“Does the dispute resolution mechanism influence investment trust in free trade zones? Insights from business managers in Vietnam”

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DOES THE DISPUTE RESOLUTION MECHANISM INFLUENCE INVESTMENT TRUST IN FREE TRADE ZONES? INSIGHTS FROM BUSINESS MANAGERS IN VIETNAM

Abstract

This study aims to examine and measure the impact of the dispute resolution mechanism (including its effectiveness of dispute resolution mechanism, government support, and the quality of the legal system) on trust in the investment environment within free trade zones (FTZs), as perceived by business managers. The data were gathered through a survey of 780 managers representing enterprises operating in 18 economic zones from October 2024 to February 2025 in Vietnam, a developing country in Southeast Asia. The results of the Partial Least Squares Structural Equation Modeling (PLS-SEM) analysis indicate that the dispute resolution mechanism influences trust in the investment climate within FTZs through the mediating roles of two key factors: trust in the dispute resolution mechanism and perceived risks in business management. Moreover, trust in the dispute resolution mechanism within FTZs is shaped by three factors, ranked in ascending order of positive impact: (1) quality of the legal system, (2) effectiveness of the dispute resolution mechanism, and (3) government support. Meanwhile, only the quality of the legal system has a statistically significant negative impact on the perception of business management risks. These findings underscore the need to enhance the legal framework governing FTZs, improve law enforcement mechanisms, strengthen investor protection, and support businesses in legal compliance. These challenges pose critical policy considerations for countries aiming to develop and implement the FTZs model effectively.

Keywords dispute resolution, investment trust, risk perception, quality of the legal system, free trade zones, Vietnam

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INTRODUCTION

In the context of deepening globalization and international economic integration, free trade zones (FTZs) have become a vital tool for promoting trade and investment among nations. As of today, estimated 5,383 economic and FTZs exist across 147 countries and territories, significantly contributing to national and regional economic development. For example, in China, there are only 22 FTZs. These FTZs account for less than 0.4% of the country's land area but play a significant role by contributing 18.1% of China's total foreign direct investment and 17.8% of its total import-export turnover in 2022 (Ha, 2024).

Vietnam, an emerging economy with a strategic position in Southeast Asia, has actively participated in numerous free trade agreements (FTAs), opening vast business and investment opportunities for domestic enterprises. However, alongside economic benefits, participation in FTAs also presents considerable challenges, particularly in resolving disputes that arise among involved parties. An effective dispute resolution mechanism not only safeguards business interests but

also reinforces investment trust, a crucial factor in attracting and sustaining foreign capital (Büthe & Milner, 2014; Giroud & Ivarsson, 2020; Allee & Peinhardt, 2011)

This study examines the relationship between dispute resolution mechanisms and investment trust in FTZs from the perspective of business managers in Vietnam. According to Huyen and Linh (2023) and Rahmonov (2024), establishing a transparent and fair dispute resolution framework is essential for building investor confidence, especially in a volatile global business environment. This becomes even more critical as Vietnamese enterprises integrate further into global value chains, where trade disputes may arise due to legal, cultural, and business practice differences.

Several studies have shown that foreign investors value countries with strong legal systems and clear dispute resolution mechanisms, as these factors help minimize risks and enhance confidence in investment decisions. Conversely, the lack of an effective dispute resolution system can deter investors or even lead them to withdraw, especially in high-value and high-risk sectors such as technology and infrastructure. Despite the widely recognized importance of dispute resolution mechanisms, there remains a research gap in understanding how business managers in Vietnam perceive and evaluate these systems. This study seeks to address that gap by providing insights into the current state of dispute resolution in Vietnam and offering practical recommendations to enhance investment trust within FTAs.

1. LITERATURE REVIEW AND HYPOTHESES

The relationship between dispute resolution mechanisms and investor trust in countries in general and in FTZs in particular has been the focus of numerous studies over time. The research on this topic is often grounded in institutional theory, trust theory, theory of planned behavior, and property rights theory. These theoretical frameworks provide a solid foundation for understanding how dispute resolution mechanisms influence investor trust in FTZs.

Institutional theory suggests that formal and informal rules governing economic behavior significantly influence organizational decisions and outcomes. Within the scope of this study, the quality of the legal system and government support are key institutional factors shaping investor trust. A high-quality legal system helps reduce uncertainty and creates a stable business environment, thereby strengthening confidence in the investment climate (Busse et al., 2010). Similarly, government support through policies and incentives can mitigate perceived risks and foster a more favorable investment environment (Hallward-Driemeier, 2003; Rana & Kebewar, 2014).

Meanwhile, trust theory emphasizes the role of trust in reducing complexity and uncertainty in economic transactions. Trust in dispute resolution mechanisms is a crucial factor in building investor confidence, as effective dispute resolution mechanisms help minimize legal risks and enhance the credibility of the investment environment. Trust in these mechanisms is particularly important in international trade, where legal systems and cultural norms can differ significantly (Puig & Tai, 2017)

Additionally, theory of planned behavior posits that behavioral intentions are influenced by attitudes, subjective norms, and perceived behavioral control. In the context of this study, investors' intentions to engage in trade and investment are shaped by their perceptions of the legal and institutional environment. Perceived legal risks may deter investment, whereas effective dispute resolution mechanisms and government support can encourage it (Stähler, 2023; Tams, 2014). Lastly, property rights theory underscores the importance of clearly defining and protecting property rights in reducing transaction costs and fostering investment. In this study, the quality of the legal system and the effectiveness of dispute resolution mechanisms are essential factors in safeguarding property rights and minimizing risks related to expropriation or contractual disputes (Kox & Rojas-Romagosa, 2020; Jung & Kim, 2020).

Based on the background theories, the hypotheses in this study are developed as follows.

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1.1. First, it is effectiveness of dispute resolution mechanism and trust in dispute resolution systems

Dispute Resolution Mechanisms (DRMs) play a crucial role in maintaining stability and transparency within FTZs. An effective DRM system enhances businesses' confidence in their ability to protect their rights, mitigates legal risks, and promotes fairness in the business environment (Kaufmann-Kohler & Potestà, 2020). Empirical studies suggest that when DRMs operate transparently and yield predictable outcomes, businesses tend to place greater trust in the system (Allee & Peinhardt, 2011; Büthe & Milner, 2014). Within FTZs, where businesses face numerous legal risks, an effective DRM strengthens stability, thereby reinforcing trust in the legal framework (Tang, 2022; Zhao & Hu, 2016; Sookhakich, 2019). Based on the above analyses, the authors propose the hypothesis:

H1: The effectiveness of dispute resolution mechanisms has a positive impact on trust in dispute resolution systems within FTZs.

