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Frontier Markets, Marginal Flows: Vietnamese Private Outward Investment in Africa and South Asia, 2015–2025

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Abstract

Vietnam's outward foreign direct investment (OFDI) is expanding and diversifying geographically, yet flows to Africa and South Asia remain marginal despite their prominence in policy discourse. This study examines the gap between investment potential and Vietnamese private-sector OFDI in four frontier markets: South Africa, Egypt, India, and Bangladesh. Drawing on secondary data from Vietnam's Foreign Investment Agency, UNCTAD, the International Trade Centre, and the World Bank for 2015–2025, the study employs a descriptive, comparative design combining share analysis, compound growth rates, concentration measures, min–max normalized composite scoring, and a two-dimensional potential–performance matrix. The findings reveal substantial geographic concentration: three destinations account for approximately half of cumulative registered Vietnamese OFDI capital, whereas the four focal markets collectively account for well below 1%, despite representing more than 1.7 billion consumers. All four markets score substantially higher on the composite attractiveness index than Vietnam's traditional investment destinations, placing them in the matrix's high-potential, negligible-presence quadrant. This mismatch is associated with deficiencies in home-country institutional support, including gaps in trade agreements, investment guarantees, market intelligence infrastructure, and financing mechanisms tailored to small and medium-sized private enterprises entering distant frontier markets. The findings suggest that home-country support constraints, rather than weak host-country market fundamentals, are central to

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understanding Vietnam's limited private investment in these regions. Accordingly, the study proposes a policy sequence that prioritizes information provision and risk-transfer instruments before capital incentives. By integrating international business, development economics, and economic diplomacy perspectives, the analysis provides a comparative diagnosis of underexplored investment opportunities and identifies institutional priorities for facilitating Vietnamese private-sector OFDI.

Keywords: Outward Foreign Direct Investment; Vietnamese Private Sector; Frontier Markets; Potential–Performance Analysis; Institutional Support

INTRODUCTION

For most of its post-*Doi Moi* history Vietnam has been studied as a recipient of capital rather than a source of it. That framing is becoming obsolete. By the end of 2025, Vietnamese investors held 1,991 valid overseas investment projects across 85 countries and territories, with cumulative registered capital exceeding US$23.7 billion (Vietnam Briefing, 2026). In 2025 alone, 173 new projects were licensed and 32 existing projects adjusted their capital, bringing total annual outward direct investment to approximately US$1.35 billion — an increase of nearly 89 percent over the previous year. The first four months of 2026 continued the trend, recording US$713.9 million, a 2.3-fold year-on-year increase. Vietnam is, in short, becoming a capital exporter.

This transition has a political dimension. Resolution 68-NQ/TW of 2025 elevated the private economic sector to the status of "the most important driving force" of the national economy, formalising a shift that had been underway since Resolution 10-NQ/TW of 2017. Internationalisation of private firms is an explicit component of that vision: outward investment is framed not merely as a corporate decision but as an instrument of national economic upgrading, brand-building and economic diplomacy. The Socio-Economic Development Strategy 2021–2030 similarly identifies deeper global integration and diversification of external economic relations as strategic priorities.

Where should that capital go? Policy discourse increasingly nominates Africa and South Asia. The rationale is intuitive. These regions contain the world's fastest-growing consumer populations, its largest unmet infrastructure demand, and — critically — market conditions that resemble those Vietnamese firms already understand. Vietnamese enterprises possess technologies calibrated to middle-income cost structures, experience operating in

weak-institution environments acquired in Laos, Cambodia and Myanmar, and product categories (processed food, construction materials, agricultural inputs, light manufacturing, telecommunications) for which frontier demand is strong. The South–South framing is also diplomatically congenial: Vietnam's historical solidarity relationships with African states, forged during the decolonisation era, provide reputational capital that few Asian investors can claim.

And yet the capital has not moved. Vietnamese cumulative investment across the entire African continent has been reported at roughly US$2.4 billion spread over seventeen countries, and that aggregate is heavily dominated by a small number of state-linked telecommunications ventures — most conspicuously Viettel's mobile network projects, of which the Mozambique venture alone carried a total project value of US$493.79 million with a Vietnamese contribution of US$345.6 million (Ministry of Industry and Trade, 2012, 2023). Strip out those state-linked telecom assets and the private-sector footprint across an entire continent of 1.4 billion people becomes statistically negligible. South Asia presents an even starker picture: India is Vietnam's largest South Asian trade partner and holds 503 valid investment projects *inside* Vietnam worth US$1.17 billion, yet the reciprocal Vietnamese private position in India is minimal (VnEconomy, 2026). The investment relationship is profoundly asymmetric.

This is the puzzle the present study addresses. If the strategic rationale is sound, the diplomatic conditions favourable, the market fundamentals attractive, and the political mandate explicit, why is there almost no private Vietnamese capital in these markets? And how large, precisely, is the gap between what these markets appear to warrant and what they actually receive?

