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Article

Reforming Subnational Foreign Direct Investment (FDI) Strategies in Vietnam: A Policy Evaluation of Quang Ngai Province amid Global Shifts

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Abstract
This study evaluates the effectiveness of Quang Ngai province's foreign direct investment (FDI) attraction strategy within the context of global economic transformation, digitalization, and sustainability imperatives. Shifting from traditional investor-centric analyses, this research adopts a qualitative methodology, integrating policy document reviews, expert interviews, and institutional analysis to assess administrative capacity, policy coherence, and strategic alignment with national directives and global FDI trends. The findings reveal that despite Quang Ngai's geographical advantages and alignment with Vietnam's FDI vision, persistent challenges in institutional coordination, administrative inefficiencies, and limited sector-specific targeting undermine its competitiveness. The study highlights a disconnect between strategic aspirations and practical implementation, particularly in attracting high-tech and green investments. It recommends proactive reforms, including streamlined governance, enhanced investment promotion tailored to Industry 4.0, and human capital development aligned with sustainable growth objectives. This research contributes to the literature by offering a subnational perspective on FDI governance in transitional economies and proposes actionable solutions to bridge policy-practice gaps in regional investment management.

Keywords: *Foreign Direct Investment (FDI), Institutional capacity, Industry 4.0, Subnational governance, Sustainable development*

Introduction

Foreign Direct Investment (FDI) continues to serve as a fundamental catalyst for economic growth and structural transformation in developing countries. It contributes not only to capital formation and job creation but also facilitates technology transfer, enhances management capacity, and integrates domestic economies into global value chains (Le, 2022; Nguyen, 2018). In Vietnam, FDI has become a key pillar of national development strategy and economic diplomacy, underpinned by numerous free trade agreements and an increasingly open investment climate.

Vietnam's strategic emphasis on attracting foreign direct investment (FDI) has been pivotal in its economic development, particularly since the initiation of economic reforms and its accession to the WTO (Kokko et al., 2023). Recent studies have expanded this understanding by showing that FDI also shapes digital infrastructure development and human capital dynamics, while subnational institutional variation continues to drive regional disparities in FDI inflows (Ha et al., 2024; Hang et al., 2024; Huynh, 2020; Ibarra-Olivo et al., 2024). For instance, the presence of underground economies and inconsistencies in enforcement reduce FDI's impact on

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institutional quality (Huynh, 2020), while alignment with global value chains influences the development of vocational education systems in Vietnam's provinces (Ibarra-Olivo et al., 2024).

Beyond economic frameworks, Vietnam's FDI strategies are also informed by deeper philosophical foundations emphasizing ethical governance, social harmony, and human-centered development. Drawing from Confucian principles and Ho Chi Minh's thoughts, Vietnamese policy underscores that economic modernization must be balanced with moral responsibility and collective well-being (Trung et al., 2022; Nguyen, et al., 2023; Nguyen, Pham, et al., 2023). The integration of professional ethics within education and governance structures further reinforces this approach, ensuring that FDI attraction aligns with national values of sustainability and social equity (Nguyen & Nguyen, 2021; Nguyen, Nguyen, et al., 2023). Moreover, cultural influences such as Buddhism contribute to fostering a stable, harmonious socio-economic environment, indirectly enhancing Vietnam's attractiveness to foreign investors by promoting social cohesion and ethical conduct (T. V. Nguyen et al., 2024). These philosophical and cultural dimensions complement institutional reforms, embedding FDI policy within a broader vision of humanistic and sustainable development (Pham et al., 2023).

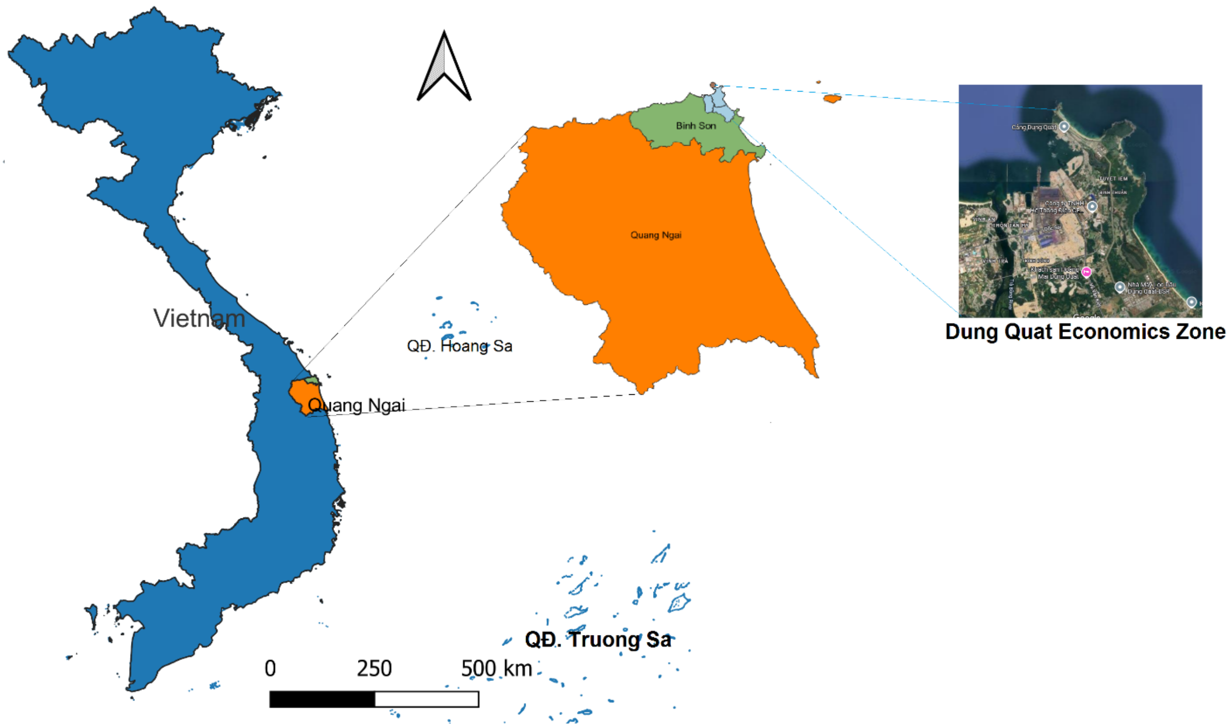
The influence of historical legacies, such as the war-era unexploded ordnance, continues to shape regional disparities in FDI inflows and local development (C. V. Nguyen et al., 2024). Hoang et al. (2025) reveal that when FDI surpasses 18.5% of provincial GDP, its transformative effect on economic restructuring is magnified, particularly when combined with strong human capital and institutional quality. Recent studies have underscored the critical role of institutional quality in influencing FDI inflows, with factors such as political stability, regulatory quality, and control of corruption being significant determinants . Furthermore, the interplay between FDI, trade openness, and economic growth has been a focal point of analysis, revealing the multifaceted impacts of foreign investment on Vietnam's economic trajectory . At the provincial level, governance quality, as measured by the Provincial Competitiveness Index, has been shown to significantly affect the distribution and effectiveness of FDI .

