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International Business in the Context of Globalization in Vietnam

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ABSTRACT

This study examines the role and impact of international business in the context of globalization on Vietnam's economy. It highlights both the positive effects—such as expanding export markets, attracting foreign direct investment (FDI), fostering technology transfer, and generating employment—and the negative implications, including environmental degradation, labor exploitation, and overdependence on low-value manufacturing. Through a qualitative analysis of policy reports, case studies, and official statistics, the paper argues that while international business has significantly contributed to Vietnam's rapid economic growth, it also poses sustainability challenges if not properly managed. The study proposes five strategic policy recommendations: investing in skilled human resources, enhancing international cooperation, streamlining administrative procedures, prioritizing competitive products, and promoting technological innovation. These recommendations aim to help Vietnam leverage globalization while ensuring inclusive and sustainable development.

INTRODUCTION

Globalization has become one of the most defining forces in contemporary international relations and economic development, influencing how nations engage in trade, investment, and cross-border collaboration. In the era of globalization, the boundaries between national economies have become increasingly blurred, giving rise to a highly interconnected and interdependent global marketplace. International business has emerged as both a driver and a consequence of this process, shaping how firms engage in cross-border trade, investment, and strategic collaboration (Cavusgil et al., 2020). International business has become an essential component of national development strategies, particularly for emerging economies seeking to enhance their competitiveness and integration into the world market. The increasing interconnection of national economies requires not only economic reforms but also institutional and strategic adaptation, especially among countries undergoing transitions in their political and economic systems.

Vietnam stands as a compelling example of a nation whose economic transformation has been profoundly shaped by globalization. Since initiating its renovation reforms in the late 1980s, the country has gradually shifted from a centrally planned economy to a more market-oriented system. After decades of isolation, the country has gradually opened its economy through a series of reforms that aim to attract foreign investment, promote trade, and integrate into international institutions (World Bank, 2023). These changes have fundamentally altered the business landscape in Vietnam, encouraging local firms to engage in international ventures and embrace global best practices. As a result, Vietnam has become an attractive destination for foreign direct investment (FDI) while simultaneously nurturing the internationalization of domestic enterprises. These two complementary dynamics - Vietnamese firms going global and foreign firms entering Vietnam - are now key features of the country's integration into the global economy (World Bank, 2023; UNCTAD, 2023).

This dual-directional engagement with international business raises important questions about the behaviors, strategies, and outcomes of both domestic and foreign firms operating in Vietnam. On one hand, local enterprises face the imperative to compete beyond national borders, requiring them to build capabilities in areas such as global marketing, supply chain management, and innovation (Nguyen & Freeman, 2009). On the other hand, multinational corporations (MNCs) investing in Vietnam must navigate a dynamic institutional environment, adapt to local cultural and legal frameworks, and align their strategies with national development priorities (Dunning, 1993; Ghemawat, 2018).

Despite the growing importance of these trends, existing academic research has often treated domestic and foreign business actors as separate domains. Few studies have comprehensively analyzed the international business landscape in Vietnam by examining both the internationalization of local firms and the inward expansion of foreign enterprises, especially in a quantitative method.

This study seeks to bridge this gap by providing a unified analysis of international business in Vietnam, encompassing both Vietnamese enterprises engaged in cross-border activities and foreign firms that have established operations within the country. The research adopts a quantitative approach to identify common patterns, influential factors, and strategic behaviors that define Vietnam's evolving international business environment. Through data-driven analysis, the study aims to deepen understanding of how globalization manifests within Vietnam's borders and how different types of firms respond to its pressures and opportunities.

The significance of this research lies not only in its empirical contribution but also in its policy relevance. As Vietnam continues to pursue its ambition of becoming a regional economic hub, understanding the dynamics of international business, both outward and inward, is essential for informed decision-making at both the firm and government levels. By analyzing firm behavior in a globalized context, this study provides insights that can inform national strategy, business policy, and academic discourse.

The structure of the paper is designed to support this objective. Following this introduction, the literature review will outline key theories and prior studies related to globalization and international business, with a focus on emerging markets and Vietnam. The methodology section will present the research design, data collection techniques, and analytical tools. Subsequent sections will analyze findings from the quantitative data and discuss their implications. The paper concludes with recommendations and reflections for future research.

By examining the intersection of globalization and international business in the Vietnamese context, this study aims to enhance understanding of how firms in emerging economies navigate global change and how such navigation can be supported through informed strategy and institutional alignment.

THEORETICAL KEY AND LITERATURE REVIEW

The general concept of globalization

Globalization is a multifaceted and dynamic phenomenon that has reshaped the economic, political, cultural, and social landscapes of the modern world. Academic perspectives on globalization vary widely, with some scholars focusing on its economic aspects, while others explore its broader social and cultural dimensions.

According to Giddens (1990), globalization can be defined as the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring miles away and vice versa.

Scholte (2005) argues that globalization encompasses both economic processes, such as trade liberalization and capital mobility, and socio-political phenomena, including cultural convergence and transnational governance. Globalization has led to the creation of a more interdependent world economy in which national boundaries are less significant in determining economic activity (Stiglitz, 2002). In this context, international business emerges not only as a byproduct but also as a key enabler of globalization.