1.2. Second, it is effectiveness of dispute resolution mechanism and perceived business management risk

Perceived business management risk reflects the level of concern that businesses have regarding legal and governance risks in FTZs environments. An effective DRM system alleviates these concerns by ensuring that disputes are resolved fairly, transparently, and enforceably (Van den Bossche, 2008). According to Langford et al. (2017), when DRMs function effectively, businesses experience less concern over legal risks, thus reducing their perception of business-related risks. Conversely, if DRMs are ineffective, businesses may adopt additional risk-mitigation measures, increasing legal costs and reducing investment incentives in FTZs (Gutierrez, 2017; Gao, 2022). Therefore, a transparent and efficient DRM system not only strengthens trust but also helps businesses minimize their perceived management risks (Frick & Rodríguez-Pose, 2023; Zeng, 2021; Theot Therith, 2022). Based on the above analyses, the authors propose the hypothesis:

H2: The effectiveness of dispute resolution mechanisms has a negative impact on perceived business management risk within FTZs.

1.3. Third, it is regulatory support and trust in dispute resolution systems

Regulatory support from governing bodies (such as governments, legal authorities, or FTZs management organizations) plays a crucial role in building business trust in dispute resolution mechanisms. When regulatory bodies ensure transparency, provide legal assistance, and enforce dispute resolutions effectively, businesses tend to have greater confidence in the system (Kaufmann-Kohler & Potestà, 2020). Empirical studies indicate that businesses receiving regulatory support perceive dispute resolution systems as more transparent and fair (Allee & Peinhardt, 2014). In the context of FTZs, where businesses encounter substantial legal risks, such support enhances trust and alleviates concerns about legal instability (Zeng, 2021). Based on the above analyses, the authors propose the hypothesis:

H3: Regulatory support has a positive impact on trust in dispute resolution systems within FTZs.

1.4. Fourth, it is regulatory support and perceived business management risk

Perceived business management risk often relates to factors such as legal instability, compliance costs, or the likelihood of business failure. Recent studies indicate that regulatory support can reduce this perception by providing tools and policies that mitigate risks. When regulatory authorities offer clear support, businesses experience less concern over disputes and legal risks (Van den Bossche, 2008). Research suggests that government support helps businesses better understand legal procedures and reduces uncertainty (Nakagawa, 2013).

According to the OECD (2023) supportive policies assist businesses in adapting to legal regulations, minimizing unnecessary disputes, and reducing operational risks. Conversely, a lack of support

may leave businesses feeling vulnerable, increasing their perception of legal risk (Gutierrez, 2017). Therefore, a regulatory framework with clear support not only strengthens trust but also helps businesses alleviate concerns about legal risks in FTZs. Based on the above analyses, the authors propose the hypothesis:

H4: Regulatory support has a negative impact on perceived business management risk within FTZs.

1.5. Fifth, it is legal system quality and trust in dispute resolution systems

Recent studies have highlighted that the quality of the legal system plays a crucial role in building stakeholders' trust in dispute resolution mechanisms. A transparent, fair, and efficient legal system minimizes uncertainty and enhances trust in legal processes. The study by Mong and Thanh (2024) on the legal environment in Vietnam concluded that the legal policy system and government support have a positive impact on the competitive capacity and operational efficiency of enterprises. According to La Porta et al. (1998), a strong legal system fosters trust in legal institutions, thereby encouraging stakeholders to engage more actively in dispute resolution. Similarly, Kaufmann et al., (2011) emphasized that high-quality legal frameworks enhance trust in dispute resolution mechanisms, particularly in Free Trade Zones, where the complexity and diversity of stakeholders require a reliable legal system. Based on the above analyses, the authors propose the hypothesis:

H5: The quality of the legal system has a positive impact on trust in dispute resolution systems within FTZs.

1.6. Sixth, it is quality of the legal system and perceived business management risk

The quality of the legal system can also influence perceived business management risk. A strong and efficient legal framework minimizes legal risks and enhances stability in the business environment. According to Lopez-de-Silanes et al. (2003), countries with high-quality legal systems tend to have lower levels of legal risk, which provides businesses with greater confidence in management and investment decisions. Similarly, Acemoglu and Johnson (2005) found that a strong legal system reduces risks related to contracts and asset protection, thereby lowering perceived business management risk. However, an overly complex or non-transparent legal system can increase risk perception. Based on the above analyses, the authors propose the hypothesis:

H6: The quality of the legal system has a negative impact on perceived business management risk within FTZs.

1.7. Seventh, it is trust in dispute resolution systems and trust in the investment environment within FTZs

Trust in dispute resolution systems is a key factor in building trust in the investment environment within FTZs. Recent studies, such as those by Theot Therith (2022), Zeng (2021) indicate that a transparent and efficient dispute resolution mechanism significantly enhances investor confidence in the fairness and stability of the investment environment. Similarly, research by Yen and Hoang (2020), Tang (2022) highlights that FTZs with clear and swift dispute resolution mechanisms attract more investment than regions without such systems. This suggests that trust in dispute resolution mechanisms not only mitigates legal risks but also fosters a safer and more reliable investment environment for businesses. Based on the above analyses, the authors propose the hypothesis:

H7: Trust in dispute resolution systems within FTZs has a positive impact on trust in the investment environment within FTZs.

1.8. Eighth, it is perceived business management risk and trust in the investment environment within FTZs

Perceived business management risk is a crucial factor influencing trust in the investment environment within Free Trade Zones (FTZs). The stud-

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ies by Lorenza and Wargenegara (2022), Xu (2023), and Chen et al. (2021) have shown that a high perception of business management risk, encompassing issues such as poor governance, lack of transparency, and corruption, can significantly reduce investor confidence. The research by Moiseienko et al. (2022) also indicates that businesses are often hesitant to invest in FTZs if they perceive high business management risks, as these risks can lead to serious legal and financial issues. Therefore, perceived business management risk not only diminishes trust in the investment environment but may also hinder the development and attractiveness of FTZs to investors. Based on the above analyses, the authors propose the hypothesis:

H8: Perceived business management risk has a negative impact on trust in the investment environment within FTZs.