Kim (2024) and Kim and Thai (2024) further highlight how spatial mismatches—between FDI clusters and infrastructure networks—pose challenges to sustainable urban development in Hanoi, raising concerns that investment-led urbanization may outpace equitable accessibility. Le and Dang (2024) demonstrate that most provinces, including Quang Ngai, remain suboptimal in their FDI efficiency, underscoring the need for reform-driven and performance-based approaches to subnational investment strategies.

Recent analyses have also highlighted the urgency of modernizing subnational investment frameworks to align with global standards on sustainability and digital infrastructure (EFM, 2024; Nguyen, 2024). According to the Ministry of Planning and Investment, the FDI sector contributed over 25% to the national budget and accounted for approximately 73.1% of Vietnam's export turnover in 2023, underscoring its central role in economic modernization and global competitiveness. Furthermore, Lam and Phan (2025) emphasize that technology is the most influential driver of investment capital attraction, reinforcing the importance of tech-based governance and institutional reform in local FDI policy frameworks.

At the provincial level, Quang Ngai has shown growing interest in leveraging FDI as a tool for accelerating industrialization and regional development. Strategically located in the Central Key Economic Region and home to the Dung Quat Economic Zone (Figure 1)—the country's first oil refinery hub—Quang Ngai possesses distinct comparative advantages, including coastal access, abundant land reserves, and an evolving industrial infrastructure. Over the past three decades, FDI projects in the province have contributed to economic restructuring, job generation, and technology diffusion, particularly within sectors such as manufacturing, logistics, and petrochemicals (Dao et al., 2020). Yet, the province's limited ability to attract high-tech and environmentally sustainable projects raises concerns about its adaptability to Fourth Industrial Revolution demands (Han, 2021; Phan, 2019).

Figure 1
Geographic Overview of Quang Ngai Province and the Dung Quat Economic Zone



Note: Created by authors using QGIS, 2025

However, the province's performance in FDI attraction has not fully met expectations. FDI's contribution to the local gross regional domestic product (GRDP) remains modest, with its share consistently below 3%, and its contribution to state budget revenue hovering around 2% annually. Many projects remain concentrated in labor-intensive, low value-added industries, limiting spillover effects. Despite possessing a relatively complete infrastructure and human capital resources, Quang Ngai's investment promotion strategies have yet to produce transformative outcomes (Nguyen, 2017; Tran, 2011). Empirical evidence from the Southern Central Coast region, including Quang Ngai, confirms that while port access and labor costs matter, local institutional quality and agglomeration effects are essential determinants of FDI inflows (Hoang et al., 2022).

In addition, recent global and domestic developments have introduced new dynamics to FDI flows. These include the Fourth Industrial Revolution (4IR), digital economy transformation, climate change, and geopolitical tensions such as the U.S.-China trade war and the Russia–Ukraine conflict. Recent global disruptions such as Russia's war against Ukraine have further influenced FDI decisions, with investors seeking more resilient, politically stable, and digital-ready destinations (OECD, 2022). Together, they have reshaped global supply chains and investment behavior, prompting a shift toward high-tech, green, and resilient industries (EFM, 2018; Phan, 2019). Additionally, the Global Minimum Tax (GMT) is expected to alter FDI competitiveness by rendering traditional tax-based incentives less effective, forcing provinces to adopt value-added, infrastructure-based strategies (Hoi et al., 2024).

These trends offer both opportunities and challenges for provinces like Quang Ngai, which must navigate the dual imperatives of competitiveness and sustainability. National strategic documents such as Resolution No. 50-NQ/TW (2019) and Resolution No. 52-NQ/TW (2019) emphasize the need to improve the quality and effectiveness of FDI through selective attraction policies, prioritizing advanced technologies, clean industries, and value-added production chains.

