

**Effectiveness and Sustainability of Japanese FDI Project in Vietnam's Agriculture  
Case Study in Lam Dong Province**

ベトナム農業の日本 FDI プロジェクトの効果性と持続性について

Lam Dong 省のケーススタディーより

Department of International Studies  
47-146813 LE Thi Bang Tam  
Supervisor: Professor Eiji Yamaji

*Keywords: FDI, Agriculture, Vietnam, Japanese FDI, Effectiveness, Sustainability*

### **1. Background and Literature Review**

In Vietnam, AFF (Agriculture, Forestry and Fishery) remains an important sector which provides jobs for more than 60% of the population (General Statistics Office, 2011). Nevertheless, on one hand, this sector is highly vulnerable to environmental changes; on the other hand, it faces challenges including non-competitive technologies, poor infrastructure, undertrained workforce, and insufficient standards for export goods (Anders Corr, Tuan Nguyen, 2015).

Recently, FDI is believed to build a competitive commodity Agriculture with high effectiveness on the basis of comparative advantages and application of new hi-technology (FAO, 2010). By creating the changes in new technologies and international market, FDI paves the way for the increase in the productivity and total production of Agriculture sector (Teshome, 2011). Besides, high-quality jobs are also expected to be created by FDI enterprises comparing to their local counterparts (higher pay and better working conditions) (OECD, 2008). In Vietnam, Japanese FDI is considered to be in effective operation, along with good technology. Moreover, they have always been appreciated for the diligence, intelligence and high sense of responsibility (FIA, 2016). However, it is also clarified by FAO (2013) that those benefits cannot automatically come as expected without any risks for the host country.

Despite such possible benefits, there has been a downward trend in FDI in Agriculture (FAO, 2012). By December 2014, there have been 524 AFF FDI projects in Vietnam with the total registered capital of more than 3.6 billion USD, just accounting for 1.5% of the total capital amount (Ministry of Planning and Investment, 2015). Until July 2015, there are just 35 agricultural projects from

Japanese investors (nearly 6.7% of the total Agricultural FDI projects) with the total registered capital of nearly 190 million USD and the charter capital of over 71 million USD (JETRO Hanoi, 2015). Besides, per-project scale in this field is still small, standing at 6.6 million USD, compared with that of 15 million USD for other sectors (Anders Corr, Tuan Nguyen, 2015).

### **2. Objectives and Hypothesis**

The research's objectives are to (i) evaluate the effectiveness of Japanese agricultural FDI project on products' quality and productivity, local workers' income and working skill; (ii) identify difficulties of both workers and enterprise during project operation; and (iii) suggest recommendations for its further development and contribution.

Respectively, I hypothesize that (i) comparing with the local production, the product of the FDI project performs better in quality and productivity. Besides, the current salary of workers is higher than their previous income and the local income per capita, along with the positive change in working skill and working discipline. Nevertheless, (ii) difficulties coming from the shortages in investment environment and human resource constrain project operation and contribution.

### **3. Methodology**

Following case study design, this research would study the "Japan-Vietnam High Technology Agriculture Farm" (JVAT) in Lam Dong province. The fieldwork was executed from August 2, 2015 to August 25, 2015. Methods used in the site survey include field observation, semi-structured interview (with local Governmental agencies and JVAT), and individual questionnaire (with 50 JVAT's workers). The

respondents (71.4% of the population) were chosen randomly among 70 current workers of the project. The collected primary data of project's impacts on production capability, and on workers before and after their participation as well as other surrounding opinions would be analyzed both qualitatively and quantitatively (MS Excel, STATA). Secondary data from books, journals, researches and other reports aim to build literature review; and establish valid hypotheses. Moreover, comparison among literature findings and field survey findings is also made to examine their consistency. Also, GIS-ArcMap is used to show the location of the case study and other Japanese FDI projects in Vietnam.

#### 4. Findings

Excepting for the similar productivity, the project achieves better performance on product quality, proven through higher production value/ha, export percentage, export unit price, and better diseases and insect control. The result also shows clear increase in the income of local workers after joining JVAT comparing to their previous income and the Commune's income per capita, along with better working and living stability. However, there is little concrete evidence to state that working skill of project's workers is positively changed from their conventional ineffective working style. Basically, the decision of changing mindset depends on workers' education level, how much different their income can change after working at the project, and how long they have been working there. Equally importantly, the willingness of people in acquiring new knowledge and the communication among directing board and employees within the Company have strong impact on this changing possibility of local workers.

Regarding the investing environment, the instability in legal framework, the loose connection between FDI Enterprises and local authority, the weak at-sight materials supply, and the limited labor's quality are found to be the constraining factors to project operation. On the other hand, the weak inside understanding seems to degrade worker's working satisfaction as well as their belief in the Company's production method. Although at the moment, the positive spillover effects from JVAT in local area are still not clear enough, regarding its current significant contribution to local economy, practical actions based on existing problems are indeed required to promote its development and its potential positive impacts in the region in long term.

#### 5. Policy Implication

For Vietnamese Government, completing the legal framework following the simple and stable direction; enhancing the connection between local Authority and FDI Firms as well as the connection between the domestic and foreign Enterprises; developing rural infrastructure and ancillary industry; and creating opportunities for young people with strong learning motivation to access with Agricultural FDI projects will enhance the FDI attraction and the investment efficiency. For foreign investor, regarding the differences in language, culture and working style, improving the communication inside the company is necessary for their sustainable operation and development under the local context of the host country.

#### 6. Limitation

Due to the small sample size both in the number of case study and the respondents of the questionnaire survey, it may not only lead to the inconsistency and biasness of the analysis results, but also limit the possible findings derived from the comparison among projects. Moreover, regarding the data collection of the questionnaire survey, since the survey was conducted at JVAT during working time, the surrounding working environment may refrain them from revealing their true feelings or opinions, especially the ones asking for their judgements and satisfaction towards the Company. Therefore, conducting the survey at private home should be a good way to enables more exact data exploitation and collection.

#### 7. Reference

- Anders Corr and Tuan Nguyen, 2015, *Corr Analytics and Vietnam Report*, Vietnam Agriculture Opportunities - Q1 – 2015
- FIA - Ministry of Planning and Investment of Vietnam, *Vietnam's Natural Resources*, available at <http://fia.mpi.gov.vn/news/79/natural-resource>
- FAO, 2013, *Trends and impacts of foreign investment in developing country agriculture - Evidence from case studies*, ISBN 978-92-5-107401-5
- FAO, 2012, *Agriculture investment trends – the role of public and private sector in Vietnam*
- OECD, 2008, *Social Impact of Foreign Direct Investment*, available at <https://www.oecd.org/els/emp/The-Social-Impact-of-foreign-direct-investment.pdf>
- Teshome Adugna, 2011, *Structures, Opportunities and Impacts of FDI in Agricultural Sector in Ethiopia*, Ethiopian Civil Service University