1.9. Nineth, it is the mediating role of trust in dispute resolution systems

Recent international studies have shown that the effectiveness of dispute resolution mechanisms (DRM), regulatory support, and the quality of the legal system play a crucial role in building trust in the investment environment. According to La Porta et al. (2008), high-quality legal system and timely support from regulatory agencies help mitigate legal risks, thereby strengthening trust. Similarly, Dixit (2004) emphasized that trust in dispute resolution mechanisms is an important mediating factor, allowing businesses to feel more secure when investing in special economic zones such as FTZs. When businesses trust in the fairness and efficiency of dispute resolution, they are more likely to perceive the investment environment positively, thereby increasing overall confidence in FTZs. Based on the above analyses, the authors propose the hypothesis:

H1a: The effectiveness of dispute resolution mechanisms has a positive impact on trust in the investment environment within FTZs through the mediating role of trust in dispute resolution mechanisms.

H3a: Regulatory support has a positive impact on trust in the investment environment within FTZs through the mediating role of trust in dispute resolution mechanisms.

H5a: The quality of the legal system has a positive impact on trust in the investment environment within FTZs through the mediating role of trust in dispute resolution mechanisms.

1.10. Tenth, it is the mediating role of perceived business management risk

Although the effectiveness of dispute resolution mechanisms, regulatory support, and the quality of the legal system are generally expected to enhance trust, some recent studies suggest that they may negatively affect trust through perceived business management risk. According to Jung and Kim (2020), when dispute resolution mechanisms are overly complex or lack transparency, businesses may perceive higher management risks, leading to reduced confidence in the investment environment. The studies by Gutierrez (2017) and Gao (2022) also support this view, arguing that uncertainty in dispute resolution procedures can increase risk perception, thereby decreasing trust in FTZs. As a result, the effectiveness of dispute resolution mechanisms, regulatory support, and the quality of the legal system may have an indirect negative impact by amplifying perceived business management risk.

H2a: The effectiveness of dispute resolution mechanisms has a negative impact on trust in the investment environment within FTZs through the mediating role of perceived business management risk.

H4a: Regulatory support has a negative impact on trust in the investment environment within FTZs through the mediating role of perceived business management risk.

H6a: The quality of the legal system has a negative impact on trust in the investment environment within FTZs through the mediating role of perceived business management risk.

This study aims to examine and measure the impact of the dispute resolution mechanism (including its effectiveness of dispute resolution mecha-

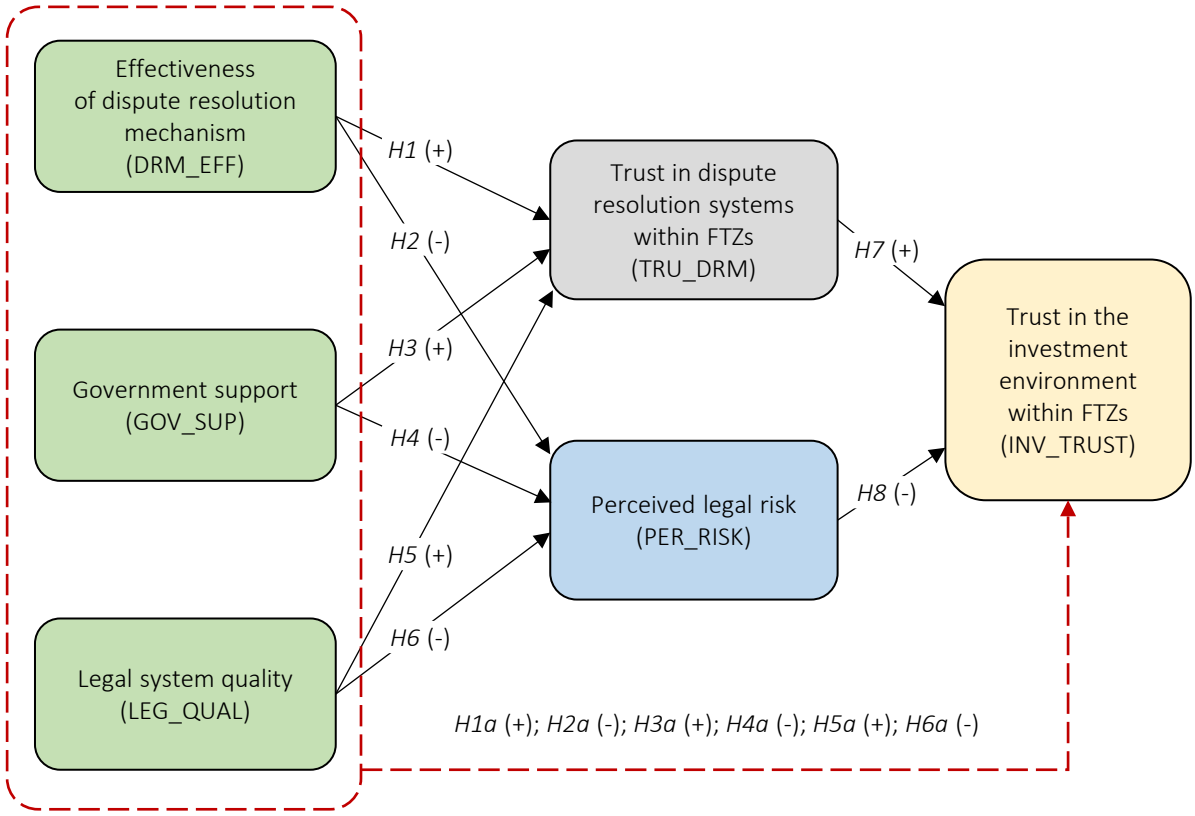

Figure 1. Model and hypotheses

nism, government support, and the quality of the legal system) on trust in the investment environment within FTZs, as perceived by business managers in Vietnam. The theoretical research model is presented in Figure 1.

