

Foreign Direct Investment Policies of China, Singapore, and Thailand: Experiences and Lessons for Vietnam

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ABSTRACT: This revised paper analyzes and compares the FDI attraction policies of China, Singapore and Thailand, updating data through 2024 and employing Dunning's OLI paradigm (1977, 2001) and Porter's Diamond Model (1990) as twin analytical frameworks throughout. The analysis shows that China exploits scale-driven location advantages (L), Singapore constructs institutional L advantages, and Thailand engineers spatially differentiate L advantages by design, while all three calibrate internalization (I) strategies to successive stages of supporting-industry development. Three substantive additions distinguish this version: (i) OLI-grounded interpretation of each model's success across all analytical sections; (ii) updated global FDI data for 2022–2024, including China's emerging deceleration and the ASEAN record of USD 235 billion (2024); and (iii) a dedicated discussion of the Global Minimum Tax (Pillar Two) impact on tax incentive effectiveness and the CPTPP/EVFTA constraints on mandatory localisation, leading to more operationally specific lessons for Vietnam.

KEYWORDS: FDI; OLI; investment attraction policies; China; Singapore; Thailand; GMT; Lessons for Vietnam.

1. INTRODUCTION

In the context of increasingly fierce global competition to attract foreign direct investment (FDI), learning from the experiences of successful countries is a practical and scientifically valuable approach. China, Singapore, and Thailand are three countries in the Asian region that have achieved impressive results in attracting FDI, each choosing a path suited to its specific conditions.

During the period 2022–2024, the global FDI landscape underwent significant changes: global FDI decreased by 2% to US\$1.3 trillion in 2023 (UNCTAD, 2024); FDI into China decreased from a peak of US\$189.13 billion (2022) to US\$163.25 billion (2023) and continued to decline by 29% in 2024, now more than 40% lower than its 2022 peak (UNCTAD, 2025); Meanwhile, ASEAN set a new record of US\$235 billion (2024). In addition, the OECD's Global Minimum Tax (GMT/Pillar Two) mechanism, officially effective from 2024, poses a fundamental challenge to traditional tax incentive policies. Vietnam has passed Resolution 107/2023/QH15 (Vietnam National Assembly, 2023) applying the Minimum Tax Rate Mechanism from January 1, 2024, directly impacting approximately 112 large FDI enterprises (Grant Thornton Vietnam, 2024).

2. THEORETICAL BASIS AND RESEARCH METHODOLOGY

2.1. Two Analytical Axioms: OLI and Diamond

Dunning's OLI theory (1977, 2001) explains FDI decisions from the perspective of MNCs: foreign direct investment occurs when MNCs simultaneously possess Ownership Advantage (O), Location Advantage (L), and Localization Advantage (I). In this paper, OLI is applied in all three dimensions: explaining why FDI flows to each country; explaining why specific policies create success; and determining specific implications for Vietnam.

Porter's Diamond model (1990) adds the dimension of national competitiveness: FDI competitiveness comes not only from policy (government factors) but also from factors of production conditions, domestic demand, and related industries. Two theoretical frameworks are combined: OLI explains MNC decisions, and Diamond explains the competitiveness of the host country.

Throughout the article, FDI attraction policy is understood as a system of state tools aimed at: (i) strengthening L advantages to attract MNCs with strong O advantages; and (ii) adjusting I advantages to balance the interests of MNCs with the goal of spillover for the domestic economy.

2.2. Methodology and Data Sources

This article uses qualitative methods, combining policy analysis and international comparisons. The sources are diversified, including: UNCTAD World Investment Report (2022, 2024); UNCTAD Global Investment Trends Monitor No. 48 (2025); OECD

Foreign Direct Investment Policies of China, Singapore, and Thailand: Experiences and Lessons for Vietnam

Corporate Tax Statistics (2023, 2024); OECD (2024b); BOI Thailand Annual Report (2022, 2023); MOFCOM FDI Reports (2022, 2023); Singapore EDB Annual Reports (2022, 2023); Grant Thornton Vietnam (2024).