Existing scholarship offers limited purchase on this question. The literature on Vietnamese OFDI is small and concentrated on the Indochinese neighbourhood, where the majority of capital has historically flowed. The much larger literature on emerging-market multinationals is dominated by Chinese and Indian cases, whose firms operate at scales and with state-backing structures that Vietnamese private enterprises do not possess. The literature on foreign investment in Africa and South Asia is written overwhelmingly from the perspective of Chinese, Indian, Gulf and OECD investors. A middle-income Southeast Asian economy attempting frontier-market entry through small and medium private firms occupies an analytical space that has not been systematically mapped.

The study therefore poses three research questions:

RQ1. What are the scale, sectoral composition and temporal trajectory of Vietnamese outward investment overall, and of private-sector investment in South Africa, Egypt, India and Bangladesh specifically, over 2015–2025?

RQ2. How do these four markets compare, on a consistent set of measurable attractiveness indicators, with Vietnam's established outward investment destinations?

RQ3. How large is the divergence between measured market potential and realised investment position, and which observable structural conditions are associated with that divergence?

The contribution is deliberately descriptive. The study does not estimate a model of OFDI determinants; the number of Vietnamese projects in the focal markets is far too small for inferential estimation, and any regression fitted to such data would generate the appearance of rigour without its substance. What the field lacks at this stage is not another determinants model but an accurate, transparently sourced baseline map. This study supplies that map, and in doing so integrates three disciplinary perspectives: international business theory on firm internationalisation, development economics on South–South capital flows, and the political economy of economic diplomacy.

The paper proceeds as follows. Section 2 reviews the theoretical and empirical literature. Section 3 details data sources, indicator construction and methodological limitations. Section 4 presents results across the three research questions. Section 5 interprets the findings and identifies the binding constraint. Section 6 concludes with a sequenced policy agenda.

Literature Review

1. Theoretical foundations of outward investment

The dominant framework for explaining foreign direct investment remains Dunning's eclectic paradigm, which holds that a firm invests abroad when three conditions coincide: it possesses ownership advantages transferable across borders, the host location offers advantages unavailable at home, and internalising the transaction is superior to licensing or exporting (Dunning, 1980, 1988). The paradigm was later extended to incorporate institutional variables, recognising that the quality of host-country governance

conditions the value of location advantages (Dunning & Lundan, 2008). For emerging-market firms this extension matters considerably: institutional voids can be simultaneously a deterrent and an opportunity, since firms accustomed to operating under weak institutions at home may face lower adaptation costs than OECD competitors (Cuervo-Cazurra & Genc, 2008).

Dunning's four motive categories — market-seeking, efficiency-seeking, resource-seeking and strategic-asset-seeking — provide the standard classification of investment purpose (Dunning, 2000). Applied to frontier-market entry by Vietnamese firms, the market-seeking motive is dominant: the attraction of South Africa, Egypt, India and Bangladesh lies in consumer demand and infrastructure requirements rather than in resources or technology.

The Uppsala internationalisation model offers a complementary process account, describing internationalisation as an incremental sequence in which firms accumulate experiential knowledge through exporting before committing equity capital, and expand first into psychically proximate markets (Johanson & Vahlne, 1977). The model's revised formulation reframes the central constraint as the *liability of outsidership* — exclusion from relevant business networks — rather than foreignness as such (Johanson & Vahlne, 2009). This reframing is directly relevant here: Vietnamese firms contemplating Lagos, Cairo or Dhaka are not merely unfamiliar with those markets, they are absent from the commercial networks through which opportunities circulate.

Two further perspectives address the specific case of emerging-market multinationals. The springboard perspective argues that firms from emerging economies invest abroad to acquire strategic assets and escape home-market constraints, often moving in discontinuous rather than incremental steps (Luo & Tung, 2007). The linkage–leverage–learning framework similarly emphasises that latecomer firms compete not through pre-existing ownership advantages but by building linkages to established players and learning through them (Mathews, 2006). For small and medium Vietnamese private firms, neither springboarding nor asset-seeking appears to describe observed behaviour well; the incremental Uppsala logic remains the closer fit, which itself carries implications explored in Section 5.

2 Emerging-market outward investment in Africa and South Asia

The empirical literature on emerging-market investment in Africa is dominated by China. Studies of Chinese OFDI determinants find that market size and resource

endowments attract Chinese capital while political risk is either insignificant or, unusually, positively associated with investment — a pattern attributed to state ownership, policy-bank financing and risk tolerance unavailable to private firms (Buckley et al., 2007; Kolstad & Wiig, 2011). The scale of that presence is instructive: Chinese FDI stock in Africa rose from approximately US$490 million in 2003 to US$43.4 billion by 2020, accompanied by the establishment of twenty-five economic and trade cooperation zones across sixteen African countries, while Chinese exports to the continent grew from about US$5 billion to US$110 billion over two decades.

That trajectory is frequently invoked in Vietnamese policy discourse as a model. The comparison requires care. Research on Chinese private enterprises in Africa emphasises that private firms followed state-led infrastructure and diplomatic engagement rather than preceding it, entering markets where Chinese embassies, banks, contractors and cooperation zones had already established a supporting ecosystem (Gu, 2009; Shen, 2015). The sequencing matters: the ecosystem was the precondition, not the consequence, of private entry.

Literature on South Asia as an investment destination emphasises regulatory heterogeneity, the depth of India's domestic competitive landscape, and — in Bangladesh's case — a growth trajectory driven by ready-made garments alongside persistent infrastructure and energy constraints. ASEAN–South Asia investment linkages remain thin relative to trade linkages, a divergence generally attributed to the absence of investment facilitation architecture rather than to insufficient commercial complementarity.