Globalization is not a monolithic process but rather one that encompasses multiple dimensions. Scholte (2005) identifies five broad categories of globalization: economic, political, cultural, technological, and ecological. Economically, it involves the global distribution of production and consumption; politically, it affects state sovereignty and global governance; culturally, it facilitates the global exchange of values and lifestyles; technologically, it enables rapid innovation and dissemination; and ecologically, it has implications for global environmental management. These diverse dimensions underscore the complex and often contested nature of globalization, making it a rich area of inquiry within international business studies.

Globalization does not develop spontaneously; rather, its emergence is the result of several interrelated factors. Technological advancements, particularly in communication and transportation, have played a pivotal role in shrinking distances and facilitating cross-border interactions. Economic liberalization, including deregulation and the reduction of trade barriers, has also contributed significantly by promoting open markets and encouraging global trade. Additionally, international institutions such as the World Trade Organization (WTO), the International Monetary Fund (IMF), and the World Bank have fostered policy frameworks that support global economic integration (Stiglitz, 2002).

International Business in a Globalized World

International business refers to commercial transactions that occur across national borders, including trade, investment, and collaborative ventures (Cavusgil et al., 2020). It involves the global movement of goods, services, capital, labor, and technology. This domain includes importing and exporting, foreign direct investment, and licensing or franchising of intellectual property such as patents, trademarks, and proprietary knowledge. Additionally, it covers contract manufacturing abroad, the establishment of international warehousing and distribution systems, and conducting business transactions in multiple countries. Firms may also engage in triangular trade, importing goods from one foreign country for resale in another, demonstrating the complex and integrated nature of global commerce (Gupta, 2021).

One of the defining characteristics of international business is its complexity. Firms engaged in cross-border operations must navigate a variety of external environments, including differing legal systems, regulatory regimes, cultural norms, technology infrastructure, and market dynamics. These factors contribute to what is commonly referred to as the liability of foreignness, a concept describing the additional costs and risks associated with operating in unfamiliar settings (Zaheer, 1995). To mitigate these challenges, firms adopt diverse internationalization strategies, which may range from exporting to full-scale foreign direct investment, depending on their resources, capabilities, and objectives. For example, firms may be attracted to countries with stable political systems, favorable tax policies, and strong intellectual property protection. At the same time, differences in language, business practices, and consumer preferences can pose challenges that require strategic adaptation (Hofstede, 2001).

Participants in international business are remarkably diverse, encompassing a wide range of entities from various sectors and organizational scales. Multinational corporations are perhaps the most visible actors, often operating across dozens of countries and managing complex global value chains. However, SMEs are increasingly becoming important players, particularly in niche markets or through digital platforms that reduce the need for physical presence (Knight & Cavusgil, 2004). In addition, emerging market multinationals (EMNEs) have gained prominence for their rapid international expansion and unconventional strategies, often leveraging cost advantages, adaptive capabilities, and strong local networks (Guillén & García-Canal, 2009). Governments and public institutions also play a critical role in international business by shaping the regulatory and institutional context in which firms operate. Through trade agreements, investment treaties, and economic diplomacy, states influence the patterns and flows of international commerce. Furthermore, supranational organizations such as the World Trade Organization (WTO) and the International Monetary Fund (IMF) provide frameworks that promote transparency, dispute resolution, and economic stability, all of which are conducive to international business activity (Hill, 2021).

International business and globalization are intrinsically linked. In the context of globalization, international business has become a central mechanism through which firms seek growth, efficiency, and competitiveness. It enables companies to access new markets, acquire strategic assets, and leverage comparative advantages. The proliferation of multinational enterprises (MNEs), the expansion of global value chains, and the rise of emerging market firms on the international stage are all indicative of the growing significance of international business.

International Business in the globalized context of Vietnam

- An objective trend

Globalization represents an irreversible trend that is expected to persist and continue in the future. Similar to other nations, Vietnam is actively participating in and influenced by this global movement. Since the launch of the Đổi Mới reforms in 1986, the country has transitioned from a centrally planned economy to a market-oriented system. Following that important transformation of the country, a series of important milestones in Vietnam's global economic integration process have taken place. One of the key milestones in Vietnam's integration into the global economy was its accession to the World Trade Organization (WTO) in 2007. This move signaled the country's commitment to global trade norms and significantly enhanced its attractiveness to foreign investors. Up to now, Vietnam has also signed several high-standard free trade agreements (FTAs), including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the EU-Vietnam Free Trade Agreement (EVFTA).

- The impact of international business on local firms and the national economy

As both a consequence and a driving force of globalization, so far, international business has played a pivotal role in shaping Vietnam's economic development. On the positive side, it has contributed to market expansion, job creation, technology transfer, quality enhancement, and productivity growth, especially in the context of economic globalization in this nation lately.