2. METHODOLOGY

2.1. Research process and measurement scale

The theoretical model presented in Figure 1 is based on institutional theory, theory of planned behavior, trust theory, and ownership theory. Using this model as a foundation, the authors conducted an in-depth analysis of several studies on dispute resolution within Free Trade Zones (FTZs) and selected key findings from the works of Frick and Rodríguez-Pose (2023), Zeng, (2021), Theot Therith (2022), OECD (2023), Gutierrez (2017), Van den Bossche (2008), Zeng (2021), La Porta et al. (1998), Kaufmann et al. (2011), Lopez-de-Silanes et al. (2003), Tang (2022), Lorenza and Wargenegara (2022), Xu (2023), Chen et al. (2021), Jung and Kim (2020), and Gao (2022) to establish the initial draft of the measurement scale. This study employed a 7-point Likert scale, ranging from 1 (strongly disagree) to 7 (strongly agree). According to Hair et al. (2014), a 7-point Likert scale provides greater accuracy in measurement compared to a 5-point or lower scale.

The next stage of the research process entailed conducting in-depth expert interviews to refine the draft measurement scale. A total of 20 experts were selected and divided into two groups. The first group comprised ten legal professionals, including lawyers and commercial arbitrators with over 15 years of experience in dispute resolution, particularly in international commercial disputes. The second group comprised ten business executives with over 20 years of experience in management, representing business associations and economic zones operating in Vietnam. The research model and draft measurement scale were discussed, feedback was collected, and necessary adjustments were made. Based on the expert input, the research team further refined and finalized the measurement scale, which is presented in Appendix A. Participation in the study was entirely voluntary, with experts from both groups signing a consent form. The research team, in return, com-

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mitted to maintaining confidentiality and using the data solely for research purposes.

Following the expert interviews, the PLS-SEM approach was selected for its strengths in managing small sample sizes and non-normally distributed data, making it especially well-suited for complex research models with multiple mediating variables (Henseler et al., 2015).

All procedures performed in this study were by ethical standards, approved by the Institutional Review Board of Hue University of Law (study protocol No. 1329/QD-DHL dated December 25, 2024).

2.2. Research sample

Vietnam is currently a rapidly developing country in Southeast Asia, yet it has not officially established any FTZs. However, the Vietnamese government has selected Da Nang, a central city in Central Vietnam, as a pilot location for launching the country's first FTZs in the near future. Despite the absence of FTZs, Vietnam has officially opened 18 economic zones across the country from 2003 to the present. Economic zones in Vietnam are designated areas with distinct economic spaces, offering a highly favorable investment and business environment for investors. These zones have clearly defined geographical boundaries and are established under specific conditions, following regulated procedures. According to Vietnamese regulations, an economic zone must meet the following criteria:

- A minimum area of 10,000 hectares (100 km^2).
- A strategic geographical location that supports regional economic development, typically featuring a deep-water seaport or proximity to an airport.
- Convenient connectivity with national and international transportation networks.
- Ease of control and efficient domestic and international trade interactions.
- Sufficient resources and favorable conditions for investment and infrastructure development.

Due to these requirements, all existing economic zones in Vietnam are coastal zones. Since the research model follows the PLS-SEM approach, the minimum required sample size for analysis should exceed 200 samples (Hair et al., 2014). However, due to the large number of businesses operating in the 18 economic zones, the research team opted to expand the survey sample size to five times the minimum requirement, aiming for 1,000 respondents. The study participants were business managers holding positions ranging from department heads to business owners. Each company designated one representative manager to complete the questionnaire, which was distributed via email or Google Forms. All research participants were assured of confidentiality and voluntarily agreed to participate in this study by signing the participant list.

From October 2024 to February 2025, a total of 826 businesses took part in the survey, resulting in a response rate of 82.6%. After data screening, 46 incomplete responses were identified and excluded. The remaining 780 valid responses were thoroughly reviewed and deemed suitable for data entry and processing using SPSS 30 and SmartPLS 4.0. The descriptive statistics of the sample surveyed are presented in Table 1.

Table 1. Descriptive statistics about the samples

Source: Author's survey (2025).

Sample demographic characteristics	Frequency	Percentage
Degree status	N = 780	100
Undergraduate	160	20.51
Bachelor/engineer or equivalent	285	36.54
Postgraduate	335	42.95
Level position	N = 780	100
Owner	125	16.02
Board of directors	299	38.34
Head of department	356	45.64
Gender	N = 780	100
Male	455	58.3
Female	325	41.7
Age	N = 780	100
Under 35 years	157	20.1
From 36 to under 45 years	193	24.7
From 46 to under 55 years	233	29.9
Over 55 years	197	25.3
Field of business	N = 780	100
Manufacture	316	40.51
Commerce	285	36.53
Service	89	11.41
Construction	56	7.18
Other	34	4.37

3. RESULTS

When utilizing the PLS-SEM model, the evaluation process involves two stages: evaluating the measurement model and analyzing the structural model (Henseler & Chin, 2010).

3.1. Evaluating the measurement model

To analyze the structural model using SmartPLS, Hair et al. (2014) suggest evaluating the measurement model based on construct reliability, convergent validity, and discriminant validity. Following this, the structural model is examined through several steps: (1) Identifying multicollinearity issues, (2) assessing the coefficient of determination (R^2), (3) measuring effect sizes (f^2 values), (4) evaluating predictive relevance (Q^2 values), and (5) testing path coefficients to analyze relationships within the model.

The reliability of the measurement model is determined using outer loading coefficients for all indicators, along with Cronbach's Alpha and Composite Reliability (CR). According to Hu and Bentler (1999), these values should be at least 0.7. Convergent validity is assessed using the Average Variance Extracted (AVE), which must meet or exceed 0.5 (Fornell & Larcker, 1981).

As shown in Table 2, all 27 observed variables exhibit outer loadings between 0.798 and 0.907, surpassing the 0.7 threshold and confirming the reliability of the indicators in the model. Additionally, Cronbach's Alpha values range from 0.874 to 0.912, while CR values fall between 0.874 and 0.919, all exceeding the required 0.7 threshold. AVE values range from 0.665 to 0.790, all above 0.5. These findings confirm that the measurement scales employed in this study meet the criteria for convergent validity.