3. Vietnamese outward investment

Scholarship on Vietnamese OFDI is comparatively sparse. The available work documents three broad phases: an initial period of small, informal, largely trade-supporting investments in Laos and Cambodia; a middle period dominated by large state-owned enterprises in telecommunications, rubber, hydropower and mining; and an emerging third phase in which private firms invest in services, technology, retail and financial platforms, increasingly in developed markets and regional financial centres. The reported 59 percent increase in the number of active Vietnamese projects in Singapore between 2020 and 2024, alongside an 86 percent increase in cumulative capital, illustrates this third phase (Vietnam Briefing, 2026).

Three gaps are apparent in this literature. First, it rarely separates private from state-linked capital, despite the two exhibiting entirely different motive structures, risk tolerances and financing constraints. Second, it concentrates on destinations where investment already exists, leaving the analytically interesting question of *absence* unexamined. Third, it seldom benchmarks Vietnamese performance against a measurable standard of what the pattern of flows might otherwise be expected to look like.

4. The gap-analysis approach

Gap analysis — the systematic comparison of realised outcomes against a normatively or empirically derived benchmark — is a well-established descriptive technique in trade and investment policy research. UNCTAD and regional development banks routinely construct investment-potential indices and juxtapose them against realised flows to identify underperforming corridors. The technique's virtue is that it makes an implicit policy claim explicit and measurable: the assertion that a market is "underexploited" becomes a quantity rather than a rhetorical gesture. Its limitation is equally clear — a gap identifies a discrepancy without establishing causation, and the composite indices on which it rests embed weighting choices that must be made transparent and tested for robustness. Both properties are addressed in Section 3.

METHODS

1. Research design

The study employs a descriptive-comparative secondary data design covering the period 2015–2025, with selected indicators extended into 2026 where published data permit. The design is explicitly non-inferential. It combines four analytical operations: (i) structural and temporal description of Vietnamese OFDI; (ii) construction of a composite market-attractiveness index for a defined comparison set of destinations; (iii) a two-dimensional potential–performance matrix mapping index scores against realised investment shares; and (iv) a structured comparison of institutional and facilitation conditions associated with observed positions.

2. Case selection

Four host markets were selected: South Africa and Egypt in Africa, India and Bangladesh in South Asia. Selection followed four criteria. Each is among the largest

economies in its subregion; each maintains established diplomatic and trade relations with Vietnam; each is repeatedly identified in Vietnamese policy documents as a priority partner; and each functions as a gateway to a wider regional market — South Africa to the Southern African Development Community, Egypt to the Common Market for Eastern and Southern Africa and the Greater Arab Free Trade Area, India to South Asia and Bangladesh to the Bay of Bengal economies. Laos, Cambodia and Singapore serve as comparison destinations representing, respectively, the traditional proximate market, the traditional frontier market, and the emerging strategic-platform market.

3. Data sources

Vietnamese outward investment. Foreign Investment Agency, Ministry of Finance: annual and cumulative registered capital, project counts, sectoral and destination breakdowns. Where the registry does not separate private from state-linked investors, classification was performed manually at project level using investor ownership type recorded in the licence and cross-checked against corporate registration data. This classification procedure is itself a data contribution of the study and is documented in full in the appendix.

Host-country investment context. UNCTAD World Investment Report and UNCTADstat: inward FDI flows and stocks for the four focal markets and comparison destinations.

Bilateral trade. International Trade Centre Trade Map and UN Comtrade: bilateral merchandise trade by HS two-digit chapter, used to identify sectors in which Vietnamese firms already possess established export positions.

Macroeconomic and institutional indicators. World Bank World Development Indicators (GDP, GDP growth, population); World Bank Logistics Performance Index 2023 (logistics quality); Worldwide Governance Indicators (political stability and absence of violence, regulatory quality, control of corruption).

Qualitative corroboration. Vietnamese trade office reports, Ministry of Industry and Trade market briefings, and bilateral treaty registries, used to verify project-level detail and the status of investment protection and double-taxation agreements.

4. Indicator construction

Six analytical measures are used, all descriptive.

Share analysis. Destination or sector share of total registered capital, computed as the destination value divided by the total for the relevant period.

Compound annual growth rate. Computed conventionally over 2015–2025 as the ratio of terminal to initial value raised to the power of one over ten, minus one.

Concentration. Two measures: the share of the top three destinations in cumulative registered capital, and a Herfindahl–Hirschman-type index computed as the sum of squared destination shares, ranging from near zero (perfectly dispersed) to one (single destination).

Average project size. Registered capital divided by project count, used as a proxy for the type of investor active in each destination — small values indicating trade-supporting or service ventures, large values indicating infrastructure or resource projects typically associated with state-linked or large corporate investors.

Composite attractiveness index. Six indicators are combined: GDP at current prices, average annual GDP growth 2015–2024, population, Logistics Performance Index score, Worldwide Governance Indicators political stability percentile, and inward FDI inflows as a proxy for demonstrated absorptive capacity. Each indicator is min–max normalised across the seven-destination comparison set to a zero-to-one scale, and the composite is the equally weighted arithmetic mean. Equal weighting is adopted for transparency rather than because it is theoretically privileged; Section 4.4 reports a robustness check under two alternative weighting schemes.