Engaging in international business enables local companies to access new markets, which helps diversify revenue streams and reduce overreliance on domestic demand (Levitt, 1983). By expanding globally, firms can tailor their products and services to meet the preferences of a broader customer base and build strategic partnerships that enhance global visibility and cooperation. At the macroeconomic level, countries can boost efficiency and output by focusing on the production of goods in which they hold a relative cost advantage. This global division of labor leads to optimized resource allocation and increased productivity. Reflecting on the current global trade landscape, it is evident that virtually no country, including the most advanced economies, operates in isolation. Today, nearly all national markets are interconnected with and integrated into the global marketplace, thereby enabling international business to facilitate the effective utilization of each country's comparative advantages, and Vietnam is no exception to this trend.

International business contributes significantly to job creation and economic development. When companies expand into global markets, they create new job opportunities, leading to higher employment rates. As more people gain access to work, their living standards improve, which in turn boosts consumer spending and fuels broader economic activity. Working in a worldwide setting also offers individuals greater exposure to diverse experiences and cross-cultural interactions, enhancing their professional skills and adaptability.

Technology transfer and knowledge acquisition are exchanged in the international business environment. Through joint ventures, foreign direct investment, and cross-border collaborations, local firms can adopt advanced technologies from global partners, strengthening their innovation capacity and production efficiency. Simultaneously, domestic businesses can export their own innovations and technical expertise to international markets, enhancing competitiveness and encouraging sustainable growth.

Moreover, heightened global competition compels businesses to enhance product and service quality. Facing international rivals, companies must continuously innovate, improve operational processes, and invest in customer satisfaction to maintain a competitive edge (Porter, 1990). This pressure fosters a culture of improvement, ultimately contributing to the long-term success of both businesses and the broader economy.

On the contrary, international business can also have adverse effects on domestic firms and the national economy.

One major challenge is intense global competition. Local enterprises frequently find it difficult to compete with multinational corporations that possess greater economies of scale, advanced financial and technological resources, and strong intellectual property protections. As a result, domestic businesses may suffer from market share losses, declining revenues, and, in some cases, the risk of closure.

Labor and environmental issues are also alarming problems caused by global business. Besides the good and positive aspects, international business can also exacerbate income inequality and contribute to unemployment, particularly among unskilled workers in poorer regions. Globalization facilitates the movement of labor across borders, resulting in a brain drain where highly skilled workers often migrate from developing countries to developed ones. As a consequence, the wealthy become wealthier, while the poor become poorer. Moreover, economic globalization has fueled intense competition in areas such as "trade wars," "currency wars," and "market wars" between nations, leading to instability in regional and global economies. In this environment, the most disadvantaged countries tend to be the underdeveloped ones, which bear the brunt of such fierce competition.

Additionally, international business also has a significant negative impact on the environment. As companies expand globally, they often prioritize cost-cutting measures, which may lead to environmental degradation, such as pollution, deforestation, and over-exploitation of natural resources. This is particularly true in developing countries where environmental regulations are less stringent.

Heavy reliance on exports or imports can create economic vulnerabilities. Price volatility, exchange rate fluctuations, and inflation risks may arise when a nation's economy becomes overly dependent on international trade (Obstfeld & Rogoff, 2000). Sudden changes in global demand or pricing can disrupt domestic markets, impacting both producers and consumers and contributing to macroeconomic instability.

International business can also negatively affect traditional sectors. As global economic forces drive the influx of foreign cultural and lifestyle influences, traditional customs, ethics, and art may face erosion, with host countries unable to halt these changes. Traditional industries such as ceramics, handicrafts, textiles, and food processing are particularly vulnerable. The growing competition from international markets, combined with shifting consumer preferences, puts these industries at a significant disadvantage. This results in job losses and economic decline in regions that rely on these sectors, further exacerbating the impact of globalization on local economies.

- The foreign corporations operating in Vietnam

International business is not only the story of domestic enterprises going international but also the story of international enterprises penetrating the Vietnamese market.

In the globalized era, many foreign firms have established operations in Vietnam to take advantage of its strategic location, competitive labor costs, and improving infrastructure (UNCTAD, 2023). Foreign direct investment (FDI) has thrived in key sectors such as manufacturing, electronics, and real estate. These multinational enterprises have brought substantial capital, advanced technology, and management expertise, contributing to the growth of various sectors, such as manufacturing, retail, and services. Through foreign direct investment, these firms have created employment opportunities, enhanced productivity, and fostered the transfer of technology and innovation within the local economy (Jensen, 2006). Moreover, the entry of foreign corporations has increased competition in Vietnam, pushing local businesses to innovate and improve their quality standards to remain competitive.

However, given the depth and complexity of globalization, when doing international business in Vietnam, foreign firms also face several challenges. Entering and operating in Vietnam requires significant resources and time, especially when navigating unfamiliar markets. Another key issue is navigating the regulatory environment, which is often complex and subject to frequent changes. This uncertainty can create barriers for foreign corporations attempting to establish or expand their operations. Foreign corporations must deal with trade barriers, complex administrative procedures, and frequently changing regulations that increase compliance burdens. On top of that, foreign businesses must adapt to the different linguistic, unique cultural, economic, and political conditions in Vietnam, which may hinder their long-term operations. The differences in consumer behavior, local business practices, and government policies often require foreign firms to tailor their strategies accordingly. These challenges underscore the importance of collaboration between domestic and foreign organizations in overcoming diversity barriers to fully seize the international business growth opportunities enabled by globalization, ultimately yielding mutual benefits.