Despite some promising signals—such as South Korea, Japan, and Singapore emerging as major investors—the effectiveness of Quang Ngai's FDI policies and institutional capacity remains underexplored. To respond to emerging investment trends and national strategic directives, it is imperative to critically evaluate the province's current approaches to FDI attraction.

This study, therefore, aims to assess the effectiveness of investment policies, administrative frameworks, and practical implementation strategies related to FDI in Quang Ngai. Unlike prior research that emphasizes investor intention and decision-making behavior, this paper adopts a policy-focused lens, drawing on expert interviews, provincial documents, and secondary data to identify key institutional gaps and propose actionable reforms. The findings aim to support the province in adapting its FDI strategy to a complex, evolving global context and in aligning with Vietnam's broader development vision to 2030 and beyond.

Literature Review

The studies on foreign direct investment (FDI) have expanded significantly in recent decades, reflecting the growing importance of cross-border capital flows in shaping regional and national development trajectories. Existing research emphasizes that FDI not only injects financial capital but also facilitates the transfer of technology, modern management practices, and access to international markets (Anwar & Nguyen, 2013; Nguyen, 2018). In the context of developing economies, FDI is increasingly viewed as a cornerstone of industrial upgrading and integration into global value chains, provided it is governed by effective institutions and policies.

Recent research has offered more differentiated perspectives on how FDI impacts innovation, growth, sustainability, and social dynamics, depending on institutional, spatial, and sectoral contexts. For instance, Phi et al. (2024) reveal that while FDI has contributed substantially to Vietnam's technological development, its impact is skewed toward innovation procurement rather than R&D, calling for a policy shift toward incentivizing R&D-based foreign projects. Likewise, Nguyen and Nguyen (2024) emphasize that the long-term impact of FDI on Vietnam's socioeconomic development depends significantly on absorptive capacity and governance mechanisms.

The conditional nature of FDI spillovers is also demonstrated by N. M. Nguyen et al. (2024, 2025) , who find that institutional quality positively moderates the influence of FDI on SMEs' innovation in Vietnam. Their study underscores the role of local institutions, particularly in controlling corruption, in amplifying the benefits of foreign investment. In line with this, Huynh (2020) stresses that institutional quality must be assessed alongside informal structures such as the underground economy, which can dilute the effectiveness of FDI in improving governance outcomes.

At the macro level, Dao and Ngo (2023) provide evidence that FDI enhances formal sector growth and generates positive productivity spillovers to domestic firms, especially when FDI constitutes a significant share of capital. These findings are echoed in subnational studies like Hang et al. (2024), who show that institutional heterogeneity across provinces affects the locational decisions of high-tech FDI, with stronger local administrative capacity attracting more quality projects.

Several scholars have analyzed the macro and provincial-level dynamics of FDI attraction. Nguyen (2018) divides Vietnam's FDI strategy into phases—attraction, upgrading, and linkage-building—arguing for alignment between national incentives and sectoral strategies. Le (2022) categorizes policies into regulatory, promotional, and incentive-based clusters, and emphasizes the critical role of coordination across governance levels. Meanwhile, Banh (2023) and Tran (2011) investigate provincial policies, with a focus on incentive effectiveness, infrastructure readiness, and state-enterprise relations. Nguyen (2017) adds that fragmented institutional oversight and low inter-agency coordination have hindered FDI outcomes in Quang Ngai.

At the empirical level, Hoang et al. (2022) employ spatial econometrics to show how seaport access, labor costs, and legal institutions drive FDI into Vietnam's Southern Central Coast, including Quang Ngai. Le and Dang (2024) utilize DEA and Malmquist index techniques to benchmark provincial FDI performance, revealing persistent disparities across regions and suggesting opportunities for performance improvement. Their findings align with Dao et al. (2020), who reported uneven sectoral and spatial benefits from FDI, calling for improved monitoring and feedback mechanisms.

Building on this, Yamada and Otchia (2025) demonstrate that industrial development, closely tied to FDI, has significantly contributed to poverty reduction and reduced regional inequality in Vietnam. Meanwhile, Dang et al. (2024) highlight that investor satisfaction and loyalty are equally important to attracting high-quality, long-term FDI, suggesting that soft infrastructure—such as transparency, branding, and support services—must accompany formal incentives.

Thematic studies further examine specific contemporary trends. Hoang et al. (2025) uncover a threshold effect—when FDI surpasses 18.5% of provincial GDP, its restructuring benefits become more pronounced, conditional on human capital and institutional quality. Ibarra-Olivo et al. (2024) further contextualize this by showing that FDI embedded in global value chains shapes vocational education and labor skill demands, reinforcing the link between investment and human capital development.

From a spatial planning and infrastructure perspective, Kim (2024) and Kim and Thai (2024) demonstrate how FDI tends to cluster in vehicle-accessible urban areas, thereby exacerbating urban-rural development gaps. Nguyen and Truong (2024) find that urban agglomeration exerts a positive influence on FDI attraction, whereas excessive population dispersion and polycentric urban layouts may hinder FDI inflows, offering a more nuanced view of spatial dynamics. Ngo (2024) revisits Vietnam's FDI evolution through the lens of developmental state theory, suggesting that long-term planning, infrastructure-led industrialization, and selective liberalization remain central to successful investment attraction in Vietnam.