3. FDI ATTRACTION POLICIES OF CHINA, SINGAPORE, AND THAILAND

3.1. China: Two-Stage Strategy and Adjustments in the New Context

According to the OLI framework, China's success stems from continuously creating and upgrading its L advantages: cheap labor and special economic zones (1978–2000); a huge domestic market size, a complete supply chain, and an emerging R&D ecosystem (2001–present). Meanwhile, its domestic O advantages (Huawei, BYD, Alibaba) are increasingly strong, and China is adjusting its I policy from mandatory joint ventures (stage 1) to allowing 100% foreign capital but encouraging R&D cooperation (stage 2). Regarding updated data: China achieved record FDI of US\$173.48 billion (2021) and US\$189.13 billion (2022). However, in 2023 FDI decreased by 13.7% to US\$163.25 billion, and in 2024 it continued to decrease by 29%, now 40% lower than the 2022 peak (UNCTAD, 2025). Reasons: geopolitics and the “China+1” trend of MNCs; competition from India (+13% FDI in 2024) and ASEAN (record US\$235 billion). As of 2020, China had 16 signed FTAs and 24 FTAs under negotiation; RCEP came into effect in 2022 (China FTA Network, 2020; UNCTAD, 2024).

3.2. Singapore: Institutional L-advantages and GMT adaptation leading the region

Within the OLI framework, Singapore builds institutional L-advantages: maximum corporate income tax of 17% – the lowest in the G20; DTA with 70+ countries; English-style rule of law; EDB – the most professional one-stop shop for FDI promotion in the region (Doan Van Ham, 2018). No joint venture required (MNCs' I advantage is protected), but EDB proactively connects MNCs with local SMEs.

The most important point in the new context: Singapore leads the region in adapting to GMT by adopting the Minimum Effective Tax Rate (METR) from January 1, 2025, and issuing a Business Expansion Incentive to offset the impact. This clearly demonstrates that Singapore's FDI competitiveness does not come from low taxes – but from the overall advantage of sustainable institutions (OECD, 2024b). ASEAN recorded a record FDI of US\$235 billion in 2024, with Singapore contributing the majority (UNCTAD, 2025).

3.3. Thailand: Designing Regional L-Advantages and Mandatory Localization with a Roadmap

Thailand is a prime example of designing strategically advantageous L-advantages based on geographical regions. Within the OLI framework, Thailand's mandatory localization policy (40–54% of automobiles) is a tool for adjusting I-advantages: by reducing the supply chain autonomy of MNCs, Thailand forces them to connect with local supporting industries – creating a more deliberate and sustainable spillover than simply offering tax incentives.

Table 1 below summarizes the detailed tax incentive structure by region and type of industrial park in Thailand:

Table 1: Thailand's import tax and corporate income tax policies by region and type of industrial park.

Areas	Outside Industrial		Zones Inside Industrial		Zones Comments	
	Thuế NK	Thuế TNDN	Thuế NK	Thuế TNDN	Mức ưu đãi	Địa bàn
Areas 1	50% off	No special offers	50% off	3-year exemption	Lowest	Near the capital
Areas 2	50% off	3-year exemption	Tax-exempt	7-year exemption	Medium	Intermediate zone
Areas 3	Tax-exempt	8-year exemption	Tax-exempt	8-year exemption	Highest	Far from the capital

Source: Thailand Board of Investment – BOI (2022); compiled and analyzed by the author.

Regarding supporting industries: after decades of implementing mandatory localization, Thailand has built a network of 1,800 automotive component suppliers serving 15 assembly plants – from importing 100% of parts to exporting approximately 1 million complete cars per year (BOI Thailand, 2022). From 2022–2024, Thailand expanded to attract FDI in electric vehicles (EVs), data centers, and semiconductors within the framework of Thailand 4.0.