- Similar research: Contributions and Gaps

Although presenting quite various scholarly perspectives to clarify the theoretical foundations of international business and globalization, this essay will focus on examining the suggestions of two specific scholars in order to evaluate previously established recommendations through a quantitative lens and identify remaining research gaps.

Studying international business in the context of globalization in Vietnam, MSc. Ngo Huynh Giang from Ho Chi Minh City University of Law (2023) offered several key insights and recommendations as follows:

When studying the business approaches of multinational corporations, the scholar has identified several common strategies that these companies have adopted to succeed, including:

- Cultural Adaptation: Multinational Corporations (MNCs) need to understand and adapt to the local culture, values, language, and consumer habits of target markets. Cultural sensitivity helps MNCs build trust with local consumers, avoid misunderstandings or offense, and create products and marketing strategies that resonate more deeply with the target audience. Failure to adapt may result in customer rejection, brand damage, or even market failure.

- Strategic Partnerships: Collaborating with local or global partners can help companies access new markets and share resources. Networks, shared resources, and expertise can enhance innovation and competitiveness in unfamiliar markets.

- Global Supply Chains: Efficient global supply chain management helps reduce costs, increase productivity, and maintain product quality. A well-managed global supply chain ensures timely delivery, minimizes disruptions, and enables companies to respond swiftly to changing market demands.

Overall, foreign companies aiming to succeed in international markets must thoroughly study and evaluate target markets, remain open to learning from local partners and consumers, and be willing to adapt their strategies to suit new environments.

From researching the strategies of multinational companies, the author proposes the following measures for the Vietnamese Government and businesses:

- Invest in Professional Human Resource Development: Human capital is essential for success in international business. The government and businesses should invest in training and upskilling specialized personnel, particularly in high-potential sectors. This includes government-backed professional training programs and opportunities for employees to participate in workshops, international exchanges, and skill development initiatives.

- Enhance International Cooperation: Collaborating with international partners enables both the government and enterprises to gain valuable experience and access new markets. The government should facilitate international cooperation programs and connect businesses with foreign partners. Enterprises are encouraged to actively seek collaborations through international fairs, exhibitions, and conferences.

- Streamline Administrative Procedures and Improve Investment Environment: The government must continue administrative reforms and create a favorable investment climate to attract foreign investors. Businesses should also be familiar with legal and regulatory frameworks in their target markets, manage risks effectively, and ensure legal compliance during international operations.

- Focus on High-Competitiveness Products: The government should assist enterprises in identifying new markets and developing competitive products. Enterprises need to conduct thorough market research, improve product and service quality, and tailor offerings to meet international customer demands, thereby enhancing their market entry success.

- Promote Technology and Innovation: Innovation and technology are vital for maintaining competitiveness. Enterprises should leverage technology to boost productivity, enhance product quality, and create added value. The government plays a critical role by encouraging investment in new technologies, offering financial and policy support, and fostering an innovation-driven economic environment.

Chi, L., & Dan, C. (2024) have also conducted comprehensive research on globalization and international business. While their study does not analyze the strategies of multinational corporations as in the aforementioned research, the authors concentrate on examining macroeconomic and microeconomic factors within Vietnam's business environment. Based on this analysis, they propose several recommendations for the government and domestic enterprises:

To the government and agencies:

- Strengthening institutions and law enforcement: The government needs to reform institutions, improve coordination mechanisms between central and local authorities, promote judicial and administrative reforms, enhance transparency, and combat corruption.

- Macroeconomic stability and productivity improvement: Efforts should be made to maintain macroeconomic stability and enhance labor productivity through the application of science, technology, and innovation.

- Expanding resource access and promoting integration: Access to essential production inputs, such as capital, labor, technology, infrastructure, and natural resources, should be improved.

- Enterprise development and entrepreneurship promotion: The role of business associations should be promoted, and the state's role in guiding business and investment activities should be enhanced.

To Vietnamese businesses themselves: To operate effectively in an increasingly open and interconnected economy, businesses must proactively manage their external relationships. This involves:

- Maintaining strong customer relations to ensure satisfaction and product consumption;
- Building trust and reputation in terms of product quality and service;
- Fostering good ties with suppliers, consumers, and advertising or regulatory organizations to expand influence and public awareness;
- Ensuring communication beyond market entities;
- Conducting business in compliance with legal standards; and,
- Showing awareness of environmental protection, such as preserving forests and preventing pollution and land degradation.

The two specific studies offer valuable and relevant perspectives, along with practical recommendations. However, both studies are largely descriptive and conceptual. This study seeks to fill that gap by using quantitative data analysis to empirically validate the effectiveness of the proposed strategies or policy recommendations. The following section will present this analysis in detail.

THE IMPACT OF INTERNATIONAL BUSINESS ON ENTERPRISES AND THE NATIONAL ECONOMY

Positive Impacts

- *Market Expansion and Revenue Growth*

International business enables Vietnamese enterprises to access global markets, broaden their customer base, and increase revenues. Participation in free trade agreements (FTAs) such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the EU-Vietnam Free Trade Agreement (EVFTA) has created favorable conditions for Vietnamese goods to enter major international markets, reducing tariffs and non-tariff barriers.

