's economic growth, but another factor is related to the economic environment factor (Investment, 2013). Before, the Vietnamese culture era will connect to rapid economic growth because Vietnam's culture does not change for a long time. On the other hand, the most critical aspect of culture contributes to economic growth. The FDI inflow is a Vietnamese government's unique culture in terms of revolution and society's obedience. There are many arguments on the culture related to economic growth and FDI inflow. However, the supportive view on the significance of civilization to the country's development, such as:

- After the Soviet Union collapsed, many countries and allies tried to transform their countries without depending on the Soviet Union. The case in Vietnam was very different. The government supported the family to create an informal economy, which had never happened before. Consequently, the family was facilitated a lot and made a family economy grow very fast. During the crisis of the Soviet Union collapsed, there were many unemployed and lost jobs. However, the central government planning was abolished; therefore, even though the people lost their jobs, they could still find new jobs.

- The economic growth of Vietnam grows very fast because of the discipline. The people in the social work hard, even sometimes the working condition is often not favorable or lowers than the standard (Lan, 2006). The capital mobilization was possible because of people's orientation toward future economic outcomes and utilizing family relationships' durability.
- Furthermore, Vietnam succeeded in leading education to the people and the increment enrolment of young people in the universities and colleges. Consequently, The relative proportion of qualified people allocate correctly to set up more technologically advanced products in this country.

The Vietnamese culture is formative for every person's life until today. Since China invaded Vietnam's old culture, it was vanished by the Western power that took Vietnam as a colony in the 19^{th} century. However, Vietnamese culture remains during foreign rule. Today, many institutions of Vietnam in a modern state are underdeveloped. There is a certain number reliable on neither social system nor an effective banking system (Du, 2011). However, the Vietnamese culture allows people to substitute these institutions partially with structures of their own. Based on family relationships, they always back up investors and support each other to face a severe problem of doing business (at least to some degree), which the social insurance system cannot deal with properly.

4. Market Infrastructure and Efficiency

Infrastructure considers an essential part of Vietnam's national development strategy and competitiveness in a country (Fforde, 2016). On the other hand, infrastructure plays a vital role in developing the economic process. Moreover, the Vietnam government determines the country will become a modernized nation by 2020. Hence, the infrastructure becomes an essential step forward among many projects inside the country and neighboring countries (Nguyen N. A., 2007).

Vietnam's government spends a large amount of its budget on infrastructure development; it accounts equivalent to 18% of total investment (Koh, 2019). The Vietnam government also promotes its effectiveness through the private sector's participation, besides the national budget and Official Development Assistant (ODA). This plan is the priority of the government (Fforde, 2016). Under the infrastructure development scheme, the Vietnam government has developed various infrastructures on the road and includes the Highway system, railway system, inland waterways, ports, airports, and civil aviation.

4.1. Highway System

Vietnam, as a dense road system it is extending over 251,786 km across the country. The road system is divided by administration into:

- National roads, its length is 17,295 km, which are administered by the central government level. This road links between the cities and provinces and Vietnam's neighboring countries such as China, Cambodia, and Laos.
- Local roads include only in the realm of the provinces or cities and district roads.

4.2. Railway

There are 278 stations for the railway network in Vietnam, the longest and the most critical route is from Hanoi to Ho Chi Minh City (Saigon). In this line, the train serviced now is for an express train, making the journey between the Northern and the Southern part takes only 29 hours with 1,726 km. The railway of Vietnam links China, Laos, and Cambodia.

4.3. Inland Waterways

The inland water system of Vietnam is cheaper than other transportation modes. Currently, the inland waterway has a network of over 61,000 km. Two major inland waterway systems serve the transportation outlet. The first most significant inland waterway is the Red River area in the Northern part that stretches for 2,500 km. This inland waterway, there are five major ports, and the largest one is in Hanoi City. The second major inland waterway is in the Mekong River and its tributaries in the Southern part, including Ho Chi Minh City.

This inland waterway contributes significant economic growth for the country. The waterway gets an advantage from passenger and cargo transportation; domestic transportation is 25-30% in total and under the Mekong River delta is around 60-70% in some provinces.

4.4. Ports

Vietnam has roughly 119 seaports organized into eight geographical groups from the Northern to the Southern, including in the Mekong River delta. These ports play an essential role in accelerating economic and trade growth. Due to the lack of deep seaports in Vietnam, the Vietnam government is planning to boost seaports' development in 2020 to meet the increasing demand for cargo handling and transportation on the sea in the future. Moreover, the Vietnam government also plans to upgrade the existing seaports and build new seaports in the focal economic zones to accommodate more than 30,000 DWT vessels. The ports will develop for containers, liquid commodities, and international transshipment.

4.5. Airport and Civil Aviation

Vietnam divided the air traffic into three regions. Three international airports are located in three areas: two international airports discover in the Northern part, one is in the Centre, and the other is in the Southern part. There are 19 domestic airports, including six airports in the Northern, eight airports in the Centre, and nine airports in the Southern part.

The Vietnamese government is currently trying to upgrade the existing airport to handle increasing traffic associated with Vietnam's economic acceleration. In the part of the investment, there are state-owned Vietnamese Airlines, and three private Vietnamese Airlines have received a license, and there is one private airline that is going to register soon. Through this perspective, the Vietnamese government has opened up foreign investors in the airport construction and shared mutual benefit among the investors, and created the public-private partnership.

4.6. Telecommunication

The telecommunication sector of Vietnam has developed too rapidly over the past few years. Telecommunication density increased from 2003 by 9 percent to 45 percent in 2007. The industry remains dominantly controlled by the State Owe Enterprise (SOEs). Besides, Vietnam still lags behind some of its competitors in telecommunication regarding quality, cost, and diversity. The inflow of FDI in telecommunication is very restricted, even though Vietnam recently made concessions due to WTO's commitment. Therefore, the higher liberalization will be beneficial to Vietnam's telecommunications services uses and real economic growth and could attract more inward FDI in this sector.

In 2002, the Law on Posts and Telecommunications dismantled the monopoly of the Vietnam government on posts and telecommunications (VNPT) over the telecommunication network infrastructure and in the same line belong to this law, and there are the other laws on the distinction between the network infrastructure providers and telecommunication services providers.

The network infrastructure providers are facilities-based operators, which operate with full license to build and use telecommunication equipment. This law determines and stipulates that every telecommunication operation must be only the SOEs in which the state holds controlling shares or outstanding shares. Telecommunications services are non-facilities –based operators because the investors cannot owe or build but are allowed to contract with facilities-based operators on a long-term basis to offer telecommunication services to clients.

However, the facilities-based versus non-facilities-based distinction forms the basis of Vietnam's commitments under WTO to liberalize its telecommunications market. As of accession, foreign investors are allowed to own up to 51 percent of the legal joint venture with non-facilities-based operators, and in 2010 the share increased to 65 percent. On the other hand, facilities operators' foreign ownership over 49 percent as of accession, and Vietnam is not committed to expanding that threshold (UNCTAD, 2008).

On the other hand, the law on the post and telecommunication does not establish an independent telecommunications regulator and the supervisory functions – including licensing – are all underneath the responsibility of the Ministry of Post and Telematics. The network is also directly owned by VNPT. The VNPT remains the largest player in the telecommunications market, but the SOEs granted full telecom licenses in the past few years. This method can introduce competitiveness in the sector at some level. There are many telecommunication sector players, such as mobile phones, international gateway, internet services, and internet exchange providers.

Nevertheless, The Vietnamese government seems to control facilities-based operators, and it has no further long-term commitments under WTO rule. Consequently, foreign investors are allowed to own 49 percent in duly license operators. The potential in the telecommunications sector is enormous.

Furthermore, foreign investors' sectors are potential benefits in increasing competition, cost, and quality of services.

5. Natural Resources

Vietnam is abundant in mineral and natural resources and potential in oil and gas reserves. On the other hand, Vietnam also has a competitive advantage in maritime ports, marine transportation, and inland waterways.

6. FDI Protection and Promotion Policy

Most FDI inflow in Vietnam is the garment, textile, footwear, mechanical assemble, and other sectors that require not too high educational skill or specialist or technical staff. Under these conditions, the Vietnamese government can attract manufacturing investment because of the high labor and low productivity labor cost. This industry is a significant economic activity that boosts Vietnam's economic growth; this strategy is quite different from other ASEAN members.

Therefore, the Vietnamese government has a perfect pace to move the policy on FDI, trade openness and privatization. Consequently, the Vietnamese economy booms and can accelerate economic growth and increase the volume of exportation. Moreover, there is some specific incentive under the current Vietnamese laws. There are various incentives for investing in preferential sectors and some geographical areas. There are tax incentives, incentives on land use, and accounting incentives.

The majority of Vietnam's incentive is the Tax exemption or reduction for import duty exemption for fixed assets; land rental. Project or productivities processes in investment are guaranteed to receive the incentive if the projects or productivities process are following area below:

- The science and technology companies owned high tech activities and products, IT products, software products, digital contents, and other activities.
- R&D and production of new materials, renewable energy, productions with at least 30% of added value, and energy-saving products.
- Collection, treatment, and recycling waste.
- Textile and garment industry, leather, and footwear industry.
- Agriculture products, animal bread, aquaculture, and biotechnology products.

- Infrastructure and transportation development in urban areas.
- Preschool education, compulsory education, and vocational education.
- Health care structure and healthcare services and science research.
- Microfinance institution.

6.1. Labor force development

Vietnam's rapid economic growth was driven predominantly by productivity increases that came in the wake of a rapid shift of employment out of low productivity agriculture into higher productivity non-farm jobs. The following graph shows the extent of the decreases in agricultural jobs from 1994 to 2010 and the corresponding increase in non-agricultural wage employment.

Vietnam endeavored to promote access to primary education for all and to ensure its quality met quality standards, contributed to increase the knowledge and productivity of its young workforce. Anyway, this does not seem to be enough. The pace of economic growth and the reallocation of jobs away from agriculture has slowed down because of the structural problems in the enterprise and banking sectors and macroeconomic turmoil in recent years (Bank, 2018).