Environmental and sustainability dimensions are also gaining salience. Hoi et al. (2024) warn that Vietnam's traditional tax-based FDI incentives may become obsolete under the Global Minimum Tax (GMT), urging shifts toward innovation and infrastructure-driven attraction strategies. Lam and Phan (2025) confirm the role of digital technology and ethical frameworks in aligning FDI with sustainability goals, highlighting information systems and smart infrastructure as critical levers. Adding to this discourse, Ngoc et al. (2025) argue that while FDI promotes economic growth and trade openness, it poses significant risks to environmental sustainability without robust regulatory frameworks.

In terms of external risks, Truong et al. (2024) show that geopolitical uncertainties—such as trade tensions and military conflict—exert negative long-term effects on FDI, although short-term flows may rise as investors diversify risk. These findings highlight the urgency for provinces to build economic resilience through diversification and institutional flexibility.

On social impacts, Chuong et al. (2025) examine the link between FDI and income inequality, suggesting that while FDI can reduce inequality among high-income groups, it may exacerbate disparities between income segments without complementary social policies. T. G. Nguyen et al. (2025) provide compelling evidence that social connectivity, as measured by Facebook friendship ties, has a significant influence on FDI inflows, suggesting that network effects and trust-building are critical for attracting capital.

Additionally, Pham et al. (2025) find that among public, private, and foreign investments, FDI shows the strongest positive correlation with provincial economic growth in Vietnam, reinforcing its role as a key driver of regional transformation in transitional contexts. Ngo and Gál (2024) further underscore the importance of infrastructure and economic freedom in attracting FDI to Southeast Asian countries. Their findings validate the critical role of long-term infrastructure investments and institutional reforms in enhancing Vietnam's FDI appeal.

Lastly, Ly (2024) highlights the critical role of informational content—particularly transparency and data quality—in shaping investor behavior and influencing location decisions. This underscores the importance of institutional credibility and effective communication in modern FDI attraction strategies. Complementing this perspective, Ngoc et al. (2024) show that the extent of productivity spillovers from FDI is highly contingent on firm characteristics, technological sectors, and regional contexts. Their findings emphasize that strong backward linkages and a high level of absorptive capacity are essential for domestic firms to fully benefit from both domestic- and export-oriented FDI.

Despite these diverse contributions, several gaps persist. Many studies remain focused on national-level strategies or investor-side determinants, neglecting how subnational authorities operationalize FDI frameworks in practice. Institutional performance, coordination bottlenecks, and implementation fidelity remain underexplored, especially in the face of global disruptions and technological shifts.

This study seeks to fill these gaps by evaluating the effectiveness of FDI attraction policies and institutional mechanisms in Quang Ngai province. Drawing on expert interviews, secondary datasets, and policy analysis, it examines how administrative structures, promotional strategies, and governance practices shape FDI outcomes. Through this lens, the study proposes reforms to strengthen subnational FDI governance, align local strategies with national objectives, and enhance resilience amid global uncertainties.

Methodology

This study adopts a qualitative research design grounded in policy analysis and expert consultation to evaluate the effectiveness of FDI attraction strategies in Quang Ngai Province within the context of new global developments. In contrast to prior research that primarily assessed investor behavior using statistical models, this study focuses on how provincial-level institutions implement and adapt policy tools to attract foreign direct investment in alignment with evolving national and global priorities.

The research relies on a triangulation of three key sources of data: official provincial and national policy documents, expert interviews, and secondary statistical data.

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The documentary analysis includes provincial planning reports, FDI policy statements, national strategic documents such as Resolution No. 50-NQ/TW and Resolution No. 52-NQ/TW, and investment promotion materials issued by the Quang Ngai Department of Planning and Investment. These texts were analyzed using content analysis techniques to extract key themes related to strategic intent, institutional reforms, and performance evaluation criteria in FDI attraction.

To supplement and contextualize the document analysis, semi-structured expert interviews were conducted with a purposive sample of stakeholders involved in the formulation and implementation of FDI-related policies in Quang Ngai. These include senior officials from provincial departments (Planning and Investment, Industry and Trade, Finance, Labor, and Foreign Affairs), managers of the Dung Quat Economic Zone, and academic researchers with expertise in regional development and investment promotion. A total of 15 interviews were conducted, guided by a protocol designed to explore perceptions of policy effectiveness, institutional barriers, inter-agency coordination, and recommendations for reform. Thematic coding was applied to identify patterns and divergences in stakeholder perspectives.

In addition to qualitative data, the study incorporated descriptive statistics from government databases and investment reports to provide contextual evidence on FDI trends, sectoral distributions, disbursement rates, and investment sources in Quang Ngai between 2020 and 2023. These data were used not for inferential analysis but to complement qualitative findings and support the interpretation of policy outcomes.

Given the study's emphasis on implementation and institutional performance, a conceptual framework combining elements of institutional theory and policy evaluation was adopted. Specifically, the research draws on models of investment promotion lifecycle, institutional coordination theory, and the World Bank's Investment Climate Assessment indicators to assess the functionality and coherence of Quang Ngai's FDI governance system.

The study acknowledges certain limitations. As the analysis is confined to a single province, findings may not be generalizable to other regions in Vietnam. Moreover, while the qualitative approach allows for in-depth insights, it may be influenced by subjective perceptions of stakeholders. To mitigate bias, responses were cross-validated with documentary evidence and interview transcripts were independently coded by two researchers to ensure reliability.