The CPTPP is a free trade agreement among 11 countries: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.

Regarding import tariff commitments, Vietnam has pledged to eliminate nearly 100% of tariff lines under the CPTPP. Specifically, 65.8% of tariff lines were reduced to 0% immediately upon the agreement's entry into force; 86.5% will reach 0% by the fourth year; and 97.8% by the eleventh year. The remaining items will be subject to a tariff elimination schedule extending up to the sixteenth year or governed by tariff-rate quotas.

As for export duties, only Vietnam, Malaysia, and Canada apply export taxes under the CPTPP, and all three countries have committed to phasing out these taxes, except for certain reserved product groups. Vietnam has pledged to eliminate export duties on most currently taxed goods over a period of 5–15 years after the agreement takes effect. However, key commodities such as coal, crude oil, and certain types of ores and minerals are permitted to retain export taxes.

The CPTPP allows Vietnam access to 11 major economies—including Japan, Canada, Australia, Mexico, and Singapore—with a combined GDP of over USD 13.5 trillion. Thanks to preferential tariffs, Vietnamese products such as textiles, footwear, seafood, and wood products enjoy enhanced competitiveness in international markets.

The EU-Vietnam Free Trade Agreement (EVFTA) encompasses a wide range of provisions, including trade in goods and services, rules of origin, customs procedures and trade facilitation, sanitary and phytosanitary measures, technical barriers to trade, investment, trade remedies, competition, intellectual property, sustainable development, legal matters, cooperation, and capacity building.

Under the EVFTA, Vietnam and the EU have committed to eliminating import tariffs on 99% of tariff lines over a transitional period—seven years for the EU and ten years for Vietnam. Specifically, Vietnam will eliminate tariffs on 48.5% of tariff lines upon the agreement's entry into force, 58.7% after three years, 79.6% after five years, 91.8% after seven years, and 98.3% after ten years. In terms of export duties, Vietnam has pledged to remove most export taxes on goods exported to the EU within a 15-year schedule.

- *Leveraging Comparative Advantages and Enhancing Competitiveness*

In the context of globalization, Vietnam has effectively capitalized on its comparative advantages to promote international business and deeply integrate into the global economy. The country benefits from an abundant labor force, competitive labor costs, a strategic geographic location at the heart of the Asia-Pacific region, rich natural resources, and a growing network of next-generation free trade agreements such as the CPTPP, EVFTA, and RCEP. These factors collectively create favorable conditions for export growth and foreign direct investment attraction.

However, to sustainably enhance international competitiveness, Vietnam must overcome several structural challenges, including low labor productivity, inconsistent product quality, outdated production technologies, and the lack of globally recognized national brands. In response, a range of strategic measures is essential, including accelerating the application of advanced technologies and innovation, improving workforce quality, developing a sustainable and high-quality "Made in Vietnam" brand, supporting domestic enterprises in integrating more deeply into global value chains, and improving the investment and administrative environment to ensure greater transparency and ease of doing business.

As a result of these efforts, Vietnam has emerged as one of the world's leading textile and garment exporters—second only to China—with global brands such as Nike, Adidas, and Uniqlo choosing Vietnam as a key manufacturing hub. The electronics industry has also experienced remarkable growth, with multinational corporations like Samsung, Intel, and LG making substantial investments, positioning Vietnam as a major electronics assembly and export center in the region. Nonetheless, most Vietnamese firms are still engaged primarily in low-value-added processing stages. To enhance competitiveness, many are shifting toward developing branded products, such as VinFast's electric vehicles exported to the U.S. and Europe, or TH True Milk's processed agricultural products exported to the Middle East and China.

- *Learning and Technology Transfer*

In the era of globalization and deep economic integration, international business functions not only as a conduit for trade in goods and services but also as a critical channel for the transfer of knowledge, technologies, and modern management practices. For a developing economy like Vietnam, learning and technology transfer from international partners is among the most enduring and sustainable benefits of global integration. These transfers help bridge gaps in production capabilities and labor productivity while serving as a foundation for economic transformation toward a more modern, innovative, and sustainable structure.

Foreign direct investment (FDI) remains one of the most effective channels for technology transfer. According to the General Statistics Office of Vietnam, as of 2024, the country has attracted over USD 470 billion in registered FDI, with a significant portion concentrated in high-tech sectors such as electronics, hardware manufacturing, and precision engineering. Notably, Samsung—the largest South Korean investor in Vietnam—has not only established state-of-the-art manufacturing facilities in Bac Ninh and Thai Nguyen but also invested over USD 220 million in a Research and Development (R&D) Center in Hanoi. This has enabled tens of thousands of Vietnamese engineers and technicians to gain access to advanced technology, global management standards, and professional training, contributing to the upskilling of the national workforce in information and electronics technology.