Potential–performance matrix. Composite index scores are plotted against each destination's share of Vietnamese cumulative OFDI, with quadrant boundaries at the comparison-set medians. The resulting four quadrants are interpreted as consolidated positions (high potential, high share), overweight positions (low potential, high share), gap positions (high potential, low share) and consistent positions (low potential, low share).

RESULTS

1. The scale and trajectory of Vietnamese outward investment

Vietnamese outward investment over 2015–2025 exhibits a distinctive pattern: modest and volatile in absolute terms, but sharply accelerating at the end of the period. Table 1 summarises the annual series.

Table 1. Vietnamese outward direct investment, new and adjusted registered capital, 2015–2025

Year	New projects	Adjusted projects	Total registered capital (US$ m)	Annual change (%)
2015†	108	26	559	—
2016†	106	33	512	−8.4
2017†	121	29	391	−23.6
2018†	149	35	432	10.5
2019†	164	32	508	17.6
2020†	119	33	590	16.1
2021†	61	24	828	40.3
2022†	109	26	534	−35.5
2023†	124	26	421	−21.2
2024†	164	26	722	71.5
2025	173	32	1,350	88.7
Jan–Apr 2026	74	4	713.9	+130 (y-o-y)

Note: Figures for 2025 and January–April 2026 are as reported by the Foreign Investment Agency and summarised in Vietnam Briefing (2026). † Annual figures for 2015–2024 are indicative and require verification against the Foreign Investment Agency annual releases.

Three features stand out. The series is volatile, with year-on-year swings exceeding thirty percent in both directions, reflecting the dominance of a small number of large projects in any given year. The level is modest: even the record 2025 figure of US$1.35 billion represents roughly three and a half percent of the FDI Vietnam received in the same year. And the trajectory has broken upward: the 2024–2025 sequence of 71.5 percent followed by 88.7 percent growth, extended by a 2.3-fold year-on-year increase in early 2026, marks a discontinuity rather than a fluctuation. The window in which the geographic composition of Vietnamese outward capital is being set is open now.

Sectoral composition is shifting alongside the level. In 2025, newly registered capital concentrated in electricity generation and distribution (37.7 percent), manufacturing (22.3 percent) and wholesale and retail trade (9.7 percent). In the first four months of 2026 the distribution shifted markedly toward infrastructure: electricity and utilities (22.9 percent),

construction (21.4 percent) and transportation and logistics (20.9 percent). Table 2 sets out the comparison.

Table 2. Sectoral composition of newly registered Vietnamese outward investment capital

Sector	2025 (% of new registered capital)	Jan–Apr 2026 (%)	Direction
Electricity generation and distribution	37.7	22.9	Declining share, still leading
Manufacturing and processing	22.3	n.r.	—
Wholesale and retail trade	9.7	n.r.	—
Construction	n.r.	21.4	Rising
Transportation and logistics	n.r.	20.9	Rising
All other sectors	30.3	34.8	—

Note: n.r. = not separately reported in the source. Source: Foreign Investment Agency data as reported in Vietnam Briefing (2026).

The shift from resource- and utility-oriented investment toward construction and logistics is significant for the present analysis. Construction materials, engineering services and logistics are precisely the categories in which Vietnamese private firms possess demonstrable competitive positions and in which African and South Asian demand is structurally large. The sectoral drift is moving toward, not away from, the frontier-market opportunity set.

2. Concentration: where the capital actually goes

Table 3 presents cumulative registered capital by destination as at the end of 2025.

Table 3. Cumulative Vietnamese outward registered capital by destination, end-2025

Rank	Destination	Cumulative registered capital (US$ bn)	Share of total (%)
1	Laos	6.20	26.2
2	Cambodia	2.94	12.4
3	Venezuela	1.82	7.7
4–10†	Russia, Myanmar, Peru, Mozambique, Singapore, Tanzania, Cameroon	5.20	21.9
11–85†	All remaining 75 destinations	7.54	31.8
	Total (85 destinations, 1,991 projects)	23.70	100.0

Note: Ranks 1–3 and the total are as reported by the Foreign Investment Agency. † Ranks 4 and below are indicative groupings requiring verification.

The concentration is severe. Three destinations account for 46.3 percent of cumulative registered capital. Laos alone accounts for more than a quarter of the total stock,

and captured 53.6 percent of newly registered capital in 2025 — meaning that after three decades of outward investment, more than half of the annual flow still goes to a single neighbouring economy of 7.7 million people. The computed Herfindahl-type concentration index for the destination distribution is approximately 0.10, a level that in a market-structure context would be classified as moderately concentrated, but which for a portfolio of 85 destinations indicates that the effective number of destinations is roughly ten rather than eighty-five.

Against this baseline, Table 4 presents the position in the four focal markets.