In sum, this methodology enables a robust, multi-dimensional evaluation of Quang Ngai's FDI attraction strategy, situating the analysis within both provincial dynamics and broader global investment trends. The findings aim to inform not only local policymakers but also contribute to a growing body of literature on subnational investment governance in transitional economies.

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Results and Discussion

Results

The qualitative data collected through document analysis and expert interviews yielded three primary thematic categories: (1) policy effectiveness and coherence; (2) institutional capacity and implementation challenges; and (3) alignment with global FDI trends and sustainability standards. These categories reflect both the perceived strengths and limitations of Quang Ngai's current FDI attraction strategy.

1. Policy Effectiveness and Strategic Orientation

Analysis of provincial planning documents and national strategic frameworks revealed a strong alignment between Quang Ngai's investment vision and national policy goals as articulated in Resolution No. 50-NQ/TW and Resolution No. 52-NQ/TW. However, interview responses suggest that while strategic documents emphasize "selective and high-quality" FDI attraction, practical implementation remains inconsistent. Several officials noted that current incentive schemes still favor broad-based attraction rather than targeting high-tech or environmentally sustainable projects.

Table 1

Summary of Key FDI Promotion Policies in Quang Ngai (2020–2023)

Policy Initiative	Year Introduced	Key Features / Objectives
Investment Incentive Framework for Dung Quat EZ	2020	Focused on tax breaks, land support, and infrastructure development to attract manufacturing FDI
Digital Investment Portal Launch	2021	Enabled online submission and tracking of FDI procedures to improve transparency and efficiency
Green Investment Priority Strategy	2022	Encouraged FDI in renewable energy and environmentally sustainable sectors
Alignment with Resolution No. 50-NQ/TW Implementation	2023	Emphasized selective FDI attraction targeting high-tech, clean, and innovation-driven industries

From 2020 to 2023, Quang Ngai Province experienced notable fluctuations in registered FDI capital, as illustrated in Figure 2. These shifts reflect the impacts of global disruptions—such as the COVID-19 pandemic and geopolitical tensions—on investment behavior, as well as the province's evolving policy responses. While 2020 recorded a moderate inflow of USD 64.1 million, there was a significant decline in 2021, followed by a sharp increase in 2023.

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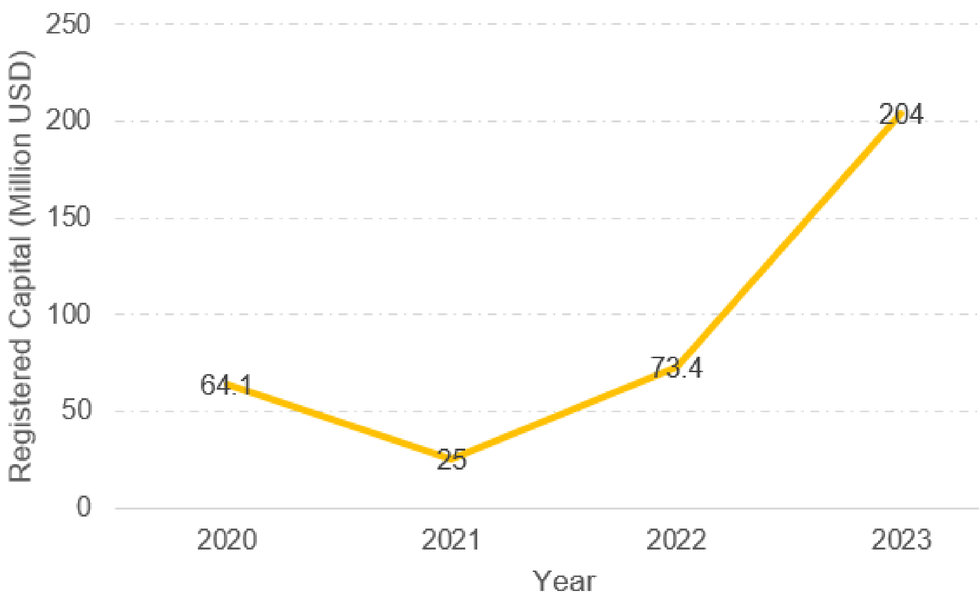
Figure 2

Trends in FDI Capital Registered in Quang Ngai (2020–2023)



This pattern underscores the volatility of investment attraction efforts in the absence of consistent policy execution and institutional support. Although the 2023 rebound is encouraging, sustaining such growth will require targeted interventions that align local investment policies with national priorities and global investor expectations.

2. Institutional Coordination and Administrative Capacity

Interviews with officials and managers at the Dung Quat Economic Zone highlighted fragmented inter-agency coordination and procedural delays as major bottlenecks. While a "one-stop shop" mechanism exists in theory, stakeholders reported overlapping responsibilities between departments, unclear timelines for licensing, and a lack of transparency in land allocation processes. These challenges contribute to investor hesitation and reduce the province's comparative advantage relative to more institutionally streamlined provinces such as Da Nang or Binh Duong.

Table 2

Interview Themes and Representative Quotes

Thematic Category	Representative Quote
Administrative Delays	"It takes months to secure land allocation despite the so-called one-stop service."
Inter-agency Coordination Gaps	"Departments work in silos; there's no unified voice for investors."
Policy Ambiguity and Unclear Incentives	"We have policies on paper, but they are often unclear and hard to implement."
Lack of Skilled Labor for High-Tech Sectors	"Even if high-tech investors come, we're not confident the workforce can meet their needs."
Green Investment Still Peripheral	"There's talk of green FDI, but very few policies actually prioritize it in practice."