Beyond industrial sectors, high-tech agriculture in Vietnam has also witnessed transformative changes through international collaboration. For instance, Nafoods Group has applied European freeze-drying and cold storage technologies to export frozen fruits to demanding markets such as the EU and Japan. Similarly, Loc Troi Group has partnered with Israeli experts to implement drip irrigation systems and satellite-based soil and crop monitoring, thereby improving productivity and reducing dependence on chemical fertilizers. In the field of e-commerce and logistics, the presence of global giants like Alibaba, DHL, and FedEx has compelled domestic companies such as Viettel Post and Giao Hang Nhanh to invest in artificial intelligence (AI), big data, and warehouse automation in order to remain competitive and aligned with global trends.

- *Job Creation and Economic Growth*

One of the most evident and socially significant impacts of global economic integration is the creation of millions of jobs for domestic workers, thereby contributing to poverty reduction, improving living standards, and fostering social stability. Simultaneously, through increased exports, foreign direct investment (FDI), and participation in global value chains, international business has become a fundamental driver of Vietnam's GDP growth and economic restructuring toward a more modern and sustainable model.

According to the Ministry of Planning and Investment, the FDI sector currently employs over 4.9 million direct workers and tens of millions of indirect workers in supporting industries. Samsung Group alone provides employment to more than 100,000 workers in Bac Ninh, Thai Nguyen, and Ho Chi Minh City, offering stable incomes and professional training. Beyond high-tech industries, traditional export-driven sectors such as textiles, footwear, and seafood processing have also experienced robust growth thanks to free trade agreements such as the EVFTA, CPTPP, and UKVFTA. For instance, the Vietnam Textile and Apparel Association (VITAS) reports that the sector employs over 2.5 million workers and contributed around 12% of national export value in 2023.

Moreover, international business plays a key role in GDP expansion and economic restructuring. Vietnam's export of goods and services currently exceeds 185% of GDP, reflecting a high level of integration. Leveraging free trade agreements, the country recorded over USD 370 billion in export turnover in 2023, with key export products including mobile phones, computers, garments, and processed agricultural goods. Notably, increasing investments from countries such as South Korea, Japan, Singapore, and more recently the United States have generated substantial capital flows, which have improved infrastructure, stimulated urban development and logistics, and boosted domestic purchasing power, thereby producing wide-ranging economic spillover effects.

Negative Impacts

- *Fierce Competition and Challenges to Domestic Enterprises*

Alongside the tangible benefits that international business brings—such as market expansion, economic growth, and technology transfer—Vietnam also faces negative impacts from fierce competition, especially for small and medium-sized enterprises (SMEs). As trade liberalization progresses through FTAs, domestic firms not only compete in foreign markets but also face intense competition on their home turf against multinational corporations with superior financial capacity, technology, and brand reputation.

The increasing presence of foreign companies with professional management, cutting-edge technologies, and extensive distribution networks poses serious challenges to local firms. In the retail sector, the entry of foreign giants such as Aeon (Japan), Central Group (Thailand), and Lotte Mart (South Korea) has disrupted local retail chains. For example, Maximark—once a prominent domestic supermarket chain—was forced to sell to Vingroup in 2015 and was later discontinued due to its inability to compete. Similarly, domestic manufacturers in sectors such as mechanical engineering, electronic components, and chemicals often struggle with price and quality competition from imports originating in China, Thailand, or South Korea.

Furthermore, SMEs—which account for 97% of all enterprises in Vietnam—typically lack access to capital, technology, and market adaptability. Due to limited investment in innovation, the number of Vietnamese firms capable of directly supplying multinational production chains remains very low. According to the Ministry of Industry and Trade, the localization rate in the electronics sector is only around 10–15%, compared to 30% in Thailand and 60% in China. This indicates that many domestic firms are marginalized from global value chains or relegated to low-value-added stages of production.

- *Labor and Environmental Issues*

In terms of labor, many firms participating in global supply chains—particularly in labor-intensive sectors like textiles, footwear, and electronics assembly—have been reported for labor exploitation, harsh working conditions, and violations of fundamental labor rights. For instance, a 2022 report by the Fair Wear Foundation revealed that at some garment factories in Vietnam, workers were required to work up to 12 hours per day, denied proper overtime pay, and restricted from joining independent labor unions. Cases of child labor and informal employment have also been flagged by the International Labour Organization (ILO), especially in agriculture and small-scale manufacturing.

On the environmental front, the rapid influx of foreign investment into industrial zones has led to significant pollution of air, water, and soil—particularly as many FDI firms choose Vietnam due to its lower environmental compliance costs and lax enforcement. A notable case is the 2016 Formosa Ha Tinh disaster, in which a Taiwanese steel corporation discharged toxic waste into the sea, causing severe environmental damage across four central provinces and affecting hundreds of thousands of people. Additionally, industries such as textile dyeing, chemicals, and mineral extraction—often driven by export demand—still pose serious ecological threats if not properly regulated. According to the Ministry of Natural Resources and Environment, Vietnam must manage over 23 million tons of industrial waste annually, a significant portion of which is generated by FDI enterprises.

- *An Unsustainable Economy*

A key indicator of unsustainability is Vietnam's heavy dependence on the FDI sector and low-value-added export processing. According to the Ministry of Planning and Investment, FDI enterprises account for over 70% of Vietnam's total export turnover, while domestic enterprises—particularly SMEs—still face considerable challenges in integrating into global supply chains. This suggests that Vietnam's economic growth is largely driven by external forces, rendering it vulnerable to global shocks such as trade wars, supply chain disruptions, and currency volatility.