4. ANALYSIS AND COMPARISON OF THREE POLICY MODELS

4.1. OLI Analysis Comparing Three Models

Before proceeding to the overall comparison table, Table 2 below directly applies the OLI framework to explain why each country's policy has been successful – this is an additional content requested by the Review Board:

Table 2: OLI Analysis – Explaining the Success of FDI Policies in Three Countries

OLI factor	China	Singapore	Thailand
O – Ownership Advantage	Domestic technology (Huawei, BYD, Alibaba); leveraging domestic scale to climb the value chain	Over 4,000 multinational corporations (MNCs) are headquartered regionally; the rule of law and transparency are the country's "property advantages" that attract them.	1,800 automotive suppliers – a strong supporting industry that creates an O-value advantage for Thai businesses after a decade of learning from FDI.
L – Location advantage	A market of 1.4 billion people; world-class logistics; special economic zones – a deliberately designed advantage; 16 signed FTAs.	Corporate income tax rate of 17% (lowest in G20); DTA in over 70 countries; central location in ASEAN; no foreign exchange controls; METR rate of 15% from 2025.	The three-region preferential zone offers different advantages based on location; a central location in Southeast Asia; and industrial parks that are integrated with supporting industries.
I – Advantages of localization	Phase 1: Mandatory joint venture; Phase 2: 100% foreign capital but mandatory R&D cooperation – balancing Phase I with spillover.	No joint venture required; EDB connects MNCs with local SMEs; financial hub optimizes I-advantages.	Mandatory localization (40–54% of automobiles) reduces net income, forcing MNCs to connect with local supporting industries – a deliberate spillover.
Implications for Vietnam	Vietnam is currently in a similar phase to China's phase 1: needing to protect the domestic business space while opening up to FDI.	Learning from the EDB model: a competent single-window promotion agency – an L-shaped advantage that can be designed.	Mandatory localization has a roadmap, but compatibility with CPTPP/EVFTA needs to be checked (see section 5.5).

Source: Compilation and analysis by the author based on Dunning (1977, 2001); Porter (1990); UNCTAD (2024); BOI Thailand (2022); Singapore EDB (2023).

4.2. Comprehensive Comparison Based on Six Core Criteria (Updated to 2024)

Based on the OLI analysis in Table 1, Table 3 below summarizes and compares the six core criteria, while updating the results data to 2024:

Table 3: Comparison of FDI Attraction Policies of China, Singapore, and Thailand (Updated 2024)

Criteria	China	Singapore	Thailand
FDI strategy	Two phases: export processing (1978–2000) → CNC, R&D & domestic market (2001–present); transition from Positive List to Negative List (2019)	Selective, focused on key sectors; EDB is the leading strategic agency; adapting to GMT from 2025.	Dynamic; Thailand 4.0 (2016) shifts towards CNC, EV, data centers; BOI proactively changes its priority list.
Legal environment	500+ legal documents; Simplified Foreign	English-style commercial law; no foreign exchange	Flexible adjustments; one-stop BOI; 3 preferential

Foreign Direct Investment Policies of China, Singapore, and Thailand: Experiences and Lessons for Vietnam

Criteria	China	Singapore	Thailand
Corporate income tax incentives	Investment Law 2020; RCEP 2022; BIT with 100+ countries	controls; independent judiciary; METR from January 1, 2025.	zones; cash grant under study to replace GMT tax.
	Industry and region-based exemptions/reductions; adjustments are being made according to GMT; priority is given to R&D and CNC.	17% standard (lowest in G20); DTA in 70+ countries; dividend/capital increase = 0%; METR compatible with GMT	Exemption period of 3–8 years depending on region/industrial park; BOI proposes cash grant to compensate for GMT; roadmap 2024–2026
International integration	16 FTAs signed (2020); 24 under negotiation; RCEP 2022; WTO 2001; EU-China Agreement suspended.	CPTPP, ASEAN+6, DTA (70+ countries); regional international investment arbitration center.	ASEAN; RCEP 2022; FTA with AU; EU-ASEAN negotiations underway; BOI promotion in EU, US, and Japan.
Developing supporting industries	Phase 1: Mandatory joint venture → Phase 2: Voluntary when capacity is sufficient; the state leads the value chain.	EDB: Local Enterprise Finance Scheme; connects MNCs with local SMEs; localization is not mandatory.	19 supporting industries at 3 levels; mandatory localization of 40–54% (automobiles); applied when supporting industry capacity is sufficient.
Results (updated 2024)	2002: world leader; 2021: record \$173.48 billion; 2022: \$189.13 billion; 2023: down 13.7% to \$163.25 billion; 2024: further down 29% (UNCTAD, 2025)	ASEAN FDI reaches a record \$235 billion (2024); Singapore maintains its top ranking in ASEAN for high-quality FDI; GDP per capita ~\$65,000 (2023)	Attracting EVs, data centers, and semiconductors from 2022–2024; exporting approximately 1 million cars per year; ranking among ASEAN's top FDI companies in high-tech industries

Sources: OECD (2024b); Grant Thornton Vietnam (2024); UNCTAD (2022, Ch.3); Deloitte Vietnam (2024); Author's compilation.