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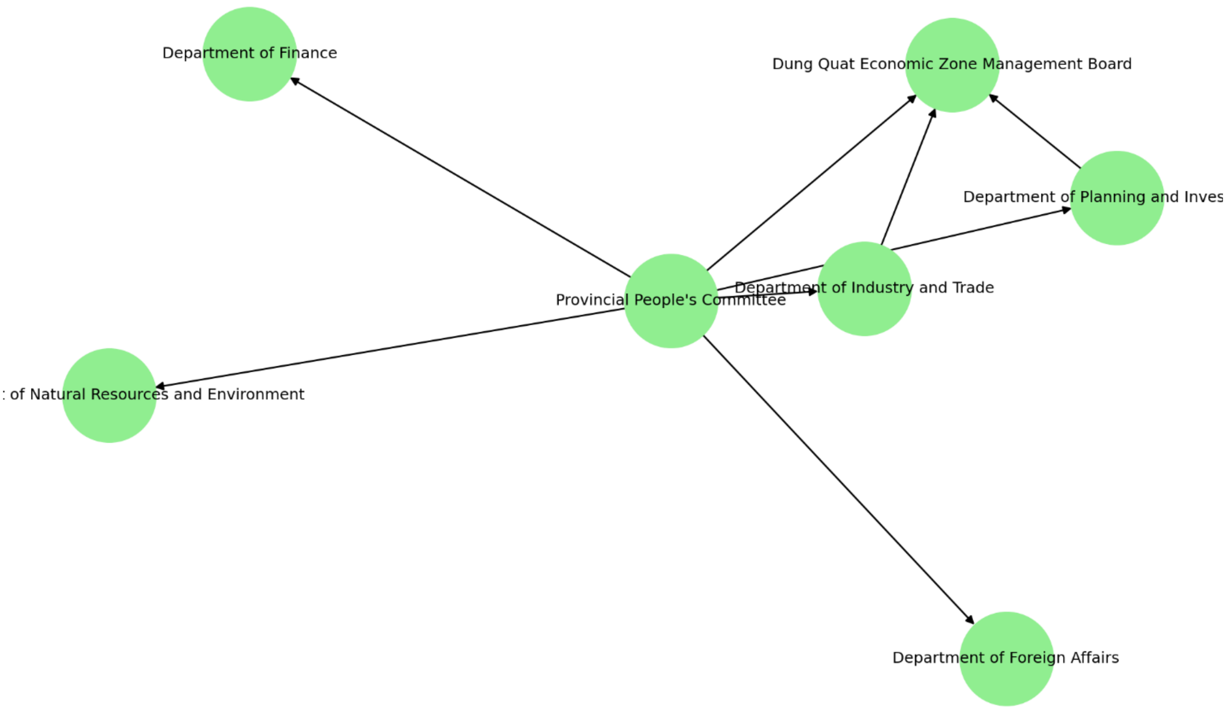
Understanding how various provincial departments interact is crucial to evaluating the implementation capacity of Quang Ngai's FDI strategy. As shown in Figure 3, the institutional framework is centered around the Provincial People's Committee, which coordinates with key departments such as Planning and Investment, Industry and Trade, and the Dung Quat Economic Zone Management Board.

Figure 3
Institutional Framework for FDI Management in Quang Ngai



Note: Created by authors using Python and Matplotlib, 2025

Figure 2 presents a schematic of this governance structure. While this structure suggests a centralized oversight mechanism, interviews reveal that coordination in practice remains fragmented, with overlapping responsibilities and delayed decision-making frequently cited as impediments to effective FDI facilitation.

The spatial distribution of FDI across Quang Ngai Province is uneven, with a heavy concentration of projects in the Dung Quat Economic Zone and Quang Ngai City (Figure 4). Peripheral districts remain underrepresented in investment flows, raising concerns about spatial equity and development balance.

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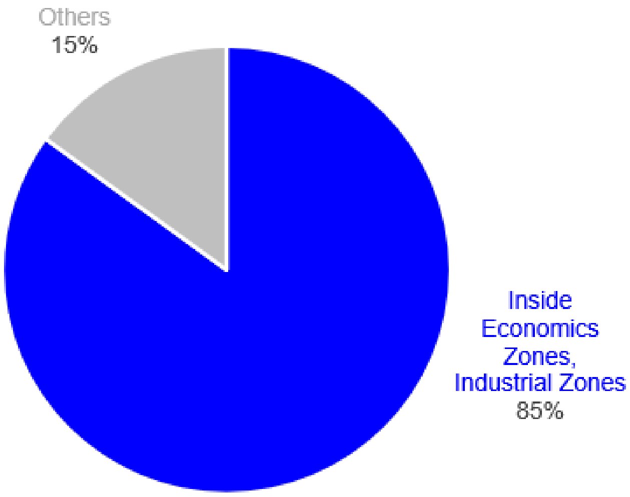
Figure 4

Geographic Distribution of FDI Projects Across Quang Ngai Province



This geographic imbalance suggests that while core industrial areas benefit from centralized infrastructure and policy focus, outlying districts lack the institutional and logistical support needed to attract investors. Addressing this disparity will require integrated regional planning and infrastructure expansion beyond the economic core.