Table 2. Descriptive statistics, internal reliability and convergent reliability

Source: SmartPLS output (2025).

Constructs	Items	Outer loading	Mean	Cronbach's Alpha	C.R	AVE
Dispute resolution mechanism (DRM_EFF)	DRM_EFF1	0.907	4.423	0.912	0.919	0.790
	DRM_EFF2	0.862	5.022			
	DRM_EFF3	0.900	4.391			
	DRM_EFF4	0.885	4.421			
Government support (GOV_SUP)	GOV_SUP1	0.839	3.674	0.881	0.885	0.678
	GOV_SUP2	0.824	3.599			
	GOV_SUP3	0.836	3.783			
	GOV_SUP4	0.798	3.750			
	GOV_SUP5	0.820	3.749			
Legal system quality (LEG_QUAL)	LEG_QUAL1	0.844	3.123	0.887	0.890	0.688
	LEG_QUAL2	0.835	3.097			
	LEG_QUAL3	0.828	3.083			
	LEG_QUAL4	0.830	3.090			
	LEG_QUAL5	0.808	3.123			
Trust in dispute resolution (TRU_DRM)	TRU_DRM1	0.856	4.751	0.893	0.894	0.757
	TRU_DRM2	0.880	4.758			
	TRU_DRM3	0.873	4.790			
	TRU_DRM4	0.872	4.794			
Perceived legal risk (PER_RISK)	PER_RISK1	0.832	4.591	0.868	0.875	0.715
	PER_RISK2	0.869	4.651			
	PER_RISK3	0.861	4.621			
	PER_RISK4	0.820	4.603			
Trust in the investment environment within FTZs (INV_TRUST)	INV_TRUST1	0.801	4.776	0.874	0.874	0.665
	INV_TRUST2	0.822	4.786			
	INV_TRUST3	0.799	4.815			
	INV_TRUST4	0.814	4.831			
	INV_TRUST5	0.842	4.818			

Note: CR: Composite Reliability; AVE: Average Variance Extracted.

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Table 3. HTMT coefficient between pairs of variables

Source: SPSS output (2025).

Constructs	DRM_EFF	GOV_SUF	INV_TRUST	LEG_QUAL	PER_RISK	TRU_DRM
DRM_EFF						
GOV_SUF	0.201					
INV_TRUST	0.161	0.402				
LEG_QUAL	0.155	0.492	0.540			
PER_RISK	0.094	0.173	0.357	0.247		
TRU_DRM	0.246	0.379	0.609	0.282	0.293	

To assess discriminant validity among the measurement scales, the criterion suggested by Henseler et al. (2015) is applied, which requires the Heterotrait-Monotrait ratio (HTMT) to be below 0.85 for acceptable discriminant validity. As shown in Table 3, the HTMT values for all variable pairs are under 0.85, confirming that the measurement scales satisfy the discriminant validity requirement.

3.2. Evaluation of structural model

To assess the PLS-SEM structural model, it is crucial to examine multicollinearity, determine how well the model aligns with the collected data, and evaluate its predictive strength. Hu & Bentler (1999) suggest that key metrics such as Inner VIF should remain below 3, while the SRMR value should not exceed 0.08 to ensure a good model fit. Furthermore, R^2 coefficient (reflecting predictive accuracy) and the Q^2 coefficient (indicating predictive relevance) should be as high as possible, as they demonstrate the explanatory power of the proposed factors within the model (Hair et al., 2019).

As presented in Table 4, inner VIF values range from 1.072 to 1.256, all staying under the threshold of 3, confirming that multicollinearity is not a concern and that the model aligns well with the empirical data. The R^2 values stand at 0.322, 0.055, and 0.153, signifying that the model accounts for 32.2% of the variance in firms' trust in the investment environment within FTZs, 5.5% of the variance in perceived business management risk, and 15.3% of the variance in trust in the dispute resolution mechanism within FTZs, which is influenced by dispute resolution effectiveness, government support, and the quality of the legal system.

The f^2 coefficient evaluates the magnitude of the influence that independent variables exert on dependent variables. As outlined by Cohen (1988), $f^2 < 0.02$ indicates a negligible or no effect; $0.02 \leq f^2 \leq 0.15$ represents a small effect; $0.15 \leq f^2 \leq 0.35$ denotes a medium effect; and $f^2 \geq 0.35$ signifies a large effect. According to the f^2 results presented in Table 4, three relationships demonstrate minimal or no impact (DRM_EFF → PER_RISK; GOV_SUF → PER_RISK; LEG_QUAL → TRU_DRM). Four relationships display a small effect (DRM_EFF → TRU_DRM; GOV_SUF → TRU_DRM; LEG_QUAL → PER_RISK; PER_RISK → INV_TRUST). Only one relationship shows a moderate effect, where trust in the dispute resolution mech-

Table 4. Structural model evaluation results

Source: SmartPLS output (2025).

Constructs/ path	Inner VIF	f^2	R^2	R^2 adjusted	Q^2
INV_TRUST			0.322	0.321	0.213
PER_RISK			0.055	0.051	0.037
TRU_DRM			0.153	0.150	0.114
DRM_EFF → PER_RISK	1.040	0.002			
DRM_EFF → TRU_DRM	1.040	0.029			
GOV_SUF → PER_RISK	1.256	0.003			
GOV_SUF → TRU_DRM	1.256	0.063			
LEG_QUAL → PER_RISK	1.240	0.030			
LEG_QUAL → TRU_DRM	1.240	0.013			
PER_RISK → INV_TRUST	1.072	0.048			
TRU_DRM → INV_TRUST	1.072	0.331			

Table 5. Testing direct effect hypotheses

Source: SmartPLS output (2025).