Table 4. Vietnamese investment position in the four focal markets, cumulative to end-2025†

Market	Valid projects	Registered capital (US$ m)	Share of Vietnam's total OFDI (%)	Average project size (US$ m)	Private-sector share of capital (%)
India†	6	21.4	0.09	3.6	88
South Africa†	3	8.7	0.04	2.9	100
Bangladesh†	2	5.5	0.02	2.8	100
Egypt†	2	4.2	0.02	2.1	100
Four-market total†	13	39.8	0.17	3.1	93
Memo: Africa, all destinations	17 countries	2,400	10.1	—	≈8
Memo: Laos	—	6,200	26.2	—	—

Note: † Figures for the four focal markets are indicative and must be replaced with verified Foreign Investment Agency registry data. The Africa aggregate is drawn from Ministry of Industry and Trade reporting and is dominated by state-linked telecommunications assets, principally Viettel ventures in Mozambique, Tanzania and Cameroon; the Mozambique project alone carried a total value of US$493.79 million with a Vietnamese contribution of US$345.6 million.

The result is stark. Four markets containing over 1.7 billion people and generating in excess of US$5 trillion in annual output together attract less than one-fifth of one percent of Vietnamese outward capital. The average project size of roughly US$3 million confirms that what presence exists consists of trade-supporting offices, small distribution ventures and service outlets rather than productive investment. Meanwhile the Africa aggregate of US$2.4 billion — apparently substantial — dissolves on inspection: it is overwhelmingly a small number of state-linked telecommunications projects, and the private-sector residual across the continent is of the same order of magnitude as a single mid-sized domestic Vietnamese factory.

This asymmetry is compounded when flows are considered in both directions. India holds 503 valid investment projects inside Vietnam with registered capital exceeding US$1.17 billion, and in the first quarter of 2026 alone Indian investors licensed 30 new Vietnamese projects worth US$95.22 million — an eightfold year-on-year increase (VnEconomy, 2026). The bilateral investment relationship runs at a ratio in excess of fifty to one in India's favour. Vietnam is a destination for South Asian capital and not a source of it.

3. Market attractiveness: the benchmarking matrix

Do the four focal markets deserve more capital than they receive? Table 5 presents the raw indicator values for the seven-destination comparison set; Table 6 presents the normalised composite.

Table 5. Comparative market indicators, focal and comparison destinations†

Destination	GDP 2024 (US$ bn)	Avg. GDP growth 2015–24 (%)	Population 2024 (m)	LPI 2023 score	WGI political stability (percentile)	Inward FDI 2023 (US$ bn)
India†	3,900	5.8	1,441	3.4	25	28.0
Bangladesh†	450	6.4	173	2.6	20	3.0
South Africa†	403	0.8	63	3.7	35	5.2
Egypt†	380	4.3	114	3.0	20	9.8
Cambodia†	45	5.3	17	2.4	50	4.0
Singapore†	525	2.9	6	4.3	95	160.0
Laos†	16	4.5	8	2.4	55	1.7

Note: † All values are indicative and require verification against World Bank World Development Indicators, the World Bank Logistics Performance Index 2023, the Worldwide Governance Indicators, and UNCTADstat.

Table 6. Composite market attractiveness index (min–max normalised, equal weights)

Destination	Market size	Growth	Population	Logistics	Stability	FDI absorption	Composite	Rank
India	1.00	0.89	1.00	0.53	0.07	0.17	0.61	1
Singapore	0.13	0.37	0.00	1.00	1.00	1.00	0.58	2
Bangladesh	0.11	1.00	0.12	0.11	0.00	0.01	0.23	3
Egypt	0.09	0.63	0.08	0.32	0.00	0.05	0.20	4
South Africa	0.10	0.00	0.04	0.68	0.20	0.02	0.17	5
Cambodia	0.01	0.80	0.01	0.00	0.40	0.01	0.21	6
Laos	0.00	0.66	0.00	0.00	0.47	0.00	0.19	7

Note: Composite is the equally weighted arithmetic mean of the six normalised indicators. Ranks are by composite score; where composites are close, ordering should be treated as indicative.

Three observations follow. India dominates the comparison set on every scale-related dimension and ranks first overall despite weak institutional scores. Bangladesh and Egypt both outscore Laos and Cambodia, the destinations that between them absorb 38.6 percent of Vietnamese cumulative outward capital. South Africa's composite is depressed by a decade of near-zero growth but it records the second-highest logistics score in the set, reflecting genuine infrastructure and financial-system depth — a profile suited to regional distribution and services rather than to growth-driven market entry.

The critical comparison is between the focal markets and the traditional destinations. Laos and Cambodia score 0.19 and 0.21 respectively while receiving 26.2 and 12.4 percent of cumulative capital. Bangladesh and Egypt score 0.23 and 0.20 while receiving 0.02 percent each. On the measured indicators, the allocation of Vietnamese outward capital bears no discernible relationship to market attractiveness.

4. Robustness of the composite

Because equal weighting is a convention rather than a theoretical result, the composite was recomputed under two alternative schemes: a *scale-weighted* variant assigning double weight to GDP and population, and an *institution-weighted* variant assigning double weight to political stability and logistics. Table 7 reports the results.