Capital investments, and not productivity, have become the primary source of economic growth. These conditions can be dangerous for Vietnamese economic sustainability. The nation cannot rely exclusively on its workforce size for continued success; it desires to focus on making its labor force more productive (Griggio, 2017). Therefore, providing the right skills to the population will be crucial for Vietnam's economic modernization in the coming decade. Looking at more advanced neighbors, like Thailand, Indonesia, and Malaysia, economic modernization will shift labor demand from predominantly manual jobs that mostly involve more skill-intensive non-manual professions (Bank, 2019).

Vietnamese employers struggle to find the right workers. Many firms report a lack of workers with relevant skills as a significant obstacle to their activity. The majority of employers surveyed said hiring new workers is difficult because of workers' scarcity in determined occupations, skills shortage, or the applicants' inadequate capacities, skills gap. Unlike many economics, Vietnam does not suffer from low-cost labor demand; its employers seek workers, but they cannot find the workers that match the requested capabilities.

Employers recognize job-specific technical qualifications as the most critical skills, but they are even searching for cognitive and behavioral skills. For instance, besides job-specific technical skills, working effectively in groups and solving problems are considered essential mental and behavioral capabilities for blue collars. At the same time, employers hiring white-collar workers expect them to solve problems, think critically, and present their work and solutions in a convincing way (Bank, 2019).

Briefly, Vietnamese new scenarios require employees to have useful foundational abilities, such as good reading skills. To be successful, employees also need advanced capabilities, helping them be reactive to workplace changes. The Vietnam education system shows effectiveness in producing foundational skills. Simultaneously, it faces more significant challenges in building the advanced skills demanded (Uwe Blien, 2011). These issues are the major challenge that Vietnam will keep on attracting FDI. When companies find more attractive other nations with lower labor costs, Vietnam will lose a big part of their FDI on manufacturing, without being able to replace it with further investments in more technological sectors.

3.3. The Inward FDI Attractiveness in Lao PDR

3.4.1. The Policy and Economic Situation

Lao People's Democratic Republic (Lao PDR) is the only landlocked country in Southeast Asia and Indochina, which shares borders with five countries: China, Vietnam, Cambodia, Thailand, and Myanmar. The country area is 286,000 km^2. The Lao Landscape is covered by mountains, forests, and rivers. The population census in 2018 was 6.7 million people, and the density is 22 persons/km^2. Nowadays, Forty-nine multi-ethnic groups are in the Lao PDR. Its economy is based on agricultural productivity. About 80% of the population is engaged in the farm.

In 1986, the Lao government had decentralized and adopted a relatively comprehensive reform program that was s called the New Economic Mechanism. This mechanism shifted from a center of economic to market-oriented. The development of exports is by exploiting natural resources, like logging, mining, and hydroelectric power, mostly sold to Thailand.

GDP growth averaged 7.7% over the last decade, with income per capita reaching $2,460 in 2018 (Khamphengvong, 2018). Economic growth in Lao PDR is expected to recover to 6.5% in 2019, from 6.3% in 2018. Notwithstanding the continued fiscal tightening and uncertainty in the global economy, growth is expected to be driven by the construction sector, supported by investments in large infrastructure projects, and a resilient services sector, led by wholesale and retail trade growth. Growth is projected to pick up in 2019-2020 (Bank, The World Bank in Lao PDR, 2019), supported by increased power generation, growing opportunities in the non-resource sectors from closer regional integration, and reforms to improve the business environment.

The government is seeking to maintain macroeconomic stability by reducing the fiscal deficit and strengthening public debt management. The fiscal deficit is expected to decline to 4.3% of GDP in 2019 from 4.4% in 2018 and 5.5% in 2017 (Soukavong, 2011). The government is strengthening revenue administration and efficiency by introducing electronic tax payments and modernizing the tax collection system while containing wages and investment spending in 2019. Fiscal consolidation expects to slow down the accumulation of public debt in the medium term. Until recently, growth has been mostly dependent on natural resources, which has placed increasing pressure on the environment. Environmental degradation is taking an economic toll on the country due to the depletion of natural resources and adverse impacts on human health from pollution and waste. Recognizing this growth model's limitations, Lao PDR has implemented reforms to support greener.

Lao PDR has made good progress over the past twenty years, including halving poverty, reducing hunger, and improving education and health outcomes (WB, 2010). However, the country needs to accelerate investments in human capital. According to the Lao PDR Human Capital Index, a child born in the country today will only reach 45% of her potential compared to if she enjoyed full health and education. Malnutrition is a critical issue, with stunting affecting over 30% of children under five. The maternal mortality rate also remains high, at 220 per 100,000 births (2013), with only 38% of births in rural areas without roads occurring in a health facility. While a child in Lao PDR goes to school for 10.8 years, they learn only the equivalent of 6.4 years.

Table 14: Changes of Some of Doing Business Indicators and FDI Inflow

	2010	2011	2012	2014	2015	2016	2017	2018
FDI inflow (in million US$)	278	300	617	867	1,077	935	1,693	1,319
FDI inflow (% of GDP)	3.9	3.4	6	6.5	7.4	5.9	10	7.3
Cost to enforce contracts (% of claim)	31.6	31.6	31.6	31.6	31.6	31.6	31.6	31.6
Days to Enforce of judgment of contracts	365	365	365	365	365	365	365	365
days to fill and service of enforcement contracts	..	..	119	119	119	119	119	119
Enforcing contracts: Procedures (number)	43	43	43	43	43	..	..	..
Cost to Register property (% of property value)	4.3	4.2	4.2	6.2	6.1	6.2	3.1	3.1
Cost to Starting a business (% of income per capita)	14.5	13.3	10.9	12.4	10.6	9.9	9.2	7
Procedures required to start a business	11	11	10	9	9	10	10	10
Time (days) required to start business	86	86	78	88	88	187	174	174
Ranking of Ease of doing business index	..	..	..	..	..	..	139	141

Sources: World Bank Doing Business indicator, 2020

The FDI inflow of Lao PDR increased year by year, as can see in table 14, started from 2010 by US$ 278 million and continually accrued by US$ 1,693 million in 2017. Actually, the FDI increment was notified in 2004, when Lao PDR was the first time to become the host of the ASEAN Summit. That event was the Lao PDR milestone to play a critical role in the ASEAN and the world since Lao PDR became a full member in 1997. Since then, Lao PDR was interested in the international arena, and the regional and international conference was held in Lao many times within a decade because of the political stability and peaceful country. The number of FDI inflow continually stabilized grew up because of the Lao People's Revolutionary Party and the Lao government's proper direction to guild the multi-ethnic people nationwide in the construction and development of the country strategies. On the other hand, the people in society were educated enough for the country, the future investment from the region, and international investors. The quality of infrastructure was gradually renovated and improved. Therefore, the number of the influx of FDI continually increased year by year.

The new turning to the Market Oriented has change Lao economy forever; the ranking of doing business which was 164 threw back in 2008 and 2017 and 2018 the order climbed up to 139 and 141 respectively and recently in 2020, the rank of Lao PDR in the Ease of Doing Business, World Bank is 154 out of 190, even though it is very high compare to the ASEAN member states but in the new member states of ASEAN namely: Cambodia, Lao PDR, Myanmar and Vietnam, Lao PDR deems to stay in a good rank, but this ranking should minimize because this rank stays in over a couple of years ago. As shown in table 14, the time (days) to start the business is pretty high since 2008. There are 86 days to process the business commencement, and the rate of the day climb up in 2020 by 174 days, or it means almost six months or a half years; this is very bothering the investors who want the facility speediness to invest in that time. They have to wait to spend their penny.

The procedures to start a business (Table 14), the process was fluctuated and flipped side all overtime in 2008, there were 11 procedures to accomplish the business starts, and in 2013, the governmental authority was changed to be better in 9 steps, and do not know the reason for switching to 10 processes. However, the cost to register for a property (% of property value) is relatively cheap compared to other ASEAN countries. For instance, in 2008, the cost to register property was 4.4% because of renewing the procedure and the law of investment in 2006 of the investment promotion law of Lao PDR, this is causal of reducing the cost of property registration to 3.1% in 2020. Likewise, the price to start a business (% of income per capita) is one of a good example to reflect the impact of the investment law in 2006, in 2008 the cost percentage was 21.6% of income per capita and rapidly decreased in 2020 by 7% of income per capita.

Table 15: FDI and Domestic Direct Investment by Countries in 2018

No	Countries	Number of Projects	Total Capital of Investment(US$, Million)
1	Lao PDR	2625	13,421
2	China	862	10,031
3	Thailand	757	4,713
4	Vietnam	422	3,970
5	Malaysia	99	794
6	South Korea	291	751
7	France	224	545
8	Hong Kong	105	542
9	Japan	115	180
10	Unite States	89	151
11	Australia	79	135
12	Singapore	79	187

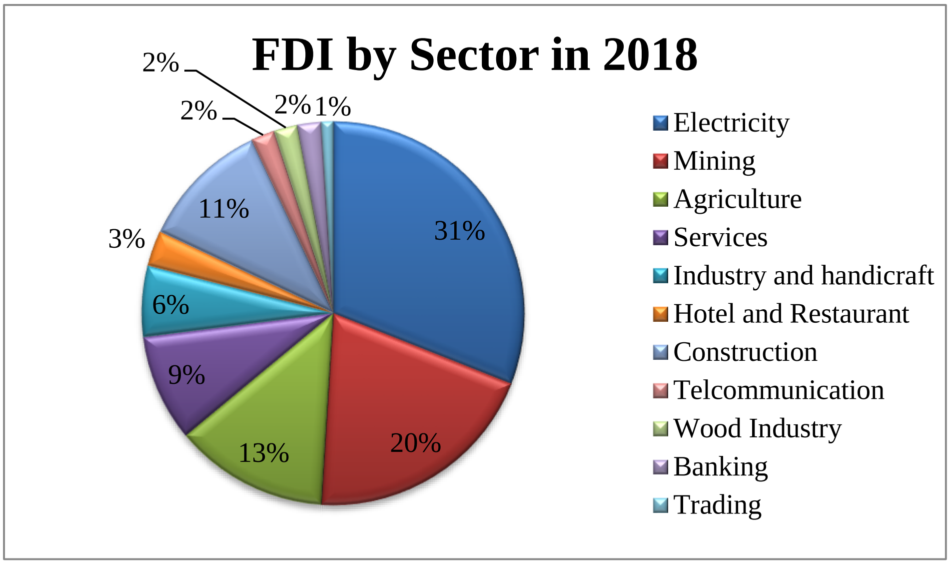
Source: Investment Promotion Department, MPI (2019)

The inflow of FDI in Lao PDR is mostly from China, Vietnam, South Korea investors, and some ASEAN members. Lao PDR is the top first actor to invest in the territory by 2,625 projects, including private and public sectors, US$13,421 million. China is the second rank investment in Lao PDR, the acquisition of China comprises various sectors such as service, hydropower, mining, agriculture, infrastructure, etc., and the total amount of investment value is US$10,031 million. Following Thailand with projects are 757 in total. The investment is US$4,713 million in total. The most popularized Thai people in Lao PDR are the restaurant, hotel, IT, mechanism, etc. Fourth, Vietnam, with a total number of 422 projects, and the value of the investment is US$3,970 million.