Direct impact relationships	Hypothesis	Original sample	Standard deviation	p-values	Confidence interval		Decision on hypothesis
					2.5%	97.5%	
DRM_EFF → PER_RISK	*H2*	–0.045	0.036	0.209	–0.116	0.025	Rejected
DRM_EFF → TRU_DRM	*H1*	0.161	0.032	0.000	0.100	0.225	Accepted
GOV_SUF → PER_RISK	*H4*	–0.060	0.038	0.113	–0.136	0.013	Rejected
GOV_SUF → TRU_DRM	*H3*	0.259	0.036	0.000	0.190	0.326	Accepted
LEG_QUAL → PER_RISK	*H6*	–0.189	0.042	0.000	–0.273	–0.108	Accepted
LEG_QUAL → TRU_DRM	*H5*	0.115	0.038	0.003	0.040	0.192	Accepted
PER_RISK → INV_TRUST	*H8*	–0.186	0.032	0.000	–0.248	–0.122	Accepted
TRU_DRM → INV_TRUST	*H7*	0.490	0.027	0.000	0.436	0.543	Accepted

anism (TRU_DRM) has a significant influence on firms' trust in the investment environment within FTZs (INV_TRUST).

To examine both direct and indirect impact relationships based on the proposed hypotheses, the evaluation relies on the path coefficient and p-value. Furthermore, to ensure the generalizability of the research findings to the broader population, the model's reliability must be reassessed using the Bootstrap method with 5,000 resampling iterations (Hair et al., 2014). The outcomes of the hypothesis testing are detailed in Table 5, Table 6, and Figure 2.

As shown in Table 5 and Figure 2, six out of eight hypotheses were supported, whereas two hypotheses (H2 and H4) were not confirmed due to p-values exceeding the 0.05 threshold. Specifically, the relationships DRM_EFF → PER_RISK (p = 0.209 > 0.05) and GOV_SUF → PER_RISK (p = 0.113 > 0.05) did not reach statistical significance. This suggests that the effectiveness of dispute resolution and the support from regulatory agencies do not significantly affect managers' perception of enterprise risk management.

Among 6 statistically significant direct relationships, the strongest effect was found in the TRU_DRM → INV_TRUST relationship. This confirms that greater trust in the dispute resolution mechanism within FTZs positively influences enterprises' trust in the investment environment of FTZs.

Regarding the factors influencing trust in the dispute resolution mechanism within FTZs, the positive impact levels, in ascending order, are as follows: Legal system quality ($\beta = 0.115^{**}$, $f^2 = 0.013$), Effectiveness of the dispute resolution mechanism ($\beta = 0.161^{**}$, $f^2 = 0.029$), Support from regulatory agencies ($\beta = 0.259^{**}$, $f^2 = 0.063$). Meanwhile, only one factor, legal system quality, has a statistically significant negative impact on enterprise risk perception ($\beta = -0.189^{**}$, $f^2 = 0.030$).

The findings in Table 6 and Figure 2 reveal that, among the indirect relationships mediated by TRU_DRM (trust in the dispute resolution mechanism) and PER_RISK (perceived enterprise risk management), only four of six originally proposed hypotheses were supported. Specifically, the quality of the legal system (LEG_QUAL) influences enterprises' trust in the investment environment

Table 6. Test of indirect effect hypotheses

Source: SmartPLS output (2025).

Indirect impact relationship	Hypothesis	Original sample	Standard deviation	p-values	Confidence interval		Decision on hypothesis
					2.5%	97.5%	
LEG_QUAL → TRU_DRM → INV_TRUST	*H5a*	0.056	0.020	0.005	0.019	0.098	Accepted
LEG_QUAL → PER_RISK → INV_TRUST	*H6a*	0.035	0.012	0.002	0.016	0.061	Accepted
DRM_EFF → PER_RISK → INV_TRUST	*H2a*	0.008	0.007	0.216	–0.005	0.022	Rejected
GOV_SUF → PER_RISK → INV_TRUST	*H4a*	0.011	0.007	0.131	–0.002	0.027	Rejected
DRM_EFF → TRU_DRM → INV_TRUST	*H1a*	0.079	0.016	0.000	0.048	0.113	Accepted
GOV_SUF → TRU_DRM → INV_TRUST	*H3a*	0.127	0.019	0.000	0.091	0.164	Accepted

Notes: **p < 0.01; *p < 0.05.

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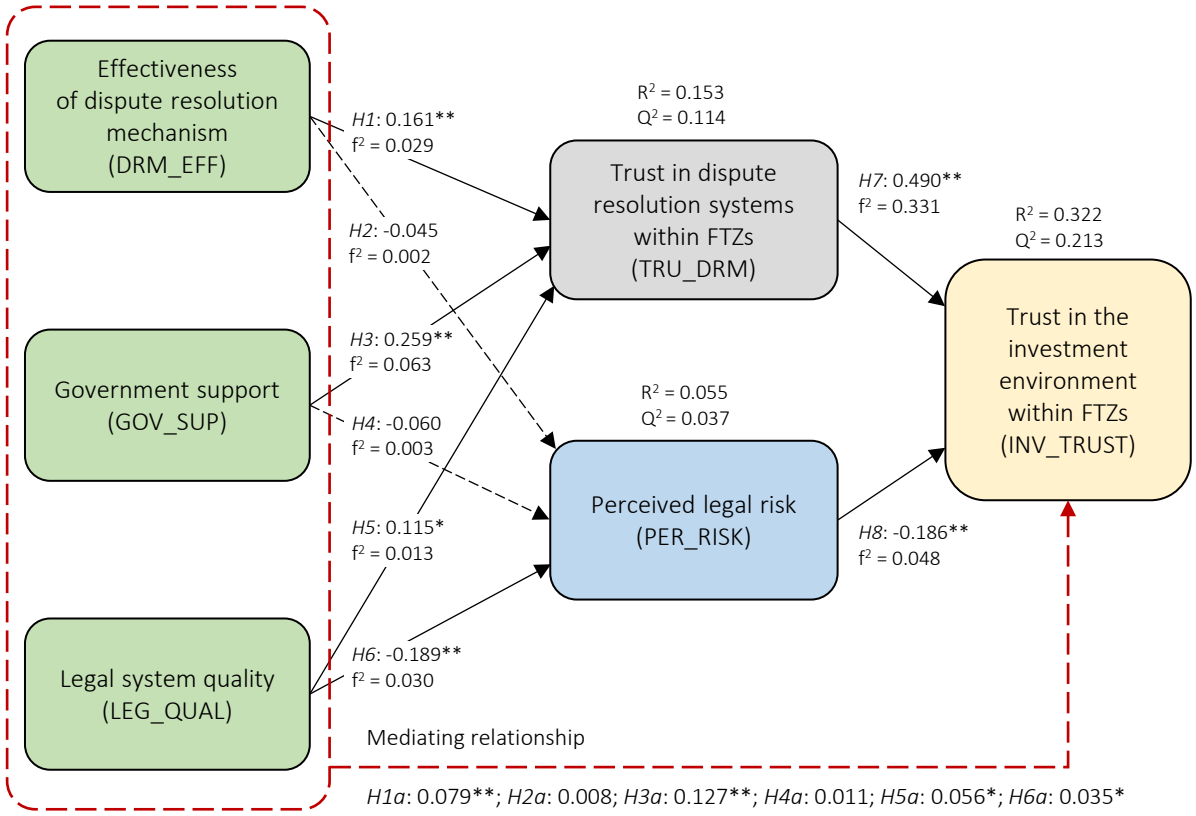