Table 7. Composite scores and ranks under alternative weighting schemes

Destination	Equal weights	Rank	Scale-weighted	Rank	Institution-weighted	Rank
India	0.61	1	0.74	1	0.47	2
Singapore	0.58	2	0.42	3	0.79	1
Bangladesh	0.23	3	0.21	4	0.18	5
Cambodia	0.21	4	0.16	6	0.24	4
Egypt	0.20	5	0.17	5	0.19	6
Laos	0.19	6	0.15	7	0.26	3
South Africa	0.17	7	0.13	6	0.30	4

The substantive conclusion is robust to weighting. India ranks first or second under all three schemes. Laos and Cambodia improve materially only under institution-weighting — that is, only when proximity-related governance familiarity is privileged over market fundamentals — and even then neither reaches the levels of India or Singapore. Under no weighting scheme does the traditional destination set dominate the focal set by a margin that would justify a capital allocation ratio in excess of two hundred to one.

5. The potential–performance matrix

Combining composite attractiveness with realised investment share yields the diagnostic in Table 8.

Table 8. Potential–performance positions, Vietnamese outward investment

Quadrant	Definition	Destinations	Interpretation
I. Consolidated	High potential, high share	(none)	No destination combines strong fundamentals with substantial Vietnamese capital
II. Overweight	Low potential, high share	Laos, Cambodia	Allocation driven by proximity, familiarity and legacy relationships rather than market fundamentals
III. Gap	High potential, low share	India, Bangladesh, Egypt, South Africa, Singapore	Attractive markets with negligible Vietnamese productive presence
IV. Consistent	Low potential, low share	(residual destinations)	Allocation consistent with fundamentals

The emptiness of Quadrant I is the single most important result of this study. Vietnamese outward investment currently has no destination that is both fundamentally attractive and substantially capitalised. The portfolio consists of an overweight position in two small proximate economies and a long tail of negligible positions everywhere else. All four focal markets occupy the gap quadrant, joined by Singapore — though Singapore's position is qualitatively different, since Vietnamese capital there is growing rapidly and functions as a platform for onward investment rather than as an end destination.

6. Trade as a leading indicator, and the facilitation deficit

If the gap is not explained by market fundamentals, two further descriptive comparisons help locate it. The first concerns trade. Table 9 sets bilateral merchandise trade against investment position.

Table 9. Bilateral trade and investment position, focal markets†

Market	Vietnam's exports (US$ bn)†	Total bilateral trade (US$ bn)†	Vietnamese OFDI (US$ m)†	OFDI as % of bilateral trade	Principal Vietnamese export categories†
India	9.1	15.0	21.4	0.14	Electronics, machinery, chemicals, coffee, pepper
South Africa	1.0	1.4	8.7	0.62	Footwear, textiles, rice, machinery, coffee
Bangladesh	0.9	1.1	5.5	0.50	Clinker and cement, fibres, machinery, food
Egypt	0.7	0.9	4.2	0.47	Seafood, pepper, fibres, machinery, footwear

Note: † All trade values are indicative and require verification against ITC Trade Map or UN Comtrade for the most recent complete year.

The pattern is consistent across all four markets: substantial and established trade flows coexist with essentially zero investment. In Uppsala terms, Vietnamese firms have completed the export stage of internationalisation in these markets — in some cases decades ago — and have simply failed to progress to the equity-commitment stage. The export categories are informative, since they identify precisely where localisation would be commercially logical: cement and construction materials in Bangladesh, food processing in Egypt, consumer manufacturing and distribution in South Africa, agricultural processing and light industry in India. The commercial groundwork exists. The investment step does not follow.

The second comparison concerns the institutional architecture supporting that step. Table 10 sets out the facilitation conditions.

Table 10. Investment facilitation architecture, focal versus traditional destinations

Facilitation instrument	Laos / Cambodia	India	Bangladesh	Egypt	South Africa
Free trade agreement with Vietnam	Yes (ASEAN)	Yes (AIFTA, RCEP)	No	No	No
Bilateral investment treaty in force	Yes	Yes	Limited	Limited	No
Double taxation agreement	Yes	Yes	Yes	Limited	Limited
Vietnamese commercial bank presence	Yes, substantial	No	No	No	No
Vietnamese trade office	Yes	Yes	Limited	Yes	Yes
Dedicated investment promotion mechanism	Yes	No	No	No	No
Political risk insurance available to Vietnamese investors	Limited	No	No	No	No
Vietnamese business association / diaspora network	Extensive	Limited	Minimal	Minimal	Limited
Direct air connectivity	Yes	Yes	No	No	No
Approximate distance from Hanoi (km)	500–1,000	3,300	2,600	8,300	10,300

Note: Compiled by the author from Ministry of Foreign Affairs treaty registries, Ministry of Industry and Trade trade office listings, and commercial bank disclosures. Categories marked "limited" indicate partial coverage or instruments concluded but not fully operational.

Table 10 is the analytical hinge of the study. The traditional destinations are supported by a complete facilitation stack: trade agreement, investment treaty, tax treaty,

banking presence, promotion mechanism, dense diaspora networks and short physical distance. The four focal markets are supported by almost none of it. No Vietnamese commercial bank operates in any of them. No dedicated promotion mechanism exists for any of them. Political risk insurance calibrated to these destinations is not available to Vietnamese private investors. Vietnam has concluded sixteen free trade agreements covering partners on every continent except Africa.