On the other hand, South Korea is the sixth rank of investment in Lao PDR, with 291 projects in total with an unlimited amount of investment is US$751 million, the task of Korean people in Laos is hydropower plant, food, the mechanism including cars, cell phone, and motorcycle. Lao PDR influences China, Thailand, and Vietnam in many sectors, such as culture, lifestyle, and perspective (Table 15). Especially, Thailand has a similar culture and language to Lao PDR.

Therefore, the foreign direct investment from China, Thailand, and Vietnam is not too much of an overestimation. By focusing on the regime and geopolitics, China and Vietnam prefer to move the capital to Lao PDR because the socialist regime and the government try to persuade and promote each other in various sectors. One of the industries that try to encourage trade and investment with one another.

Figure 12: FDI Inflow by Sector



Source: Investment Promotion Department, MPI, 2019

In Lao PDR, as shown in figure 12, the most potent and ultimate investment is the hydropower plant sector, which covers more than 31 percent of all investment, followed by the mining sector by 20 percent. Third, agriculture is 13 percent. The fourth is agriculture by 9 percent, followed by industry and handicraft by 6 percent, then the construction sector by 11 percent, and the rest of the sectors by less than 3 percent of the investment's total value in Laos. The government set the plan and strategy to enter the country to be more modernized and industrialized. Therefore, the government tries to manipulate the country's natural resources such as water, forest, and mining to establish the business through the hydropower plant. On the other hand, mineral resources such as gold, copper, and ore are essential for the GDP growth of Lao PDR for exporting raw material in the regional and international markets. Agriculture is a traditional sector and backboned by Lao

PDR since ancient times. This sector is always crucial for Lao economic growth but tends to decrease because it attempts to modernize the financial system.

Because of the landlocked country and is located in Southeast Asia's central land, most countries link to each other by land. Thus, the most advantageous way to export Lao PDR is to ship to save time and cost to transfer commodities in the nearest country. China is one of the strategies partners to export Lao PDR, as can see in table 16. In 2010 the number of exportation commodities of Lao PDR started from US$ 200 million before the value climbed up to US$ 1 billion in 2016 as well as Thailand is the closest country with Lao PDR, and this is one opportunity to export goods.

Table 16: Exportation of Lao PDR to the World Selected by Nation (US$ thousand)

Importers	2010	2011	2012	2013	2014	2015	2016
China	222832	105346	107743	366671	705209	1039451	1128300
Thailand	1022056	841708	694739	956019	916720	1008077	977425
Viet Nam	124310	194723	198286	364933	433720	537773	538066
India	69	95	72	705	2966	33037	87454
Japan	26855	49142	30523	60664	53482	49625	57950
Germany	38005	35457	26627	77210	71592	58619	50863

Source: Trade Map, (2019)

Nowadays, several bridges are constructed to cross the Mekong River from the North to the South. However, export value is still fluctuating even though they can communicate with their language, and communication is understandable by almost 80%, this advantage the Lao government can exploit to export commodities. However, because of instability inside their political situation, it also impacted the export-import during 2015-2016.

As aforementioned, because Lao PDR is a landlocked country, those countries also exploited Lao PDR as a consuming country for their goods (Table 17). Thailand is a country that can use its language to communicate with the Lao people without interpretation. Therefore, this is an absolute advantage of Thailand to export its product to Lao PDR by making the same advertisement used in their home country to the Lao people. Consequently, the number of export to Thailand was higher during 2010-2016 and tends to increase in the future, For instance, in 2010. The export value was US$ 1 billion. It gradually expanded in 2016 by US$2.5 billion. China was a comprehensive partner. Lao PDR depends on this country and export and import of goods. Vietnam was a strategic partner of Lao PDR, remained high value to export goods and most commodities that export is the raw material of agriculture products.

Table 17: Countries with a High Amount of Exportation in Lao PDR (US$ thousand)

Exporters	2010	2011	2012	2013	2014	2015	2016
Thailand	1319617	1576510	1299343	2283827	3032660	2222614	2541468
China	179722	432089	518153	545422	575580	713284	749167
Viet Nam	120700	259637	362539	297365	411151	526526	412994
Japan	32626	43354	72045	110270	90523	72127	88870
Republic of Korea	19182	55166	42388	94324	80015	48446	80353
Indonesia	17011	2797	2829	9245	14178	8526	55541
Singapore	27408	7814	11653	6940	9362	8001	25035

Source: Trade Map, (2019)

3.4.2. Investment Environment Factor

1. Trade Openness

Trade openness means the economic integration of a host country with the source country or the regional and international economy. The trade openness should eliminate the level of barriers in a host country, so this is the opportunity of the foreign investors who can exploit from this comparative advantage in a host country as well as reproduce the raw material to the process product and use that product to re-export to the state of origin again. This method will increase the percentage of the export of host country and the rest of the world as a study of (Ho Thanh Tri, 2019), (Bui, 2014), (Aseidu, 2006), (Nooribakhsh, 2001) and (Kasongo, 2013) had confirmed already about the positive effect of trade openness is influent in the inflow of FDI. In this study, the trade openness will compete from the sum of export and import of the host country over the GDP.

Table 18: trade openness (Import+Export) to the GDP from 2010-2018

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Exports of goods and services (% of GDP)	35.4	40.3	37.9	38.2	40.8	34.0	33.2	-	-
Imports of goods and services (% of GDP)	49.3	51.4	60.3	60.0	58.3	51.8	41.9	-	-

Source: World Bank (2019)

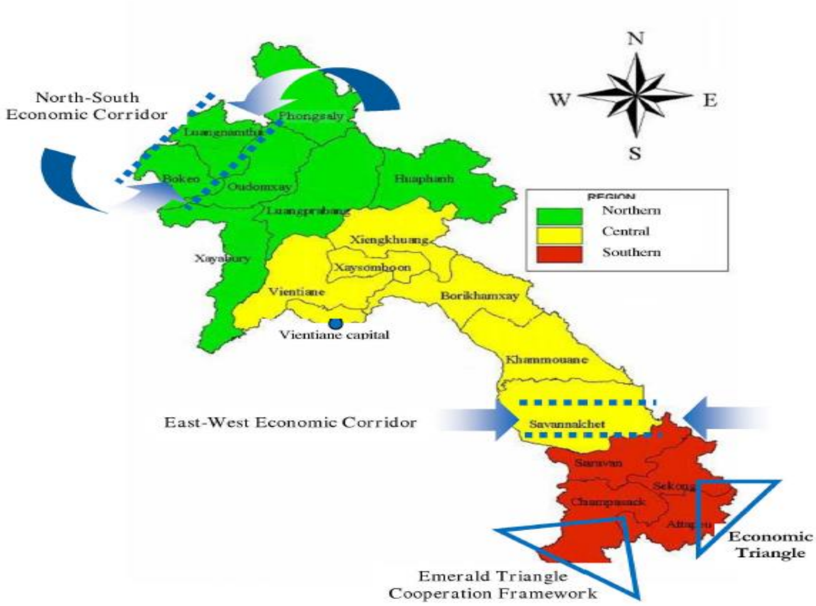
Table 18 elucidates the trade openness of Lao PDR from 2010-2016. This number shows the significance of importation and exportation to the GDP growth rate, contributing to the economic growth of more than 80% every year.

The level of trade openness also reveals the story of Laos' economy's deficit throughout the importation beyond exportation. In terms of trade openness, Lao PDR has near reached the climax of low barriers to trade as can be seen that the import and export value to GDP is almost touched 100 % in 2014 backward a few years. The importation was higher than exportation from 2011 to 2014 due to the ASEAN Summit in Lao PDR in 2014. As Lao PDR was a consumer country, therefore the importation was necessitated during that time.

2. Location

Lao Government envisions the potential of Lao PDR's site is a land-locked (IPD, 2014) and the government tries to change this situation to the utility to the land-linked nation in the ASEAN as well as to create to the center of the ASEAN in the mainland ((IPD), 2014). There are several routes between ASEAN and other partners outside ASEAN to China, namely road No. 3. This road also connects to Thailand. This route is called the North-South Corridor (figure 13). The other corridor, namely the East-West Corridor, connects Laos-Vietnam and Thailand. Moreover, Laos's government also established the potential of economic zones such as the Savan-Seno Economic Special located in Savannakhet.

Figure 13: Estimating the National Corridor of Lao PDR in the ASEAN



Source: Investment Promotion Department, MPI (2019)

3. Geopolitics and Government effectiveness

Lao PDR and the rest of Indochina countries are part of Eurasian Rimland's South-Eastern part and the continent's marginal zone. Therefore, this area always faces the conflict between Atlanticists and Continetalist powers (Katehon, 2016). The Atlanticists try to control the ASEAN members. Furthermore, it also means locking the continentalism' power of Eurasia, especially China's continental power. However, China also seeks to control the ASEAN as well. As can be seen, Lao PDR is one of the ways to reach their struggle for influence because they both share the communist ideology (Gnanasagaran, 2018). In contrast, Lao PDR is a landlocked country that shares borders with China, Thailand, Myanmar, Cambodia, and Vietnam. On the other hand, the foreign market, Lao production, will trade-off only through the third party, and it seems to isolate the country from the world, especially in terms of trade.