Table 3

Key Institutional Challenges Identified by Stakeholders

Institutional Challenge	Description
Overlapping Responsibilities	Multiple departments involved in licensing and approvals, causing confusion.
Delayed Land Allocation Processes	Inefficiencies in inter-agency coordination prolong project initiation.
Limited Capacity of Investment Promotion Agencies	Lack of specialized staff and weak international outreach
Unclear and Inconsistent Policy Implementation	Variation in how policies are interpreted and applied at the departmental level
Insufficient Data Systems	Outdated databases and a lack of integrated digital platforms for investors

3. Adaptation to Global FDI Trends

Respondents uniformly acknowledged the importance of adapting to global shifts such as the Fourth Industrial Revolution, green investment, and supply chain diversification. However, the analysis found limited local initiatives aimed at attracting FDI in emerging sectors like renewable energy, digital infrastructure, or biotech manufacturing. Few projects in Quang Ngai as of 2023 had incorporated green technologies or Industry 4.0 applications, despite government rhetoric encouraging such transitions.

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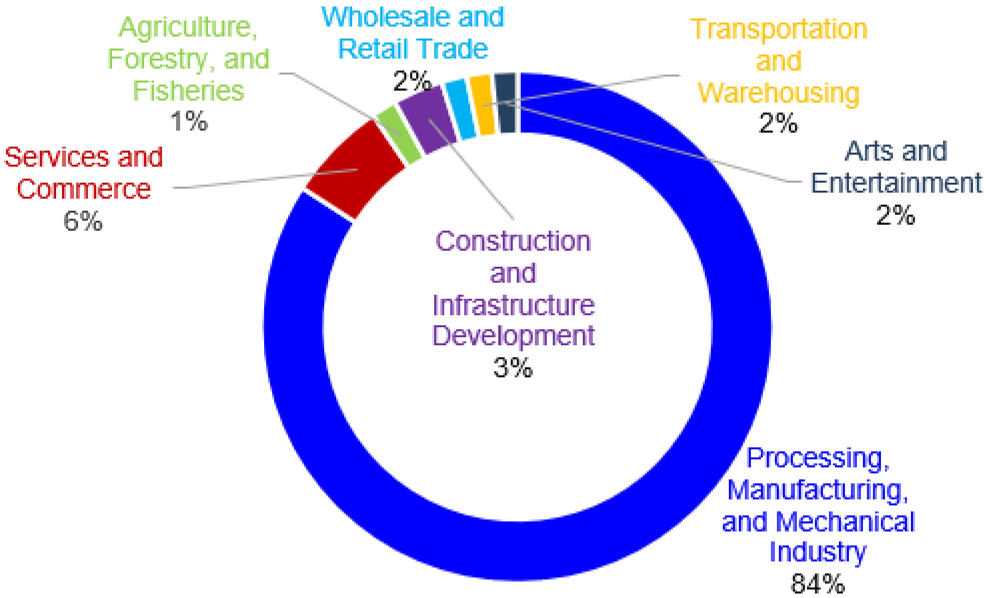
An analysis of sectoral composition reveals that the majority of FDI projects in Quang Ngai remain heavily concentrated in traditional industries, particularly manufacturing and logistics. This observation is reinforced by Figure 5, which details the sectoral distribution of FDI projects as of 2023.

Figure 5

Sectoral Distribution of FDI Projects in Quang Ngai (as of 2023)



Note: Source from Quang Ngai Provincial Department of Planning and Investment

Despite national and provincial commitments to green growth and high-tech development, Figure 4 shows a limited presence of investment in renewable energy, digital infrastructure, and biotechnology. This highlights a disconnect between strategic vision and actual investment trends, and it calls for a more proactive approach to attracting FDI aligned with Industry 4.0 priorities.

Discussion

The findings support the study's central hypothesis: that the effectiveness of Quang Ngai's FDI strategy is constrained not by the absence of vision but by limitations in institutional execution, administrative reform, and sector-specific targeting. This diverges from studies such as Nguyen (2018) and Le (2022), which primarily focus on national-level policy frameworks and assume a relatively uniform capacity across provinces.

Table 4

Alignment of Quang Ngai's FDI Strategy with National Policy Objectives

Policy Priority (Resolution No. 50/52)	Quang Ngai's Strategic Response	Degree of Alignment
Prioritize high-tech, innovative, and value-added industries.	Continued emphasis on traditional manufacturing; limited focus on high-tech	Partial
Promote sustainable and environmentally friendly	Green FDI referenced in planning, but limited project implementation	Weak

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investment.		
Improve administrative efficiency and transparency.	"One-stop shop" model adopted, but suffers from bureaucratic overlap	Moderate
Strengthen linkages between FDI and domestic enterprises	No clear policy or mechanism currently in place	Weak
Enhance human capital to support investment in 4IR sectors	Vocational training exists, but not aligned with Industry 4.0 demands	Weak to Moderate

In contrast, this study reveals significant variation in subnational governance, echoing concerns raised by Nguyen (2017) regarding the implementation gap between formal policies and administrative reality in Quang Ngai. The province's investment promotion activities, while robust in planning, are yet to mature in terms of operational efficiency and strategic selectivity. This aligns with findings from Dao et al. (2020), who emphasized the need for regular evaluation mechanisms and dynamic public-private engagement to optimize FDI outcomes.