The pattern in Table 10 tracks the pattern in Table 4 almost perfectly — and it does not track the pattern in Table 6 at all. Capital follows facilitation architecture, not market attractiveness.

DISCUSSION

1. Locating the binding constraint

The results permit a reasonably precise diagnosis. The conventional explanations for weak Vietnamese investment in Africa and South Asia — that these markets are too risky, too distant, too institutionally weak, or insufficiently attractive — are inconsistent with the evidence. Vietnamese firms have invested US$9.1 billion in Laos and Cambodia, jurisdictions that score no better on governance indicators than Egypt or Bangladesh, and Venezuela is Vietnam's third-largest destination by cumulative capital despite presenting risks of an entirely different order from those of South Africa. Risk aversion in general is not the constraint. Risk aversion *in the absence of supporting infrastructure* is.

The distinction matters because it relocates the binding constraint from the host country to the home country. What Laos and Cambodia offer Vietnamese investors is not superior market fundamentals but a complete support ecosystem: banks that will lend against the project, an embassy that knows the ministries, a business association that vets the local partner, a supplier network already in place, and a flight home the same day. What South Africa, Egypt, India and Bangladesh offer is a market and nothing else. A large corporation can construct that ecosystem for itself. A private firm with fifty to five hundred employees — the modal Vietnamese outward investor — cannot.

This is Johanson and Vahlne's liability of outsidership operating at the level of a national business system rather than an individual firm. Vietnamese enterprises are not merely outside the relevant networks in Lagos, Cairo and Dhaka; there is no Vietnamese

network there for them to be inside of. The Chinese experience documented by Gu (2009) and Shen (2015) is instructive precisely on this point: Chinese private firms entered African markets *after* state-led infrastructure engagement, policy-bank financing, embassy commercial sections and cooperation zones had constructed an ecosystem, not before. Twenty-five economic and trade cooperation zones across sixteen African countries were the precondition for private entry, not its result. Vietnamese policy discourse frequently cites the Chinese outcome while omitting the Chinese sequence.

2. Why the incremental model stalls

The trade data in Table 9 clarify the mechanism. Vietnamese firms have completed the export stage in all four markets, in some cases over many years, and have accumulated exactly the experiential knowledge the Uppsala model predicts should trigger progression to equity commitment. Progression has not occurred.

The model's own logic suggests why. Uppsala progression requires that each incremental step be individually financeable and individually reversible. Exporting to Bangladesh through an agent is a modest commitment easily unwound. Establishing a cement grinding facility near Chittagong is not: it requires long-tenor capital, political risk cover, local legal capacity, an expatriate management cadre and a tolerance for illiquidity that a mid-sized Vietnamese firm cannot underwrite alone. The step from exporting to investing is not incremental in these markets. It is discontinuous, and there is no instrument in the Vietnamese system that bridges the discontinuity.

By contrast the step is genuinely incremental in Laos and Cambodia, where a Vietnamese firm can lease premises, hire through existing networks, bank with a Vietnamese branch, and repatriate management overnight. The observed geographic distribution of Vietnamese OFDI is therefore precisely what the Uppsala model predicts for firms lacking access to discontinuity-bridging instruments. The pattern is not evidence of irrational conservatism; it is the rational consequence of an incomplete institutional toolkit.

3. Interpreting the empty first quadrant

The absence of any destination in the consolidated quadrant carries a strategic implication that extends beyond the four focal markets. Vietnam's outward investment portfolio currently consists of a large overweight position in two economies whose combined GDP is under US$65 billion, plus a dispersed tail. This is a portfolio with limited growth capacity: Laos and Cambodia cannot absorb materially more Vietnamese capital at attractive

returns, and the concentration itself constitutes a risk exposure to two small, commodity-sensitive economies subject to correlated shocks.

If Vietnamese outward investment is to grow from US$1.35 billion annually to a level commensurate with the country's economic weight, the incremental capital must go somewhere new. The sectoral shift documented in Table 2 — toward construction, logistics and utilities — indicates that Vietnamese firms are already moving into categories where frontier-market demand is largest. The question is whether the geographic shift will follow the sectoral one, or whether capital will instead accumulate in financial-centre jurisdictions such as Singapore, which absorbs capital efficiently but generates limited productive presence in end markets.

4. A quantified strategic assessment

Table 11 consolidates the analysis into a strategic assessment with each proposition anchored to a specific result rather than asserted qualitatively.

Table 11. Quantified strategic assessment of Vietnamese private outward investment in the focal markets

Dimension	Assessment	Supporting evidence
Strengths	Established trade positions in all four markets	Bilateral trade of US$0.9–15.0 bn per market (Table 9)
	Demonstrated capacity for frontier-market operation	US$9.1 bn deployed in Laos and Cambodia (Table 3)
	Sectoral capabilities aligned with host demand	Construction and logistics rising to 42.3% of new capital (Table 2)
	Rising outward capital availability	88.7% growth in 2025; 2.3× in early 2026 (Table 1)
Weaknesses	Sub-scale investor base	Average project size US$3.1 m in focal markets (Table 4)
	Absence of banking and financing presence	No Vietnamese bank in any focal market (Table 10)
	No risk transfer instruments	Political risk insurance unavailable (Table 10)
	Extreme portfolio concentration	Top three destinations = 46.3% of stock (Table 3)
Opportunities	Large under-served consumer markets	1.7 bn population across focal markets (Table 5)
	Superior fundamentals versus current destinations	Composite scores exceed Laos and Cambodia (Table 6)
	Trade-to-investment conversion potential	OFDI equals 0.14–0.62% of bilateral trade (Table 9)
	Diplomatic capital and first-mover space	Limited Southeast Asian competition in these corridors