Lao PDR has shared a long border with Vietnam and Thailand with more than one thousand Km from the North to the South, so Vietnam and Thailand seem to be the predominant partner with Lao PDR (Pang, 2018). According to the map expresses the geography of Lao PDR renders a kind of buffer zone between Thailand and Vietnam. It reconciles to be the decisive influence of the two powers because most of the imports are from Thailand. Besides, the labor force includes skilled labor and semi-skilled labor are from Vietnam.

On the other hand, Vietnam also shares a similar destiny of the socialist ideology. After that, the accomplishment to liberalize from the French colonial rule, civil war, the American intervention, and the socialist state (B.Dwyer, 2014). Meanwhile, Lao PDR and Vietnam try to integrate each other's policies. However, in the '90s, they tried to pursue more independent policies from each other. Furthermore, there is another critical factor, like China in the region. Moreover, China is also a socialist country trying to expand its power in the region. Therefore, Lao PDR has to balance the power of neighboring countries that are Eurasian power and Continental power.

On the other hand, Lao PDR established diplomatic relations with the United States in the 1990s after the crucial years of hostility. Currently, Americans try to increase the influence level in Laos through many sectors, one of which is the UXO clearance during the secret war in Laos. Even though Americans will quote that the tons of bombs in Laos are not the United States' attention to bomb and the bombs are for cut off the transportation between Northern Vietnam to Southern Vietnam in the Vietnam War. The CIA created the Mong forces (the tribes in Lao PDR) under the commander of VangPao to make the civil war in Lao PDR, and in the aftermath, the CIA dropped more than two tons of bombs to facilitate the Mong forces.

Lao PDR has one political party system. Since 1986, the Lao government has set market-oriented reforms in China and Vietnam's spirit, and the final destination is to build socialism as a political commitment (Katehon, 2016). Therefore, China and Vietnam's political and government structure is quite similar, such as the assignment or impeach or removal system of President, Prime Minister, President of the National Assembly, and the Minister is pretty much in the same system. Farmers predominantly drive the economy of Lao PDR; mines of copper, gold, and tin also exist, the hydropower plant network.

Lao PDR is very fruitful in foreign policy from Beijing's mega-project investment in the landlocked country, especially in the infrastructure, hydropower, mining, and agriculture sector (Pang, 2018). The railway track from Kunming to Lao PDR is one of the Belt Road Initiative (BRI) projects that will connect the Southern part of China with Thailand, Malaysia, and ending in Singapore by 414 Km with US$6 million. Furthermore, another smart foreign diplomacy. Lao government can fascinate international friends such as Japan to build the downtown infrastructure such as Wattay International airport, a Mekong riverbank development project by South Korea, and International Conference Hall by China.

Moreover, Lao PDR also maintains relations with the United States. The evidence was visited Lao PDR of Former President of the United States in 2016, during Lao PDR was the host of the ASEAN Summit. Vientiane has also proven themselves a lot during the chairmanship in 2016 through its leadership within the organization to find the middle ground, especially leading to the South China Sea conflict.

4. Market Infrastructure and its Efficiency

Being a landlocked country combined with a developing country scenario constrains the socio-economic growth in macroeconomics. Meanwhile, the government declares the land-linked strategy to the regional and subregional infrastructure development (KDI, 2012), especially the framework among ASEAN members, the Great Mekong sub-region, and the Triangle Development area. The strategy has addressed the most important of infrastructure development. The plan reiterates in the road, waterways, and railways in parallel with road infrastructure. The infrastructure development has been the milestone to develop the country, poverty reduction, and private business development. Firstly, the infrastructure aims to connect the farm to the market. This strategy will link the rural farmer to the high demand in the country. Secondly, the improvement of logistic infrastructure, especially the factory to the port transportation, the logistic infrastructure improvement is the benchmark to enhance business performance, export development and economic growth, and thirdly, the outstanding choice for trading logistics in the long term of infrastructure. (Oraboune, 2008).

5.1. Road Transportation

The road transportation in Lao is still under development or in poor condition compared to the country's objective to graduate from Least Developed Countries by 2024. It is acceptable that the government needs to graduate from the Least Developed Countries, and many works/sectors have to finish before the time (Oraboune, 2008). Therefore, the Government of Lao PDR tries to prioritize the transportation sectors and intensively implement many large investment projects in recent years, especially the railway track from China to Lao PDR as a BRI project. However, the road sector is at a slow pace of development or even low in construction quality, or the price is higher than the standard price. Therefore, the road length in the first phase of development in 1985, after the country reform to market-oriented and rehabilitation from war wounded, the country had 12,383 Km nationwide. In 2010 the total road length was 39,586 Km. The road length will increase in the year to come. One of the significant factors of entire road length development is very slow because of the UXO issue that still contaminates many areas in the rural area, besides that transparency of road construction. Therefore, before constructing new road construction, the UXO clearance must be the first job that has to complete before the construction, and its cost of clearance is also high.

5.2. Regional Linked-Road

The Government of Lao has worked closely with the regional and sub-region in the ASEAN framework, especially the neighboring countries that share borders such as the Great Mekong Sub-Region (GMS). According to the GMS regional, there are 16 regional road projects. They're still other roads that have improved, such as road No.9 under the GMS regional project. The corridor connects from the Southern part of Myanmar to central Thailand and Lao PDR to the central part of Vietnam in 245 Km (KDI, 2012). The second project is road No.8; this road connects the central part of Lao PDR (Bolikhamxay province) to the central part of Vietnam (Ha Tinh Province). Road No. 8 and 9 links to the two huge ports in Central Vietnam, and these two ports are the strategic plan for Lao PDR to integrate between the land-locked country with the global.

Another road was constructed under GMS's framework with a length of 228 Km, namely R3. This road connects Northern Thailand with the Northern part of

Lao PDR and Kunming (Southern part of China). This road is for trade logistics and improving livelihood and is also the strategic route to improve the quality and quantity among the three countries. The fourth completed project is in the Triangle Area in the Southern part of Lao PDR, a three-country corporation, namely Lao PDR, Vietnam, and Cambodia. Moreover, the Government of Laos has completed building road No.R18B, which connects the Southern part of Lao with the Southern part of Vietnam with a total length of 111 Km.

5.3. Railway Transportation

Laos' railway system started in 1995 by the commitment to develop the railway system of ASEAN members and China. The ASEAN members have signed the agreement to build a railway network called the Trans Asian Railway Network (Transport, 2018), which links between Singapore and China, and connects Malaysia, Thailand, Vietnam, Cambodia, and Lao PDR (Singapore Kunming Railway Link: SKRL). After that, this plan became part of the Belt Road Initiative.

Nowadays, the railway system of Lao PDR started only connecting between the center of Lao PDR and the Northeast of Thailand through Lao-Thai Friendship Bridge (Nongkhai-Thanaleng) with a length of 3.5 Km in total. However, the Laos-China railway is the strategic project between Laos and China Government, which permitted in 2012 with a total length is 414 Km, and it possibly will launch at the end of 2020.

5.4. Waterway (inland) Transportation

Most of the waterways in the Lao PDR are for domestic freight. The Mekong River uses for international freight across neighboring countries such as Thailand, China, and Cambodia. The Mekong River and other delta are length 2000 Km, but during the dry season, the river transportation will be possible for only a length of 1,300 Km (Transport, 2018). The inland waterway reconciles for only 18 percent of the total volume of transportation in Lao PDR, including 483 boats that can carry 0.5 tons, with 1,645 passengers and 34 ferries.

Currently, the trading off with China is very dense, so the vessels of up to 400 DWT can operate over the year in the northern part of or Mekong River only. Meanwhile, the other waterway transportation in the dry season limits by small barges of only 200 DWT or less. Higher capacity vessels use to carry raw material for industrial products such as sand, rock, wood products, food grains, steel products, logs, etc.

Nowadays, waterways in the northern part of Lao PDR play an important role in tourist development and transportation by Thailand's ferries along the Mekong River and stop at Laos's northern province. On the contrary, in the central and southern regions, the waterway transportation is not very popular because of the road network links from the central to the south of part such as road No. 9 and No. 13 as well as the completion of the domestic bridge and the Lao-Thai Friendship Bridge N0.1 and No.2. Therefore, people who live in this region prefer to travel by car rather than other transportation means.

5.5. Airport

There are a total of 12 airports around the country, separately three for international airports. In recent years, the civil aviation sector of the Lao PDR has a fast pace in development (Oraboune, 2008). The number of international flights has increased in average growth by 12 percent, and the domestic flight has also increased by 8%. The international flight in Vientiane and Luang Prabang province has also increased by 9 percent per year, while the number of tourists has increased by 20 percent. By transforming from the Land-Locked status to Land-linked, the Government of Lao PDR has signed 11 contracts with overseas transportation services.

Lao Airlines is a State-Owned Enterprise, a monopoly of international air transportation service providers in Lao PDR. At the same time, Lao Air/Lao Capricorn Air Company provides air transportation services from Vientiane Capital to other domestic airports such as Houaphanh, Phongsaly, and Sayyabouly. In the last couple of years, Lao Airlines signed an agreement to incorporate with five foreign airlines. Subject to provide air transportation services between Lao PDR and neighboring countries, including Thai Airways International., Vietnam Airlines, China (Yunnan) Air Asia, and Lao Central Airline or Phonsavanh Airlines.

5.6. Telecommunication

Telecommunication in Lao PDR has gradually improved during the country's construction and development for almost 40 years. Telex, telegraph, fax and internet services are available in the important cities and the center of each province, the Telecommunication Company (a state-owned enterprise), telecommunication services of the company significantly improved and expanded. By 2015, most of the country's telephone centers provided an upgrade system of services based on an automatic system. In 2018, the number of telephones had increased significantly, while mobile and cell phones popularize as the communication tool. Accounting is more than 85 percent of the phone that use in the countries. Five major Telecommunication Companies are providing mobile network services, three out of five are private company owners, which play an important role in decreasing service prices.