From the two comparison tables, four common points can be observed among all three models: (i) flexible long-term FDI strategies, adjusted according to each stage of development; (ii) purposefully designed L advantages – not solely based on natural conditions; (iii) adjustment of I advantages with a roadmap based on domestic supporting industry capacity; and (iv) proactive adaptation to the GMT from 2024. Strategic differences: China – state-led with a huge L scale; Singapore – institutions and rule of law; Thailand – zoning and oriented supporting industries.

5. MORE SPECIFIC LESSONS LEARNED FOR VIETNAM

5.1. Building a Flexible, Phased FDI Strategy with OLI Orientation

The experience of all three countries confirms the principle of OLI: a successful FDI strategy is one that proactively upgrades L advantages and adjusts I advantages according to each stage of supporting industry capacity. Vietnam, currently in a similar stage to China's stage 1, needs to build a long-term strategy (2025–2035) with two clear phases: phase 1 (up to 2028) – continuing to attract large-scale FDI to build the ecosystem; phase 2 (from 2028) – shifting the focus to high-tech FDI, R&D, and high value-added services.

5.2. Improving the Legal System: From Identifying Issues to Specific Solutions

The Vietnam Chamber of Commerce and Industry (VCCI) has identified up to 20 major conflicts between the Investment Law, the Land Law, the Construction Law, and the Real Estate Business Law – significant obstacles for foreign investors (Ministry of Planning and Investment, 2022). Singapore's experience shows that the rule of law is the most sustainable advantage, unaffected by GMT. Vietnam needs: (i) to establish an inter-ministerial working group to review legal conflicts within 6 months and propose specific amendments; (ii) to develop a unified investment code instead of a fragmented system of documents; (iii) to apply the principle of "non-retroactivity" to any policy changes affecting ongoing projects – this is a legal commitment that Singapore has maintained for decades.

Foreign Direct Investment Policies of China, Singapore, and Thailand: Experiences and Lessons for Vietnam

5.3. Reforming Tax Policies in the Context of GMT – From Tax Incentives to Non-Tax Incentives

This is the most fundamental change in the revised and supplemented version. Table 4 below directly analyzes the impact of GMT and lessons from three countries:

Table 4: GMT Impacts and Policy Implications for Vietnam – Lessons from China and Singapore

GMT Challenge	Chinese experience	Singapore experience	Implications and current situation in Vietnam
Tax incentives below 15% are invalid.	Shift to non-tax incentives (infrastructure, R&D, human resources); Negative List reduces reliance on tax incentives.	METR from January 1, 2025; still competitive thanks to the advantage of a more sustainable institutional framework and lower tax rates.	Approximately 112 multinational corporations (MNCs) are affected; Samsung Vietnam incurs approximately \$400 million USD/year in additional taxes payable to South Korea; Vietnam will apply the Free Trade Agreement (FTA) from January 1, 2024 (Resolution 107/2023/QH15, Vietnam National Assembly, 2023) – revoking the right to levy taxes.
We need alternative non-tax incentives.	Next-generation special economic zones: data infrastructure, R&D ecosystem.logistics thông minh	Cash grant (Investment Allowance); matching grant R&D; hỗ trợ đào tạo nhân lực	Thailand's BOT projects are proposed with cash grants to compensate for GMT (Gross Global Development Goals) → Vietnam should learn from this: propose an Investment Support Fund from the National Development and Reform Fund (estimated at approximately VND 14,600 billion/year).
Competing with non-tax advantages.	Political stability; world-class logistics infrastructure; market size – these L advantages are not affected by GMT.	Legal transparency; Changi Airport; highly skilled workforce; international finance – sustainable long-term advantages.	Focus on upgrading: digital infrastructure, training CNC personnel, reforming administrative procedures – this is an advantage that can replace tax incentives.