Moreover, Vietnam's continued reliance on resource-intensive and low-skilled labor sectors—such as garments, footwear, fisheries, and mining—without sufficient development in supporting industries, high-tech sectors, or knowledge-based services, keeps labor productivity and value added at low levels. Data from the Asian Productivity Organization (APO) shows that Vietnam's labor productivity in 2022 was only around 7% of Singapore's, 18% of Malaysia's, and significantly lower than that of Thailand and China. The lack of investment in R&D and innovation exacerbates this vulnerability, placing the economy at risk of falling into a "low-value trap," characterized by growth based on quantity rather than quality.

Rapid yet unsustainable growth not only risks long-term stagnation but also contributes to macroeconomic instability, financial risks, and regional-sectoral imbalances. The overemphasis on export-led, processing-based development—while neglecting domestic consumption and high-value services—makes the economy highly susceptible to global shocks and impairs its capacity for self-recovery.

INTERNATIONAL BUSINESS DEVELOPMENT STRATEGIES OF MULTINATIONAL COMPANIES

International business (IB) development requires firms to adopt a range of approaches and techniques to expand their operations beyond national borders. The following are several common strategies that have been successfully implemented by multinational corporations (MNCs).

Adapting to Local Cultures.

Firms must understand and adapt to the values, habits, and languages of consumers in their target markets (Usunier & Lee, 2009). McDonald's is a prime example of how a globally recognized brand can localize its offerings to enhance customer acceptance and succeed in diverse markets. When entering the Indian market, McDonald's recognized that respecting local religious beliefs was essential to its success. The company modified its menu in India by removing beef and pork products to accommodate cultural and religious preferences (Schlosser, 2002). It introduced chicken- and fish-based items, as well as soy-based alternatives, and significantly expanded its vegetarian offerings to cater to the dietary habits prevalent in Indian culture.

Strategic Partnerships.

Enterprises can collaborate with local or global companies to share resources, transfer knowledge, and enter new markets more effectively (Gomes, Barnes, & Mahmood, 2016). Danone, the French nutrition company, formed a joint venture with India's Britannia Industries to penetrate the promising Indian market. Danone recognized that partnering with a reputable local player would allow better customer outreach and product distribution. Britannia, one of India's leading food companies, specializes in biscuits, bread, and dairy products. This strategic alliance enabled both parties to leverage their respective competitive advantages: Danone benefited from Britannia's extensive distribution network and local market insights, while Britannia gained access to Danone's advanced production technologies, product quality improvements, and expanded product lines. Moreover, the combination of Danone's global brand reputation with Britannia's local strength created a compelling value proposition for Indian consumers (Danone, 2007).

Global Supply Chain Integration.

Building and managing an efficient global supply chain is essential for reducing costs, improving productivity, and ensuring product quality (Coyle, Langley, Novack, & Gibson, 2016). Apple has established a complex global supply chain that connects suppliers from China, Taiwan, the United States, and several other countries to manufacture and distribute its products (Lashinsky, 2012). This exemplifies how a leading technology company can harness the capabilities of various nations to optimize production and delivery, while simultaneously creating value for global consumers. Beyond supplier selection, Apple has invested heavily in supply chain technologies and modern management practices. The company focuses on streamlining production processes, minimizing inventory levels, enhancing quality, and maintaining agility to respond to market demands. Apple's supply chain management system allows it to swiftly respond to customer needs, reduce operational costs, and maintain a strong competitive position.

To succeed in international business, firms must rigorously research and evaluate target markets, remain attentive to and learn from customers, partners, and local employees, and be ready to continuously adjust their strategies to align with the characteristics of new markets.

RECOMMENDATIONS

1. Investment in Training and Development of Specialized Human Resources

In the context of increasingly fierce global competition and heightened requirements for technical standards, technology, and labor skills, Vietnam must recognize high-quality human resources as a key factor in enhancing national competitiveness and mitigating the negative impacts of international business.

Specifically, the government should increase investment in vocational education and practical training aligned with labor market demands, especially in high-tech sectors, digital technology, automation, logistics, and supply chain management—areas closely linked to global value chains. Additionally, a collaborative framework involving universities, enterprises, and the government should be established to update training curricula, implement dual training models, and encourage FDI enterprises to provide on-site training for local workers.

Furthermore, to keep pace with the digital transformation and green economy trends, priority should be given to soft skills development, creative thinking, adaptability, and foreign language proficiency among the younger workforce. Particular attention should be paid to training mid-level managers and high-tech engineers—currently in short supply in Vietnam.

A well-developed, specialized workforce will not only elevate Vietnam's position in global supply chains but also enable domestic enterprises to increase localization, participate in high-tech industries, and progress toward building a knowledge-based economy.

2. Strengthening International Cooperation

In the era of globalization and supply chain shifts, strengthening international partnerships offers Vietnam opportunities to access technology, capital, and markets while enhancing the internal capacity of the national economy, particularly among small and medium-sized enterprises (SMEs).