5. FDI Protection and Promotion Policy

Lao PDR is ASEAN members who share more or less on investment protection with the rest of the members. However, Lao PDR has its investment promotion that identifies in the Investment promotion by reaffirming the state protects legitimate rights, interests, and equal treatment of all economic sectors, including domestic and foreign investors who make their investment under the Lao PDR territory. To achieve (Assembly, 2016) the protection policy, the government of Lao PDR fully recognizes and protects any lawful investments if investors against government seizure, confiscation, or nationalization by administrative means. Moreover, the government has needed to take over the business for public interests. The investors shall be received compensation with actual invested value at the prevailing market price at the time of transfer using mutually agreed payment methods.

The Law on Investment Promotion (IPD, 2014) has divided incentives into three forms. Firstly, Incentives by business sector, stimulus by zone and encouragement through duty, tax-related to land use, and other special incentives.

- **Incentive by business sector**

These incentives shall provide to the investors who invest in modern technology, such as scientific research and research development (R&D) and using innovation-friendly, efficient use of natural resources and energy, clean agriculture, and toxic-free agriculture for industrial crops. The plantation promotes rural development and poverty reduction, sustainable development, education, physical sports, human resource development, skill labor development, vocation training institute, development hospital, pharmaceutical, medical equipment factory, and a microfinance institution that focuses on investment to reduce poverty, and the investment in financial support for the community with limited access to the finance.

- **Incentive by zone**

Based on figure 17, there are three zones to give incentives for the investors to relax tax. Including the first zone presents poor and remote areas with unfavorable socio-economic infrastructure for investment, the second zone is the area with a middle favorable socio-investment infrastructure for investment. The last zone is the full function of the investment environment.

Investors who invested in the first zone will receive tax exemption for ten years and receive extra five years for investors in the clean agriculture, handicraft industry, and education. The second zone will provide four years with different years of expansion of duty exemption if they invest in the same sector of the first zone. The last zone is the special economic zone (SEZ); the investors will receive a specific land concession incentive under 50 years. After the period, investors in SEZ can expand their concession if they can improve and benefit the community (IPD, 2014).

As mentioned above, the investor who chose to invest in SEZ will receive more tax, duty, and other relative incentives with other specific laws in the particular treatment stage. They can also receive connecting to the government because they will contract with the government to warrant their business's stability in every single of their doing business in the SEZ. Moreover, the developers and investors of the project who invested in SEZ development depend on the type, size value, conditions, economic and technical feasibility studies of the business in compliance with relevant laws and regulations but shall not exceed 50 years. To sum up, the investor will receive several incentives in terms of the land concession, tax, duty, and other specific incentives following what they invested.

- **Incentive on duty, tax, incentive related to land use, and other incentives**

The investors and developers are fascinated to invest in Laos. They will receive custom duty and Value-Added Tax incentives, access to financial incentives, incentive for investment expansion and other customs duty and tax incentives, exemption of rental and concession royalty of state land, land use related incentive.

- Customs duty and value-added tax incentives

In additional profit tax incentives, investors who invest in Lao PDR shall receive the tax incentive to import materials and equipment, which cannot be supplied or produced in Laos. The company can import machinery, and vehicles directly used for productivity will receive duty exemption and pay value-add tax at zero percent. While importing the raw material, equipment, and parts to be used in the productivity for export. The duty exemption will also apply for zero percent.

Chapter 4. Result and Discussion

4.1. Approach of Research

As we have already examined in the previous chapters, inward FDI is from various host countries' factors. Most of those determinants are unanimous. Many researchers have written for the dissertation and articles. This study seeks to examine the trend of the inward FDI by conducting statistical analysis and researching the literature on the factor of inward FDI. This chapter aims to determine whether the improvement in the regulation of business in the host country in ASEAN members affects inward FDI by closely examining case studies in Thailand and Vietnam. Therefore, the research paper will explore and compare FDI inflow indicators from the Doing Business indicators and other determinant factors in the central of Southeast Asia. The research criticizes the question: What are the common determinant factors that impact the inflow of FDI in ASEAN members? What are specific factors that differentiate the level of inward FDI in Thailand, Vietnam? and Lao PDR, and how does Lao PDR apply the lessons from these countries to attract inward FDI?

This thesis, based on the previous literature, examine policy at a high level. The vital factors in the framework of the literature review such as country location, geopolitics, culture, the rule of law, natural resources, Market infrastructure and its efficiency, government efficiency and effectiveness, on the other hand, there is some critical indicator that mostly cited in several literature reviews. The primary indicator of foreign direct investment in the host country is efficiency policy for investors. These include the Doing Business indicators of the World Bank, such as time (days) to Start a business, Cost to Start Business, Cost to Register Property, GDP per capita, Inflation Rate, Trade Openness, and Human Capital quality and quality of infrastructure. These indicators reconcile to facilitate policy for the investment and trading off. Nevertheless, the debt level may lead to government responsibility beyond the business in their commitment.

4.1. Correlation of variables and inward FDI

We consider researchers' discussion of inward FDI, including the macroeconomic factors such as GDP growth, GDP per capita, inflation rate, exchange rate, debt level, employment rate, purchasing power parity, etc. Furthermore, the institution factors always become the crucial factor of the investors should hardly reconcile. These factors could further develop their productivity activities or degrading their productivity; these factors include trade openness, geopolitics, culture, the rule of law, market infrastructure, and efficiency. Moreover, other factors, such as natural resources, quality of infrastructure, and quality of human resources, are also accepted to be one of the determinant factors of inward FDI.

Hence, the statistical analysis research and dissertation (Bui, 2014), (Binh, 2016), (Kasongo, 2013), (Bui, 2014), (Doytch, 2015) and (Piger, 2011) set the dependence variables as inward FDI, FDI portfolio, FDI stock. However, as aforementioned in the literature framework, there is never a consensus to accept the determinant. Hence, a study will analyze and examine the variables based on the inflow of FDI indicators from various sources.

The thesis's initial plan is to compare three different countries, attracting inward FDI among Thailand, Vietnam, and Lao PDR. The paper will examine based on three countries in ASEAN. However, the previous thesis will not point out the variables that affect the inward FDI; this is because there is some missing value that the number cannot identify. After all, the attraction of FDI as a demand country is not only in the sense of economic factors but also for its stability, quality of human resources, location, culture, infrastructure, and other related factors. Therefore, the research's main point is to compare the different countries in the same region but have different regimes. Importantly, these countries notify of the success of inward FDI and deregulation or re-regulation. Lao PDR is a vulnerable country in economics. It is also a low capability to attract inward FDI, a good chance for Lao PDR to learn from Thailand and Vietnam.

The study is not statistically analyzed but critical to figure out the deeper relationship between the well-known FDI inflow indicators and how most researchers rarely mentioned them. Those indicators are not possible to include in the statistical model; they also depend on the specific country. Therefore, the given country will demonstrate more examples of the researchers who have done many theses and dissertations versus each country's particular indicators. Here are some variables that correlate to the inflow of FDI of a given state that will lead to inward foreign direct investment.

- GDP per capita uses to represent the wage level and its consumption. However, the investors tend to move to the low cost of labor, so the relationship with FDI shall positively and significantly impact.
- The inflation rate represents macroeconomic instability; the stable macroeconomic may reduce the investment environment's uncertainty and increase the foreign investor's confident economy. The high inflation rate could limit the inflow of FDI (Kasongo, 2013), (Griggio, 2017), (Dollar, 1996) and (Stein, 2020). Thus, the relationship should have a negative relationship and a significant impact.
- Geopolitics represents the risk of politic and geography as well as the strength of the rule of law implementation that indicates the level of institutional quality that affect the investment situation (Aseidu, 2006) and (Masron, 2010) also found a significant impact of institutional quality for FDI manufacturing and particularly in service (Manaenkov, 2000). So the institution should be highly effective and lower in political risk.
- Quality of human capital represents the quality of the labor in the host country; this is the main factor that has positive impacts on inward FDI (Ismail, 2009) and (Griggio, 2017). Qualitative workers can handle successful and great jobs if there are high technology and suitable mechanisms (Manaenkov, 2000) and (Nooribakhsh, 2001). However, the labor cost should associate with the high quality of human resources, so the relationship between human resources and FDI inflow should be positively correlated.
- Quality infrastructure (Phonesavanh Xaypanya, Poomthan Rangkakulnuwar, and Sasiwimon Warunsiri Paweenawat, 2014) affect the time and cost of transport from the factory of the investors to the inventory. On the other hand, the telecommunication infrastructure, such as internet access and mobile networking, is also applied to inflow FDI indicators. So the infrastructure shall be a positive correlation with inflows of investment.
- Trade openness representing the opening and the level of the economic integration of the host country with the rest of the world (Brensztein, E.,

Gregorio., Lee J-W, 1998), (Du, 2011), (Bui, 2014), (Huyen, 2015) and (Dollar, 1996). Trade openness means that trade barriers related to goods, commodities, and other host countries' manufacturing products become relaxing. Likewise, this is also the opportunity for the foreign investor who looks to raising benefit and exploiting the comparative advantage of the host country to re-export to the country of origin as well as increased exports to the rest of the world (vertical FDI) (Aseidu, 2006) and (Nooribakhsh, 2001).

- Natural Resources (Kasongo, 2013), (Vilakhon, 2017) measure natural resource rents in total, which affect the percent of GDP growth; this indicator includes mining, forest, hydropower plant. Those natural resource uses to capture the whole country's density, which assumes to be positively correlated.
- Market infrastructure and its efficiency, measures from a trade facility, and its efficiency of doing business, the quality of market infrastructure will facilitate and boost business in terms of satisfaction in supporting or driving policy or regulation of the government side to the investors' side. Therefore, this should be a positive correlation with the inward FDI.
- Location, (Li, 2019), (Lawrence S. Welch, 2007), Nicholas Billington (1999), and Mohammad Sharif Karimi (2009). This indicator relates to geopolitics in terms of geography; the location is one of the country's strategies in the region, especially in the ASEAN regional isolates from each other. Still, there are seven countries connected because this relates to trading off and transportation. Therefore, it should be positively correlated.
- Culture, (Du, 2011), (Lan, 2006) and (Uwe Blien, 2011), the measurement of the indicator cannot merely see and calculate because it relates to motion and barometer. Still, it can only notify people that people can live or belong to each other or be friendship and amity. Therefore, the indicators should be a positive effect and correlation between the inflow of FDI and culture.