Figure 2. PLS-SEM structural model testing results

(INV_TRUST) through the mediating roles of TRU_DRM and PER_RISK.

Additionally, the analysis reveals that both the effectiveness of the dispute resolution mechanism (DRM_EFF) and government support (GOV_SUP) also affect enterprises' trust in the investment environment (INV_TRUST) via the mediating role of TRU_DRM.

4. DISCUSSION

The analysis results above indicate that, from the perspective of business managers in Vietnam, the dispute resolution mechanism, including the effectiveness of dispute resolution, government support, and the quality of the legal system, significantly affects enterprises' trust in the investment environment within FTZs. These findings are consistent with previous studies conducted in FTZs in China, Cambodia, and other countries with similar conditions to Vietnam (Yen & Hoang, 2020; Tang, 2022; Zhao & Hu, 2016; Sookhakich, 2019; Gutierrez, 2017; Theot Therith, 2022; Zeng, 2021). This serves as evidence supporting the idea that, for FTZs, the development of a distinct legal system, compared to other economic zones within a country, with more incentives and attractive policies can enhance both domestic and foreign investors' trust in the investment environment. Additionally, government support, ensuring the quality of the legal system, and improving the efficiency of dispute resolution mechanisms when conflicts arise will contribute to increasing both the number and value of investment projects in FTZs in the future. Furthermore, this study reveals that business managers themselves trust the investment environment and have high expectations for the establishment and development of FTZs. However, this trust depends on and is influenced by the mediating roles of trust in dispute resolution mechanisms and perceived enterprise risk management.

The study results indicate that trust in the dispute resolution mechanism within FTZs is influenced by three factors, ranked in ascending order of positive impact: (1) quality of the legal system, (2) effectiveness of the dispute resolution mecha-

nism, (3) support from regulatory agencies. These findings are consistent with previous studies, including those by Kaufmann et al, (2011), Zeng (2021), Tang (2022), Mong and Thanh (2024). To enhance trust in the dispute resolution mechanism within FTZs, policymakers should focus on three key strategies: firstly, improving the quality of the legal system by enhancing the legal framework for FTZs with clear, consistent regulations aligned with international standards to establish a solid foundation for the dispute resolution mechanism, strengthening transparency and accessibility for businesses regarding legal provisions related to dispute resolution; secondly, enhancing the effectiveness of the dispute resolution mechanism by promoting the application of technology in the dispute resolution process to minimize time and costs for businesses; developing alternative dispute resolution (ADR) mechanisms such as mediation and arbitration to diversify options for the parties involve; strengthening the competence of legal experts and arbitrators to ensure professionalism and fairness in adjudication; thirdly, strengthening the support role of regulatory authorities by establishing legal advisory centers within FTZs to assist businesses with procedures and rights in case of disputes.; improving the coordination mechanism between regulatory agencies and dispute resolution organizations to ensure a swift and effective handling process; establishing regular dialogue channels between businesses and government authorities to promptly address legal concerns.

In this study, the results indicate that the quality of the legal system is the only factor that has a statistically significant negative impact on the perception of business management risk. This finding aligns with the studies of Lopez-de-Silanes et al. (2003) and Acemoglu and Johnson (2005) further confirming that countries with high-quality legal systems tend to have lower levels of legal risk, which helps businesses feel more secure in management and investment. Therefore, to mitigate legal risks and create a favorable environment for businesses, policymakers should focus on the following solutions: firstly, enhancing the quality of the legal system by improving the FTZs legal framework with clear, consistent regulations, avoiding overlaps or contradictions, and ensuring transparency and feasibility in implementation; regularly reviewing, updating, and adjusting legal provisions to align with business realities and international practices; improving the quality of legislation and law enforcement, preventing situations where laws exist but are difficult to enforce or lack binding effectiveness; secondly, improving law enforcement mechanisms and business protection by ensuring that courts and dispute resolution bodies operate effectively and fairly, allowing businesses to trust the system to protect their legal rights; strengthening monitoring mechanisms and promptly address legal violations to reduce bureaucratic obstacles and corruption that hinder businesses; thirdly, supporting businesses in legal compliance by providing legal training and guidance programs, especially for small and medium-sized enterprises (SMEs); developing technological platforms that enable businesses to easily access and update legal information quickly and accurately; enhancing the quality of the legal system will not only reduce business management risks but also contribute to improving the investment environment and promoting sustainable development.

This study also has some limitations: firstly, Vietnam is currently conducting a pilot study to establish its first FTZs in Da Nang City (Central Vietnam). Although investment incentive models to attract projects and encourage businesses in economic zones have existed in Vietnam since 2003, the characteristics, mechanisms, and legal framework of FTZs differ significantly from those of existing EZs. At present, Vietnam is still in the process of researching and developing its FTZ framework, learning from the experiences of countries that adopted the FTZs model earlier, particularly China. As a result, business managers in Vietnam still have limited knowledge and understanding of FTZs, the potential disputes that may arise, and the corresponding dispute resolution mechanisms. The survey on managers' perceptions in this study is entirely based on their experiences in operating and managing businesses, as well as resolving disputes within existing economic zones, rather than FTZs specifically. Secondly, the sample size in this study includes 780 managers representing 780 businesses operating in 18 economic zones across Vietnam. However, given the large number of

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business managers in these enterprises, a random sampling approach may introduce certain biases related to experience levels, knowledge of FTZs, dispute resolution mechanisms, legal system quality, and government support. Expanding the sample size in future research could help improve the accuracy and reliability of the findings. Thirdly, the explanatory power (R^2) of the models remains low, indicating that trust in the dispute resolution mechanism in FTZs, perception of business management risk, and corporate trust in the investment environment are influenced by many other factors beyond the three independent variables related to dispute resolution mechanisms. Therefore, further development of the empirical research model could explore a wider range of factors, making it a rich and promising avenue for future research.