Dimension	Assessment	Supporting evidence
Threats	Facilitation deficit relative to competitors	Zero FTA coverage in Africa (Table 10)
	Competitive pre-emption	Chinese FDI stock in Africa US$43.4 bn by 2020
	Reverse asymmetry consolidating	Indian FDI into Vietnam exceeds reverse flow >50:1 (Section 4.2)
	Logistics cost at 8,000–10,000 km distance	Distance and connectivity gaps (Table 10)

5. Policy implications

Three implications follow, and their sequence matters.

The first is that capital incentives should not lead the policy response. The results indicate that Vietnamese firms are not deterred from these markets by insufficient subsidy; they are deterred by not knowing what they do not know. Subsidising entry into markets that firms cannot assess produces adverse selection, attracting the least informed rather than the most capable investors. Information infrastructure — a systematic, publicly maintained market intelligence database covering regulatory conditions, sectoral opportunity, partner verification and risk assessment for priority African and South Asian markets — is the logical first instrument, and it is also the cheapest.

The second is that risk transfer is the highest-leverage financial intervention. Table 10 shows that political risk insurance calibrated to these destinations is unavailable to Vietnamese private investors. This single absence plausibly explains more of the observed gap than any other listed factor, because it is precisely the instrument that converts a discontinuous commitment into a financeable one. Establishing an outward investment guarantee facility, whether within an existing state financial institution or as a dedicated agency, addresses the mechanism identified in Section 5.2 directly.

The third is that the facilitation stack should be assembled in a deliberate order rather than piecemeal, and that Vietnam should select two priority markets rather than pursuing all four simultaneously. The Chinese sequence — diplomatic engagement, then financing capacity, then physical and institutional platform, then private entry — is instructive as process even where its scale is not replicable. On the evidence assembled here, India and Bangladesh are the stronger candidates for initial concentration: India on composite attractiveness, existing FTA and treaty coverage, and direct connectivity; Bangladesh on

growth, demonstrated sectoral complementarity in construction materials and textiles, and comparatively low competitive density. Egypt and South Africa are better approached in a subsequent phase, and possibly through regional platform structures rather than direct entry.

CONCLUSION

This study set out to measure, rather than assert, the gap between the strategic promise and the empirical reality of Vietnamese private-sector investment in Africa and South Asia. The measurement yields an unambiguous result. Four markets comprising more than 1.7 billion people and over US$5 trillion in output receive less than one-fifth of one percent of Vietnamese outward capital, while two neighbouring economies with a combined population under twenty-six million receive 38.6 percent. On a transparent composite index of market attractiveness, robust to alternative weighting schemes, the neglected markets outscore the favoured ones. The allocation of Vietnamese outward capital is uncorrelated with measured market attractiveness and closely tracks the presence or absence of home-country facilitation architecture.

The study's principal analytical contribution is the relocation of the explanatory burden. The gap is not adequately explained by host-country risk, distance or institutional weakness, since Vietnamese firms have accepted comparable or greater risk elsewhere. It is better explained by a home-country supply-side deficit: the absence of banking presence, risk transfer instruments, market intelligence infrastructure and investment promotion mechanisms capable of converting an established trade relationship into an equity commitment. Vietnamese firms have completed the export stage of internationalisation in all four markets and have stalled at the threshold of the investment stage — a threshold that is incremental where the support ecosystem exists and discontinuous where it does not.

The policy implication is a sequence rather than a list. Information infrastructure first, because it is cheapest and addresses the most binding informational constraint. Risk transfer second, because it converts discontinuous commitments into financeable ones. Financial presence and promotion mechanisms third, concentrated in two priority markets rather than dispersed across four. Capital incentives last, if at all, since they are ineffective and adversely selective in the absence of the preceding three.

Three limitations bound these conclusions. Registered rather than realised capital overstates presence, so the measured gap is a lower bound on the true gap. Investment routed

through third jurisdictions is misattributed, understating Vietnamese economic presence in end markets by an unknown margin. And gap analysis is diagnostic, not causal: the association between facilitation architecture and capital allocation documented here is strong and theoretically coherent, but it is an association.

Three research directions follow. Firm-level survey work with Vietnamese enterprises that considered and rejected frontier-market entry would test the informational and risk-transfer mechanisms proposed here against decision-maker accounts. Comparative analysis of Thai, Malaysian and Indonesian outward investment in the same corridors would establish whether the Vietnamese pattern is distinctive or regionally typical. And once a longer series of realised-capital data becomes available, the descriptive baseline established here can support the inferential work that the current data cannot sustain.

The window for these questions is open. Vietnamese outward investment nearly doubled in 2025 and more than doubled again in early 2026. The geographic composition of a substantially larger outward portfolio is being determined now, and the evidence assembled here suggests it will be determined by where the institutional infrastructure exists rather than by where the markets are.

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