4.2. Research Analysis and Result

The ASEAN members endeavor to improve and promote inward FDI by improving business regulation reforms relate to FDI promotion. The business regulation reforms implemented to boost up the economic growth. The country's unique is the direction of foreign direct investment. Thus, we can see the strong relationship between the selected Doing Business indicators and specific parameters that affect the inflow of FDI in ASEAN members, particularly Thailand, Vietnam, and Lao PDR, in terms of the macroeconomic policy for a better overview of toward inward FDI.

The research of Karimi (2009), Kasongo (2013), Gottschalk (2001), and (Phonesavanh Xaypanya, Poomthan Rangkakulnuwar, and Sasiwimon Warunsiri Paweenawat, 2014) examined the statistical analysis on the correlation between the number of days required starting a business, the cost to register property directly impact the level of FDI inflow. On the other hand, the correlation between both indicators is negative and statistically significant. In other words, if the number of days for starting a business and the cost for registering property decreases, it will affect the level of inward FDI toward the host country.

- Table 7, 11, and 14 demonstrate the change of selected World Bank's Doing Business indicators. Moreover, these tables also elucidate the number of times (days) requires to start a business in Thailand is six days, Vietnam is 22 days, and Lao PDR is 174 days. The cost registration property is 0.6 percent in Vietnam, Thailand is 7.3 percent, and Lao PDR is 3.1 percent. On the other hand, the cost to start a business (% of income per capita) and enforce contracts also show a negative correlation and statistical significance. If compared to the case study country, we can see that Thailand is 6.2 percent, Vietnam and Lao PDR is equal by 7 percent.
- The GDP per capita, (Ersoy, 2015), (Vijayakumar, 2010), (Guo, 2005), (Susana Assuncao, 2011), (Yu, 2010) and (Tamura, 1994) insisted the GDP per capita is a positive correlation with inward FDI (table 1). Still, there are some researchers that inverse demonstration (Kasongo, 2013) mentioned in the thesis that the GDP per capita is negative. In other words, it means the decrement or low GDP will affect the positive impact on the inflow of FDI, or the GDP is not vital for inward FDI indicators. In the sample of a given country, there is a similar outcome when Thailand is the most successful economic emerge with high income per capita by US$7,443 a year in 2019. Still, as can be seen, two-country Lao PDR and Vietnam have quite similar income per capita in the same range of US$2,500 a year.

- Inflate Rate, (Griggio, 2017), (Cushman, 1985), (Stein, 2020), (Kasongo, 2013), (Kohlhagen, 1977), (Cushman, 1985) and (Ismail, 2009) also confirmed that the inflation rate should be in the negative correlation but no evidence that the statistically significant. Therefore, the number of companies and entrepreneurs will increase if the host country's inflation rate decreased. As can be seen in the given country case study (Table 5) demonstrates that the inflation rate in Thailand is 0.4 percent, Vietnam is 2.7 percent, and Lao PDR is 1.5 percent. Thus, the investors shall prioritize to start a business in Thailand.
- Trade Openness, (Bui, 2014), (Dabla-Norris E, 2010), (Huyen, 2015), (Kasongo, 2013), (Ersoy, 2015) and (Phonesavanh Xaypanya, Poomthan Rangkakulnuwar, and Sasiwimon Warunsiri Paweenawat, 2014) have confirmed that the level of trade openness will affect the positive impact and statistically significant effect. In this sense, Thailand, Vietnam, and Lao PDR will examine the trading in the export of goods and services (% of GDP). Vietnam is the emerged country with a high percentage of openness for goods and services in 2018 the export and import was more than 100 percent, Thailand was average by 50 to 60 percent, and Lao PDR was the lowest by less than 50 percent. Hence, the more open, the more we earn from trade liberalization.
- Quality of human Capital, (Ismail, 2009), (Walsh, 2010), (Tamura, 1994), (Aseidu, 2006), (VijayaKumar, 2010), (Lawrence S. Welch, 2007), and (Susana Assuncao, 2011) found the quality of human capital is a positive impact to the inward FDI. Specifically, the human resources are intensively training with some level of skill and technology innovation. There is productivity if the human capital has much more than enough at a low cost. It will be much more effective in the level of inward FDI. As we can see in chapter three, each country's government tries to upgrade and train their labor to prepare for investment in the future. As Vietnam is an emerging economy and in the revolution context of Đổi Mới, the human resources are significantly trained by the socialist party of Vietnam, and Thailand also deducts the cost for education and training in labor who will work in the special economic zone of Thailand.
- Natural Resources (Aseidu, 2006), (Susana Assuncao, 2011), and (Alisa Ibrahim, 2019) found that natural resource is a positive effect on the level of

FDI inflow. Whereas (Kasongo, 2013), (Lawrence S. Welch, 2007), and (Lui C. Nunes, 2006) found the natural resources is a negative effect on inward FDI. Nevertheless, natural resources are significant to the level of FDI inflow. Still, it is a negative effect, so the natural resources have no importance to the inward FDI. There are many reasons why natural resources have positive impacts and adverse effects. In the case of Lao PDR, as shown in figure 15, the mining and hydropower plant project, electricity generation covered more than 50 percent. The agriculture sector was 13 percent of the total investment share in 2018.

On the other hand, the natural resource is not abundant in only Lao PDR, but Thailand and Vietnam also have abundant resources. In this scenario, natural resources may not reckon as an essential factor for inward FDI. Otherwise, they will consider other factors instead.

In contrast, good quality of infrastructure and cheap transportation cost can fascinate the investors, the investment from a similar unique in terms of culture with the host country, or share the same ideology of politics. They will have much more beneficial than the bulk of the penny because, in the greenfield investment, it needs a high budget to survey initially, so it might be why the investors neglect the natural resources as a positive effect inward FDI. In the case of Lao PDR, the natural resources are trendy for Chinese and Vietnam investors who have good enough funds for the Government of Lao PDR. However, in a country that does not share the same philosophy, they can still invest in greenfield investment in Mining and hydropower projects such as South Korea, Thailand, Australia, and Japan. Therefore, the natural resources determinant will be upon the country-specific business regulation and macro policies to attract FDI's inflow in this factor.

- Infrastructure, (Ho Thanh Tri, 2019), (Ismail, 2009), (DIOUF, 2011), (Aduldech Klong Klaew B. G., 2016), (Lawrence S. Welch, 2007), (Susana Assuncao, 2011) and (Bui, 2014) have confirmed the empirical result on the positive correlation and significant effect of suitable infrastructure to the level of inward FDI. As mentioned earlier, the researchers concluded that the quality of infrastructure plays a significant role in the short-long term to attract FDI inflow into the ASEAN. In Thailand and Vietnam, they attempt to improve and enhance the excellent infrastructure in tangible and intangible infrastructure. They try to improve internet access and mobile network and try to make a digital connectivity link. In a slow pace of infrastructure development in Lao PDR on the road and railway system that had just been used for 3.5 Km a couple of years ago and a mobile signal is limited in an urban area.

- Geopolitics, (Bui, 2014), (Nyande Fania, 2020), (Li, 2019), (Krane, 2020), (Lawrence S. Welch, 2007), (Susana Assuncao, 2011), (Groizard, 2006), (Karimi, 2009), (Ismail, 2009), (Aseidu, 2006) (Masron, 2010) found a positive impact on the relationship between inward FDI and political stability. They also confirmed that the political stability, the rule of law, and the government's effectiveness, such as anti-corruption and the country's internal political stability, also reiterates the positive correlation with the inward FDI. In contrast, in the research of (Kasongo, 2013), his result was negative and statistically significant, while the investment in Sub-Saharan, most investors do not concern about government effectiveness and efficiency.
- Location is a proxy of the investors' satisfaction with the quality of infrastructure, and the logistics relate to the low cost of transactions in the host country. (Lawrence S. Welch, 2007) and (Zarkada-Fraser, 2001) found location might not affect too much in terms of inward FDI. However, some firms need to consider manufacturing sites based on location. The place becomes an essential part of the investment procedure even though it will become a footloose factor. However, investors need to reconcile manufacturing-based in the host country. Specifically, skilled labor, road and railway infrastructure will become fundamental factors to reduce cost and increase value-added manufacturing products.

On the other hand, the investors will satisfy the quality and the logistic condition with transportation infrastructure. They both have quays, dry port, railway, infrastructure quality, and mobile network stability in Thailand and Vietnam. On the other hand, they also have a strategic point in the Sea Lines of Communication point, which is very influential in the Middle East's sea line to East Asia. In contrast, Lao PDR is a landlocked country but does not have much high road infrastructure ability, so the only way to escape from landlocked is the road, and land-linked will reflect the hub of transportation.

- Culture (White, 1997), (Lawrence S. Welch, 2007), and (Welch, 2001), is a proxy of similarity in the history, alliance or colonial, and language. They found out the positive relationship between colonial history, and cultural interaction is an essential instrument for FDI inflow. For example, in the case of investment in Latin America, Spanish investment is a significant part, and it becomes the largest investor of the European Union in the region. This reason can elucidate from language and culture ties, sharing similar knowledge between the countries. Language is the central communication instrument and cultural influence, and it can impact some certain between the level of inward FDI and location. On the opposite side, (Huyen, 2015) said downstream that language and communication relate to inward FDI attraction.
- Market infrastructure and its efficiency are a proxy of financial information gathering and providing to the traders, investors, and the client in the host country. This information will link transparency and the host country's efficiency to reduce extra cost or transaction costs during investors doing business in the host country. However, this is parallel to the assumption that the market infrastructure and its efficiencies are a positive correlation and significant impact on the level of inward FDI in the host country.
- Debt levels (Tanna, 2019) and (Schnitzer, 2000), are strongly related to the inflow of FDI, as (Tanna, 2019) found that the inflow level of FDI depends on the external debt constraint. The high indebtedness will be able to constrain economic growth. In this sense, financial development will mitigate the negative impact of debts. In other words, it means the inward FDI will significantly and robustly impact economic growth as long as the external debt is lower than the 68-69 percent of GDP growth.