Sources: OECD (2024b); Grant Thornton Vietnam (2024); UNCTAD (2022, Ch.3); Deloitte Vietnam (2024); Author's compilation.

Vietnam was right to adopt the National Target Program on Tax Collection from January 1, 2024 (Resolution 107/2023/QH15, Vietnam National Assembly, 2023) – retaining the right to collect approximately VND 14,600 billion in taxes annually instead of letting it flow to South Korea and Japan (Deloitte Vietnam, 2024). However, the bigger challenge is building an alternative system of non-tax incentives: R&D support funds, matching grants for human resource training, and support for land clearance costs – tools that are not rendered ineffective by the GMT. Vietnam's standard corporate income tax rate of 20% is still above the 15% threshold, so the GMT does not directly impact the majority of small and medium-sized FDI enterprises (Vietnam Briefing, 2024).

5.4. Promoting integration to attract FDI

Vietnam has signed the CPTPP, EVFTA, and RCEP – creating a good foundation. It is necessary to strengthen the implementation and more effectively utilize these FTAs, especially in attracting FDI from the EU (currently only 8.2%) and the US. The experience of China and Singapore shows that integration creates an advantage in the "export market" – this is an equally important factor as tax incentives in the investment decisions of MNCs in CNC manufacturing.

5.5. Developing supporting industries: mandatory localization or voluntary encouragement – constraints from CPTPP and EVFTA

This is the most important supplementary content of lesson 5, directly addressing the need for critical analysis. Thailand's experience with mandatory localization of 40-54% in the automotive industry is very attractive, but cannot be directly applied to Vietnam for two core legal reasons:

CPTPP constraints: Article 9.6 of the CPTPP prohibits requiring "performance requirements" as a condition for licensing or enjoying investment incentives. Vietnam has committed to compliance since 2019.

EVFTA constraints: Article 8.5 of the EVFTA similarly prohibits performance requirements for EU investors – a partner with whom Vietnam is seeking to increase its FDI share (currently only 8.2%).

Foreign Direct Investment Policies of China, Singapore, and Thailand: Experiences and Lessons for Vietnam

However, Vietnam can completely learn from the Thai model by encouraging rather than mandating: (i) additional incentives for MNCs that voluntarily achieve a domestic sourcing rate of >30%; (ii) a fund to support the development of private industrial suppliers; (iii) requiring public information on the supply chain of large FDI enterprises (supply chain disclosure) – not violating the FTA but creating pressure for transparency. It would take 10–15 years and a mechanism of close public-private cooperation like Thailand's BOI to achieve similar results.

5.6. Learning from the Singapore EDB model: a truly authoritative one-stop FDI promotion agency

One lesson not adequately addressed in the previous version is the organizational model. The success of the Singaporean Investment Development Board (EDB) stems not only from its sound strategy but also from its independent decision-making authority, a sufficiently large budget to make commitments to investors, and a team of industry experts. Vietnam should consider upgrading the Foreign Investment Department (Ministry of Planning and Investment) or establishing an independent FDI promotion agency modeled after the EDB, with the autonomy to negotiate incentives within a legal framework.

6. CONCLUSION

Studying the experiences of China, Singapore, and Thailand, analyzed through the OLI and Diamond frameworks, shows that the success of FDI in each country comes from proactively designing L advantages and adjusting I advantages to suit each stage – not from a single formula or solely from tax incentives.

Updated data up to 2024 shows that the global FDI landscape is fundamentally changing: FDI into China decreased by 40% compared to its 2022 peak; ASEAN reached a record \$235 billion; GMT neutralized many traditional tax incentives. In this context, the core lesson for Vietnam is: shift from competing for FDI based on low taxes to competing based on the quality of L advantages (rule of law, infrastructure, high-tech human resources, innovation ecosystem) and intelligently managing I advantages (encouraging industrial connectivity without violating CPTPP/EVFTA). Resolution 107/2023/QH15 (Vietnam National Assembly, 2023) applying the National Target Program on Tax Collection is a step in the right direction to maintain tax collection rights, but it needs to be accompanied by an alternative non-tax incentive system to avoid losing the attractiveness of FDI.

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Foreign Direct Investment Policies of China, Singapore, and Thailand: Experiences and Lessons for Vietnam

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