Firstly, the government should deepen strategic partnerships at both bilateral and multilateral levels, focusing not only on trade in goods but also on scientific research, technology transfer, renewable energy development, and innovation. It is crucial to establish cross-national innovation centers, co-funding R&D schemes, and encourage multinational corporations to locate technical centers and laboratories in Vietnam.

Secondly, Vietnam should actively participate in regional and global initiatives on digital transformation, green economy, fair trade, and sustainable labor, thereby enhancing institutional capacity and aligning enterprise practices with international standards. Emphasis should be placed on maximizing commitments under new-generation FTAs such as CPTPP, EVFTA, UKVFTA, and RCEP to expand cooperation in investment, training, technology, and the environment.

Lastly, strengthening international cooperation must go hand in hand with improving negotiation, implementation, and supervision capacities regarding international commitments to safeguard national interests and protect domestic industries from unfair competition. Building an image of a proactive, reliable, and responsible Vietnam in international relations will provide a solid foundation for deep integration and sustainable long-term development.

3. Accelerating Administrative Reform and Creating a Favorable Investment Environment

A transparent, efficient, and business-friendly administrative system is a prerequisite for Vietnam to maximize the benefits of international business and enhance national competitiveness. However, complex administrative procedures, unofficial costs, and lack of transparency remain significant barriers that discourage both domestic and foreign investment.

To address this, institutional reform and administrative streamlining must be further promoted, especially in areas directly related to business activities such as investment registration, customs, taxation, land, and social insurance. The broader application of e-government, digital public services, and one-stop-shop mechanisms will reduce time, cost, and risk for enterprises while improving transparency and accountability.

Moreover, the government should establish a stable, fair, and predictable investment environment for all enterprises. This includes aligning business regulations with international standards, protecting property and intellectual rights, and ensuring long-term investment security. Targeted and transparent incentive policies should focus on priority sectors such as supporting industries, high technology, innovation, and renewable energy, instead of indiscriminate incentives.

Administrative reform not only helps improve Vietnam's Global Competitiveness Index (GCI) and Doing Business ranking, but also builds investor confidence, attracts high-quality FDI, supports sustainable growth of domestic enterprises, and enhances economic resilience amid deep global integration.

4. Focusing on Products with High Competitive Potential

In a volatile international business environment, strategically investing in product sectors with true competitive advantages is vital for Vietnam to enhance export value, build a national brand, and reduce reliance on low-value-added industries.

Vietnam should reorient its export strategy to focus on sectors with strengths in resources, skilled labor, and technological potential, including:

- Deep-processed agricultural products (roasted coffee, frozen fruits, organic goods),
- Electronics and semiconductors (amid global supply chain shifts away from China),
- Sustainable and circular textile manufacturing,
- Tourism and digital services,
- Creative and cultural products such as high-end handicrafts, films, and traditional cuisine.

Enterprises should be encouraged to move up the global value chain, engaging in higher-value activities such as design, R&D, and branding instead of basic processing. To support this, the government should provide access to innovation funds, preferential credit, technology transfer programs, and establish sector-specific innovation support centers.

Furthermore, developing a national brand associated with strategic products should be prioritized through export promotion, traceability, and international certification (e.g., ISO, GlobalGAP, CE). Orienting product development towards demanding markets such as the EU, U.S., and Japan will help Vietnam escape the "low-cost trap" and improve long-term competitiveness.

5. Promoting Technology and Innovation

In the digital economy and Fourth Industrial Revolution, innovation and high-tech application are decisive factors for enhancing competitiveness at both enterprise and national levels. For Vietnam, this is not merely an option but an imperative to transition from a growth model based on cheap labor and natural resources to a knowledge-based, sustainable, and high-value-added economy

National policies on science, technology, and innovation must be strategically focused. The government should play a facilitating role by increasing R&D budget allocation, supporting the formation of an innovation ecosystem involving the state, research institutes, universities, and enterprises. Technology incubators, startup hubs, and high-tech venture capital funds should be vigorously promoted, especially in key areas such as AI, big data, smart manufacturing, renewable energy, and advanced materials.

Additionally, local enterprises—especially SMEs—should be supported in digital transformation, tech adoption in management, production, and marketing, and in intellectual property protection. Firms should be encouraged to join innovation competitions, engage in international tech cooperation, and register patents and utility solutions to gradually enhance the technological content of Vietnamese products and services.

In the long term, innovation must be recognized as a strategic pillar not only in industrial policy but also in education, investment, trade, and international integration. Only by creating value through knowledge and technology can Vietnam elevate its global position and adapt effectively to rapid changes in the world economy.

CONCLUSION

International business in the context of globalization has played a central role in Vietnam's socio-economic development. Deep integration has brought numerous benefits, including market expansion, investment attraction, technology transfer, and job creation for millions of workers. However, it also presents challenges such as intensified competition, overdependence on FDI enterprises, unequal benefit distribution, and increased pressure on environmental and labor standards.

To capitalize on opportunities while minimizing risks, Vietnam requires a comprehensive international business strategy that strengthens domestic enterprise capacity, improves institutional frameworks, fosters innovation, and ensures sustainable development. By striking a balance between economic growth and social-environmental values, Vietnam can integrate into the global economy with resilience, confidence, and strategic foresight.

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