In a nutshell, through variables correlation, we can see the positive and negative impact correlation between the FDI inflow and critical determinants, as mentioned earlier. Those indicators are all essential and significant for inward FDI at some particular point, but every indicator cannot stand alone. It needs other related factors to push up one another. For example, natural resources cannot lonely attract Foreign Direct Investment without a good regulation facility, government and bureaucrats' effectiveness and efficiency, and private sector partnerships' prosperity. On the other hand, without the infrastructure quality and skilled labor and innovative technology and creativity to manufacturing products in the investment sector, it happens due to the persons' perception and perspective.

To see Thailand and Vietnam, Thailand is the most successful country to increase inward FDI within few decades; one of the significant factors to dramatically increase the number of foreign investors in the country is to increase the number of skilled labor required. They have then created a facility system of transportation in the country by increasing transportation options for a foreign investor, such as improvement and expansion of airport, highway, and road infrastructure, focusing on linking the economic hub and checkpoint border of neighbors. Moreover, Thailand also builds and expands the shipping line and logistic facilitating system to correspond to the number of imports and exports in the future. Furthermore, Thailand also improves and raises the digital connectivity in-country and Southeast Asian and East Asian nations. On the other hand, Thailand creates a specific investment agency that controls and coordinates with other relevant investment promotion agencies.

Moreover, based on inward FDI indicators in this paper, Thailand seems to do well on those indicators such as GDP per capita, inflation rate, human capital, especially the supply of skilled labor into each potential industry in the country. Besides that, the quality of infrastructure and communication infrastructure deems good because they have linked the transportation from the industrial zone and neighboring border and the country's main seaport. Also, Thailand opens trading off with another country, which shows the percentage of import-export goods and services is more than 60 percent. The location of Thailand is also facilitating trade openness because Thailand is sharing a border with ASEAN members. Still, this country also locates close to the sea line of communication, which links between East Asia and South Asia and the rest of the world. Turning to see natural resources, Thailand is abundant in natural resources. It includes mining and gas; they transfer natural resources by manufacturing to change the country's natural resources to the valued products. Thus the ranking of DBI in the World Bank was 26 out of 190

(2018). Nowadays, in Thailand, the geopolitics factor seems to be only one problem that affects the country's economic growth because of the chaos and turmoil in the politics and the protest in previous and recent times. The anomaly scenario of Thailand will become a big issue to attract inward FDI and economic growth.

Vietnam is one of the most successful of low-income countries in terms of inward foreign direct investment. This emerging economic situation can reduce the number of poverty nationwide, even though Vietnam was a developing country after the civil war ended in a previous couple of decades. Nowadays, Vietnam becomes the most attractive country in terms of investment because of stable politics. Political stability is a fundamental factor of the inward FDI. So the government tries to input people in high education and skilled labor in the potential sector to develop the country's economy.

Consequently, young people enroll in university and vocational training schools. This strategy is for human resources capacity building into the demanding sector in the industry. Skilled labor and abundant natural resources create valued output productively. Even though Vietnam's GDP per capita is still low, Vietnam's population is vast, so it is a large consumption market. Furthermore, Vietnam also improves and expands transportation infrastructure to quality and quantity. The evidence is the international airport of Vietnam, railway, highway, seaport, and communication infrastructure network. The excellent infrastructure factor and deregulation stimulate the inflow of foreign investment. Vietnam is the top exporter of rice and other agro products in the world market. On the other hand, Vietnam is also one of the importer countries. Hence, the level of trade openness is very high, and this factor brings Vietnam to the fastest economic growth, increasing the number of inward FDI.

In terms of the researcher's perspective, we consider that the FDI inflow method can not complete within a year, so the best practice to sustain the FDI inflow system. We need to order the indicators to ensure the achievement of FDI in the short and long term, respectively. Therefore, we determine the urgent indicators that need to settle, such as the Lao government needs to arrange with the openness to trade as fast as possible. The openness will help to reduce the time and the cost of starting a business with foreign investors. Moreover, the openness will help to reduce the procedures of starting a business in real-time. Hence the high number of processes can disappear. On the other hand, the economic factor, such as the inflation rate, needs to reduce as fast as possible because the inflation rate will directly impact the stability of the currency and the ability of the internal economy, so the basic of FDI inflow will also consider the strength of inflation rate.

The long-term solution for FDI inflow is the accumulation of human capital in skilled workers in need in the immense potential industry, such as mechanics, healthcare staff, railway technical staff, chemists, farmers, and other specialized staff types. This type of job will provide prosperity to investors shortly. On the other hand, innovative technology also needs to upgrade raw material from natural resources to valued accessories and utensils. Furthermore, road and railway infrastructure is also an essential condition for FDI inflow, but the infrastructure takes time to construct tangible and intangible infrastructure networks in terms of quantity and quality. Therefore, the quality of infrastructure is suitable for long term FDI inflow indicator.

On the other hand, the debt level is considered a long-term perspective because debt also needs much time to pay, and the debt occurs from investment in the megaproject, so this sort of debt will take more time to harvest. Finally, GDP per capita is the sweet candy to the investors due to Lao PDR being a small population. Thus the fascination steak for FDI inflow should be the GDP per capita rather than the people.

Several people will think that the most powerful and relevant agencies are the public officer who directly responds to the FDI inflow attractiveness. Indeed, the public sector is a small part of FDI inflow, which sets the rule to facilitate the trade and business sector. However, the essential element for FDI inflow is the people in the society, civil organizations, media, and the private sector, who play a crucial role in driving the inward FDI in the host country. The government has to aware of this issue. The private sector is the actor to interact with bureaucrats and the public sector. They both will create the competitiveness scenario in the business sector. Therefore, two major powers are the major actors to launch and facility the host country's FDI inflow.

Therefore, the inflow of FDI will happen when the government can change its role from the public administration instrument to the governance element and strategical mass media promotion. Governance can show an effective form of government. The developed countries and transition economies seem to well-doing in the way of governance. The incorporation between the public authority and the other power outside the government will create a balance in the society, so the policy can accept by all society members. The top-down and bottom-up approaches can work properly. On the other hand, social media also plays a vital role in promoting the host country's investment attraction to the international arena. Thus, balancing power between government, social media, and the private sector will motivate people to drive their ideas and bravery to invest their capital.

Last but not least, governance will launch its process. The economic database, the R&D sector, and the coordination between bureaucrats, the private sector, and foreign investors will gradually squeeze. Eventually, the people will be motivated to upgrade their capability to guarantee the increment of FDI inflow.

4.3. Policy Implications and Lessons Learned for Lao PDR

The qualitative analysis research compares Thailand, Vietnam, and Lao PDR and tries to seek out the lessons learned for Lao PDR's FDI inflow strategy. One of the critical determinants of FDI inflow is the World Bank's Doing Business indicators measurement. These include the cost of starting a business, the number of days required for starting a business, and the fees for property registration. These indicators expressed government efficiency regulation. However, many factors need to be considered, such as macroeconomic factors including GDP per capita, inflation rate, and GDP growth. Furthermore, the institutional factors, including geopolitics, government efficiency and effectiveness, the rule of law, and policy implementation, are essential factors for FDI's inflow level. Moreover, business promotion such as trade openness, quality of human resources, infrastructure, location, culture, and natural resources are essential components for foreign investors' consideration for providing goods and services in mode one cross border supply and mode three commercial presence.

However, the host country's FDI inflow promotion should reiterate the reduction of the barriers policies such as building good governance policy among the insider and outsider government; it means the government needs to incorporate with the private sectors, several civil society organizations, and every level of people in the society to create a better environment for investment. Consequently, the number of times (days) required for starting a business, starting a business, and the cost to register property will gradually decrease. Nonetheless, it also means the government's transparency and effectiveness to protect investors from extra payment and time extension and openness expression. Then, the host country government can build the investment license system among the relevant agencies of investment promotion, and next, the host country can enact the coordination act among the line Ministries to facilitate the trade and investment sector.

On the other hand, human resources, quality of infrastructure, and openness are important factors to enhance the manufacturing sector. The host country should double think about skilled laborers, experts, and specialists in the manufacturing and R & D sector line. Even though cheaper labor will fascinate the investors, experienced workers' quality and creativity will be more productive than the low cost of delivery.

Moreover, some inverse perspectives on some inward FDI indicators include natural resources, location, and culture. Comparing to Thailand, Vietnam, and Lao PDR, there are abundant natural resources, especially the underground resource, water for hydropower plants, and forest. Moreover, culture and location link to one another. These factors are a significant fascination for further investment direction. Still, some researchers said that natural resources had become the essential factor for the level of FDI inflow. Suppose the host country's regulation for business protection is unable to eliminate the trade barriers. In that case, natural resources cannot become the primary sources of inward FDI.

Lao PDR is one of the poorest countries in ASEAN, with the status of Least Developed Country, which locates among the big countries in terms of population and rapid development in economic and emerging economic growth in the region Thailand, Vietnam, and China. Nevertheless, Lao PDR endeavors to attract inward FDI with the hope of gaining benefit from foreign investors, but the environment of the investment sector still stumbles in skilled labor in the manufacturing industry as well as technology innovation. However, natural resource is the potential sector to innovate such as underground mineral, hydropower plant, and timber. Unfortunately, even though the country is abundant with untapped potential resources to attract foreign investments, the unconformity in business regulation and several procedures to start business brings the loss of benefit to foreign investors. On the other hand, bureaucrats always seek a beneficiary. Consequently, Lao PDR was at the same ranking by 154 out of 190 in 2019 and 2020.

The critical issue that requires immediate reform is the number of (time) days needed to start a Lao PDR business. In 2018, the time necessary for starting a business in Lao PDR was 174 days, whereas, in Vietnam, it was only 22 days, and Thailand was six days. On the other hand, the cost to start a business (% of income per capita) in Lao PDR was 7%, Thailand was 6.2%, and Vietnam was 6.5%. Therefore, we suggest the permission procedure for newcomer investors, and the cost to start a business must reduce. The investment promotion agency needs to explore central and local agencies related to investment permitting licenses. Furthermore, new technology such as online license permission for newcomer investors will directly compromise between bureaucrats and newcomer investors.