CONCLUSION

This study is designed to explore the perceptions of business managers in economic zones in Vietnam regarding the impact of the dispute resolution mechanism (including the effectiveness of the mechanism, government support, and the quality of the legal system) on corporate trust in the investment environment of future FTZs. The findings indicate that enhancing the quality of the legal framework for FTZs, improving law enforcement mechanisms and investor protection, and supporting businesses in accessing and complying with legal regulations will contribute to increasing trust in the dispute resolution mechanism, reducing perceived risks, and ultimately strengthening business managers' confidence in the investment environment. This study also highlights that the establishment of FTZs as an economic development model is a growing trend in developing countries with conditions similar to Vietnam. With investment incentives, preferential tax policies, access to land and labor, and digital transformation support, FTZs have the potential to attract and mobilize domestic and foreign investment capital, contributing to stable and sustainable national economic growth.

AUTHOR CONTRIBUTIONS

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APPENDIX A

Table A1. Measurement scale used in research

Symbol	Scales	Sources
Effectiveness of dispute resolution mechanism – DRM_EFF		
DRM_EFF1	The dispute resolution mechanism in FTZs operates quickly and efficiently.	Frick and Rodríguez-Pose (2023), Zeng (2021), Theot Therith (2022), developed by the authors
DRM_EFF2	Decisions from dispute resolution bodies are enforced on time and comprehensively.	
DRM_EFF3	Dispute resolution methods (arbitration, court, mediation) are cost-effective.	
DRM_EFF4	Dispute resolution decisions are highly binding and complied with by businesses.	
Government support – GOV_SUP		
GOV_SUP1	Regulatory agencies provide complete and clear information on legal regulations in FTZs.	OECD (2023), Gutierrez (2017), Van den Bossche (2008), Zeng (2021), developed by the authors
GOV_SUP2	The government has supportive policies to help businesses easily access the legal system in FTZs.	
GOV_SUP3	Regulatory agencies have a rapid response mechanism when businesses encounter legal disputes.	
GOV_SUP4	Businesses can easily contact regulatory agencies for legal support	
GOV_SUP5	Regulatory agencies coordinate effectively to resolve disputes	
Legal system quality – LEG_QUAL		
LEG_QUAL1	The legal system in FTZs ensures transparency and is free from corruption.	La Porta et al. (1998), Kaufmann et al. (2011), Lopez-de-Silanes et al. (2003), developed by the authors
LEG_QUAL2	Legal procedures in FTZs are clear and predictable.	
LEG_QUAL3	Legal regulations in FTZs are regularly updated and aligned with business realities.	
LEG_QUAL4	The judicial system in FTZs operates independently and fairly.	
LEG_QUAL5	Judicial agencies operate professionally	
Trust in the dispute resolution mechanism in FTZs – TRU_DRM		
TRU_DRM1	I believe that dispute resolution methods in FTZs are transparent and fair.	Theot Therith (2022), Zeng (2021), Tang (2022), developed by the authors
TRU_DRM2	I trust that dispute resolution decisions in FTZs will be fully enforced.	
TRU_DRM3	I feel secure using the dispute resolution system in FTZs.	
TRU_DRM4	I believe that the dispute resolution system in FTZs protects business interests.	
Perceived legal risk – PER_RISK		
PER_RISK1	I am concerned about policy changes in FTZs.	Lorenza and Wargenegara (2022), Xu (2023), Chen et al. (2021), developed by the authors
PER_RISK2	I believe there are many legal risks when investing in FTZs.	
PER_RISK3	I worry that legal disputes could cause significant losses for businesses.	
PER_RISK4	I feel that the legal system in FTZs is not strong enough to protect businesses from risks.	
Trust in the investment environment within FTZs – INV_TRUST		
INV_TRUST1	I believe FTZs offer a safe and reliable investment environment.	Jung and Kim (2020), Gutierrez (2017), Gao (2022), developed by the authors
INV_TRUST2	I am willing to continue investing or expanding operations in FTZs..	
INV_TRUST3	The legal system in FTZs protects business interests.	
INV_TRUST4	I am less concerned about legal risks when investing in FTZs	
INV_TRUST5	I trust that the investment environment in FTZs is conducive to business development.	

Table A2. List of managers in 18 economic zones in Vietnam participating in the survey

Rank	Economic zones names	Province/city	Established year	Acreage (ha)	Number of votes issued
1	Van Don	Quang Ninh	2007	218,400	118
2	Dinh Vu – Cat Hai	Hai Phong	2008	22,540	45
3	Quang Yen	Quang Ninh	2020	13,330	25
4	Thai Binh	Thai Binh	2017	30,583	38
5	Nghi Son	Thanh Hoa	2006	18,612	25
6	Dong Nam Nghe An	Nghe An	2007	20,026	28
7	Vung Anh	Ha Tinh	2006	22,781	25
8	Hon La	Quang Binh	2008	10,000	26
9	Dong Nam Quang Tri	Quang Tri	2015	23,792	25
10	Chan May – Lang Co	Thua Thien Hue	2006	27,108	45

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Table A2 (cont.). List of managers in 18 economic zones in Vietnam participating in the survey

Rank	Economic zones names	Province/city	Established year	Acreage (ha)	Number of votes issued
11	Chu Lai	Quang Nam	2003	27,040	62
12	Dung Quat	Quang Ngai	2005	45,332	78
13	Nhon Hoi	Binh Dinh	2005	14,308	20
14	Nam Phu Yen	Phu Yen	2008	20,730	36
15	Van Phong	Khanh Hoa	2006	150,000	105
16	Dinh An	Tra Vinh	2009	39,020	22
17	Nam Can	Ca Mau	2011	10,802	22
18	Phu Quóc	Kien Giang	2013	58,923	35
	Total			773,327	780