The study's findings are also consistent with those of Hang et al. (2024) and N. M. Nguyen et al. (2024, 2025), who argue that local institutional capacity—not just national policy—plays a decisive role in determining FDI outcomes. As their research suggests, without sufficient institutional support, provincial FDI strategies may falter even under coherent national directives. The weak implementation of green investment goals and lack of innovation-oriented targeting in Quang Ngai mirror issues discussed by Ngoc et al. (2025) and Phi et al. (2024), who caution that without stringent environmental governance and R&D incentives, FDI may fail to contribute to sustainability and technological upgrading.

The theoretical implications of this study lie in the expanded application of institutional theory to subnational FDI governance. While Dunning's OLI model remains useful in understanding investor motivation, the findings here emphasize the role of institutional coherence and policy execution as critical determinants of actual investment realization—especially in transitional economies navigating new global contexts. This supports the argument made by Ngo (2024), who positions Vietnam's FDI trajectory within a developmental state framework and advocates for infrastructure-driven, institutionally guided growth. Moreover, the results reinforce the findings of Pham et al. (2025), who empirically validate the outsized contribution of FDI to provincial economic growth when aligned with responsive governance mechanisms. This complements Truong et al. (2024), who warn of heightened geopolitical volatility and advocate for institutional resilience at the provincial level.

Practically, the study highlights several areas for improvement. First, provincial authorities must reform administrative procedures to minimize investor uncertainty. Second, strategic targeting should prioritize sectors aligned with Vietnam's commitments to green growth and technological innovation. Third, more institutional autonomy should be granted to investment promotion agencies, especially those managing economic zones, to enable more agile responses to investor needs. These measures are critical, as shown by Dang et al. (2024), who underscore investor satisfaction and loyalty as essential to sustaining long-term FDI retention.

Nevertheless, the study faces limitations. The qualitative approach, while rich in context, may not capture the full spectrum of investor experiences, particularly those who opted not to invest in Quang Ngai. Furthermore, the data are constrained to a single province, and generalization to other regions must be undertaken cautiously. This aligns with limitations noted by Ly (2024), who emphasizes the need for more robust data transparency and consistency in subnational investment research.

Future research should consider comparative studies across multiple provinces to explore best practices in FDI policy implementation at the subnational level. Additionally, longitudinal studies assessing the outcomes of recent reforms could provide further insight into the causal relationship between institutional changes and investment inflows.

Expanding this line of inquiry could also benefit from exploring the role of social networks and trust—an emerging factor in FDI behavior, as highlighted by T. G. Nguyen et al. (2025).

Conclusion

This study has examined the effectiveness of Quang Ngai Province's foreign direct investment (FDI) attraction strategy in the context of emerging global economic shifts, technological transformation, and sustainability imperatives. Drawing on policy documents, expert interviews, and institutional analysis, the research highlights that while the province has articulated ambitious goals aligned with national FDI directives, significant gaps remain in the implementation and coordination of these strategies.

Key findings reveal that Quang Ngai's current approach is constrained by administrative fragmentation, limited targeting of high-value sectors, and inadequate alignment with global trends such as green investment and Industry 4.0. While the province possesses favorable geographic conditions and an evolving industrial base, these advantages are not fully leveraged due to institutional inertia and a lack of strategic selectivity in investment promotion.

The study contributes to the broader literature on subnational investment governance by underscoring the central role of institutional performance and policy coherence in realizing FDI outcomes. It confirms that merely adopting national frameworks is insufficient without local adaptation, streamlined execution, and responsive regulatory environments.

Policy Recommendations

To strengthen its competitiveness in attracting foreign direct investment (FDI), Quang Ngai should transition from a broad-based approach to a more selective and strategic model. This shift entails targeting high-quality investment projects in high-tech, digital, and green sectors. By developing detailed sector-specific investment profiles and prioritizing projects that offer long-term technological and environmental benefits, the province can align its FDI attraction efforts with global trends and national development priorities.

Administrative and institutional reforms are equally critical. The provincial government must streamline licensing procedures, enhance transparency in land use planning, and fully implement the “one-stop shop” model to improve investor experience. Establishing clear timelines, adopting digital administrative systems, and applying performance-based evaluations will help to reduce bureaucratic delays and build investor confidence.

Investment promotion efforts should be upgraded to focus on data-driven, sector-targeted, and investor-specific engagement. Creating a dedicated, professionally staffed investment promotion agency with the capacity to engage international stakeholders will enhance the province’s ability to attract strategic investors and maintain long-term partnerships.

In parallel, Quang Ngai should invest in developing a workforce that meets the demands of Industry 4.0 and environmentally sustainable industries. This includes expanding vocational training and skill development programs and fostering collaboration with foreign investors to facilitate technology transfer and workforce upskilling.

Improved coordination among provincial departments is essential. Establishing a cross-sectoral task force on FDI governance can help align the efforts of various agencies—such as those responsible for planning, finance, labor, and environment—and ensure cohesive implementation. Regular monitoring, evaluation, and adaptive policy feedback mechanisms will also be vital for sustained progress.

Finally, Quang Ngai should capitalize on the strategic potential of the Dung Quat Economic Zone by transforming it into a hub for smart manufacturing and sustainable industrial development. This can be achieved through tailored regulatory frameworks such as sandbox models, infrastructure modernization, and the creation of a supportive ecosystem that includes research and development centers, startup incubators, and innovation accelerators.

By adopting these policy recommendations, Quang Ngai can evolve from a reactive investment destination into a forward-looking and competitive region that attracts not only greater volumes of FDI but also higher-quality projects aligned with long-term economic, technological, and environmental goals.

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