Then, we need to update economic information and database. Data is an essential part of development; without data, we cannot continue our development direction. As the sample Vietnam, the aftermath of liberalization and privatization of some public assets to the private company concession, they tried to establish an economic database for statistical development. Hence, the socialist government of Vietnam could grasp all data about the economic growth rate, inflation rate, GDP per capita, the cost and time to start the business, the number of skilled labor in each industry, the number of deficits, and the surplus of those labor. Therefore, the government of Socialist Vietnam could set a master plan on the direction of economic development as well as inward FDI guidelines. Hence, Lao PDR should rapidly create the database in financial and other related issues.

Next, Research and Development (R&D) sector, as can be seen in Vietnam and Thailand, is very successful in the R&D sector, especially in the chemical industry, mechanism, and new technology innovation. Consequently, these countries are very successful in manufacturing products such as automobiles and cars, food industry, medicine industry, chemical industry, agro product innovation.

Especially, in the case of Lao PDR is abundant with natural resources conditions, the country should rapidly stipulate this sector into the manufacturing industry. In the previous period until now, Lao PDR ultimately imported only mechanism and process products that are ready to use. Therefore, R&D is critical to change natural resources for manufacturing and process products instead of imports from other countries.

After that, Lao PDR should adopt the Coordination Point Act among the relevant agencies in charge of regulation enforcement in the investment and trading promotion with different lines Ministries. Among lines, Ministers are always faced with coordination problems such as hesitation causes of bureaucrats' misunderstanding or intention to delay the document's process starting or expanding business. On the other hand, the adoption of this Act will also express the strength of the rule of Law in Lao PDR.

Eventually, the core factor that needs improvement is the quality of human resources. Development of this factor is the priority of policy and regulatory reforms on inward FDI promotion, significantly increasing the number of human resources required in various industries such as skilled labor, semi-skilled labor in the sectors, and expert scientists R&D sector. In a couple of years, Lao PDR could not allocate several high education and vocational training colleges. Consequently, there are shortages in technical staff that are desirable in the industrial field, such as technicians, electricians, workers for construction road infrastructures and buildings, chefs, and healthcare staff. These include nurses and doctors.

Chapter 5. Conclusion

5.1. Conclusion and Recommendations

The primary purpose of this paper is to study determinants that impact inward FDI in ASEAN members, mainly examined the case study by focusing on the comparison of Thailand, Vietnam, and Lao PDR. The study's consequence will lead to solving the main problem that Lao PDR faces FDI influx attractiveness. The research has focused on various determinant factors of inward FDI into ASEAN. These include the well-known determinants that ASEAN members from the World Bank's Doing Business indicators, namely the number of days (time) required to start a business; the cost to start a business, the cost to register property, and the cost enforce the contract. In this regard, the study has selected the other independent variables that will lead the host country's best opportunity for inward FDI: the GDP per capita is a proxy of the country's market size and human resources quality. Then, macroeconomic stability includes inflation rate, debt level, market infrastructure, and efficiency. Moreover, the governance variables include the geopolitics (the government efficiency and effectiveness and the rule of law), the trade openness level (the sum of export and import of goods and services), and the quality of infrastructure (road infrastructure and communication infrastructure). Furthermore, the study also utilizes specific country factors such as location, regime, natural resources, and culture.

The thesis has found the lesser cost and time (days) required to start investors' business and fewer down for fees to register properties; it will reflect a larger number of foreign investments in the host country. Moreover, the findings have also insisted on the hypothesis that Doing Business indicators have reversed the relationship with inward FDI in the host country. Another result of the discovery is that Foreign Direct Investment will reconcile the size of the host country's economy. As the GDP per capita measures the country's economy, the more considerable income per capita will accrue an opportunity to receive inward FDI in simple words. Many researchers support this reason, finding that the GDP per capita is a positive relationship and a significant impact on inward FDI. In parallel, trade openness found a positive correlation and considerable impact on inward FDI of Thailand, Vietnam, and Lao PDR. In terms of export and import of goods and services, it is essential to consider the level of barriers in the host country because it can limit the possibility of gaining the benefit of investors and traders.

In addition, the quality of human resources, which means the number of skilled labor, affects the FDI inflow in ASEAN members, especially Thailand, Vietnam, and Lao PDR. As being emerged economy, Vietnam and Thailand have several couples of ten million people who train to support the new investment project in the future. Therefore, the quality of human capital, especially skilled labor that can meet the investment demand, is crucial and positively impacts the host country's inward FDI. Meanwhile, the country endowed with natural resources will create more opportunities to attract foreign investment due to abundant resources. However, there is an argument that abundant natural resources cannot lead the country to FDI recipients due to the lag in productivity manufacturing procedures.

On the other hand, excessive regulation on business might reduce the potential to attract inward FDI, regarding the country having an endowment on natural resources. The host country eventually needs effective and efficient regulation because regulation should belong to the R&D sector and macroeconomic policies, so natural resources can put more value-added to the product. Hence, the R&D sector is critical to developing a sort of product. Thus, natural resources can work adequately to attract FDI inflow for the host country. Furthermore, the quality of infrastructure is also a significant factor for investment in logistics and transportation; the better road infrastructure will be very convenient for communication and the decreasing possibility of extra cost due to time consumption.

Besides, geopolitics and debt level are essential for inward FDI in the host country due to political stability, and macroeconomics is a necessary element for business stability. Since the researchers did analyze the determinant with unanimous. Thus, we conclude that the inflow of FDI rather than the consideration of FDI inflows' common indicators should include specific indicators related to the host country such as regime, culture, location, and the relationship between the host country and the investors’ state. Besides that, the good governance implication; the coordination between the government and outside government actors such as the private sector, civil society organizations, media, and people in the society also become a dominant factor in attracting FDI inflow.

Nevertheless, there is some gloomy for the study correlation between the indicators we selected. Every country has a specific entity and unique of each in ASEAN members, especially Lao PDR, Thailand, and Vietnam because, in this region, culture and lifestyle are diverse. Therefore, some questions may stagger in the study, such as Doing Business indicators and other determinant factors are the best option to conclude the final result of this study? More specifically, is the business regulatory able to stand alone for investment promotion? If the host country cannot pursue all indicators mentioned above, could the host country attract inward FDI?

On the other points, the study made through secondary data from various researchers, pundits, and reports (ADB and World Bank) on the inward FDI in ASEAN members. We cannot do a possible interview in the entire field of the investment sector in each country. So our study suffered from data collection and some missing data. Therefore, we suggest further research on the inward FDI in Lao PDR. Suppose the researcher can collect more information on the foreign direct investment in Laos and fix this study's problem. In that case, more information will reiterate heavier to improve the regulatory reform in Lao PDR. Moreover, to refine the research, the research should specify the study on the impact by the sector of business regulation or quality of infrastructure or quality of human resources or trade openness level for foreign direct investment in Lao PDR. These topics will further enhance more policy implications to improve Lao PDR's FDI attraction in specific sectors in the future.

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국문초록

아세안 국가의 FDI 유입 결정요인
: 라오스, 태국, 베트남 간 비교를 통한 라오스에 대한 교훈을 중심으로

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글로벌행정전공

FDI 유입은 국가의 세입 다음으로 가장 큰 국가의 재정 수입원 중 하나이다. 이러한 점에서 모든 국가는 FDI 유치를 추진하기 위하여 실행 가능한 전략을 찾고자 한다. 아세안 회원국들도 FDI 유치를 위하여 노력하고 있으며, 개발도상국과 태국, 베트남, 라오스와 같은 신흥국은 지속 가능한 발전 및 경제력 강화를 위하여 FDI 유입을 촉진하기 위한 노력을 전개하고 있다. 따라서 본 논문은 아세안 국가 중 태국과 베트남에 초점을 맞추어 FDI 유입의 결정요인을 살펴보고자 한다. 이를 통하여 라오스의 FDI 유치를 위한 교훈을 제시하고자 한다.

본 연구는 외국인직접투자 유입 수준과 창업 비용 및 시간, 재산권 등록 비용 등을 포함한 Doing Business Indicators 등을 살펴보았다. 본 연구에서 활용되는 무역 개방도, 사회기반시설 수준, 지리적 위치, 체제, 문화, 그리고 천연 자원 등의 자료는 ADB, UNCTAD, 그리고 World Bank 로부터 수집되었다.

본 연구에서는 FDI 유치국에서 사업 시작에 소요되는 비용 및 시간의 감소, 재산권 등록 비용 인하는 일정 수준의 FDI 을 유치하는데 도움이 되는 것으로 나타났다. 천연자원, 문화, 국가의 지리적 위치, 부채 수준, 무역 개방도, 인적 자원 수준, 사회기반시설의 수준, 그리고 지정학적

측면 등은 투자 시 고려되는 두번째 측면이라고 볼 수 있다. 특히 천연자원은 더 많은 부가가치를 창출하기 위하여 혁신적인 기술 및 창의적인 과정이 필요하다. 사회기반시설의 질은 운송과정에서 추가적인 비용을 절감할 수 있는 교통 및 통신 인프라를 포함한다. 전반적으로 3 개 국가를 비교하면 FDI 의 유입을 결정하는 가장 중요한 요소는 인적 자본 수준이며 구체적으로 산업에서 숙련된 노동력이라는 점을 발견하였다. 그러나 본 연구결과는 FDI 의 유입과 FDI 유치 결정요인 간의 관계에 대한 총체적인 틀 내에서 수행되었기 때문에 한계가 존재한다. 따라서 이후 연구에서 FDI 유입에 대한 몇가지 중요한 지표가 구체적으로 연구될수록 FDI 유치국의 거시정책에서 특정 규제가 개선될 것이다.

주제어: 외국인직접투자(FDI), 창업, 천연 자원, 무역 개방도, 물가상승률, 지정학, 인적 자본, 사회기반시설

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