

Factors Affecting Foreign Direct Investment in Thanh Hoa Province

Lê Hoàng Bá Huyền*

*Hồng Đức University, 565 Quang Trung 3 Str.,
Đông Vệ Ward, Thanh Hóa City, Thanh Hóa Province, Vietnam*

Received 14 April 2014

Revised 16 June 2015; Accepted 29 June 2015

Abstract: This paper attempts to identify the main factors affecting the process of foreign direct investment (FDI) in Thanh Hoa province in Vietnam. Forty one questionnaires were sent to foreign companies in many regions and ninety questionnaires were sent to government officials in Thanh Hoa province for observation. The survey results show that there are some factors that have been highly evaluated. Companies appreciate the value of shortening the time for investment licensing, the dynamics of provincial leaders and access to investment information and investment policies. However, many enterprises think some important factors such as compensation for land acquisition, land allocation and corruption control are not improved. Thus, these factors have negative effects on the implementation of investment projects in this province. The paper proposes some main policies that the local government should implement in the coming time in order to encourage FDI to this province.

Keywords: Foreign direct investment (FDI), economic, Thanh Hoa.

1. Introduction

The foreign direct investment concept has come to play an important role in the economic development of a large number of countries in the world. It is now widely recognized that FDI can offer important advantages for the recipient economy. In addition to capital inflows, FDI can lead to transfers of technology and know-how, improve access to international markets and spur competition [1].

Vietnam implemented its economic reform, *Doi moi*, in the mid-1980s. The market-based

economic policies and legal frameworks have contributed to open up the country. Trade barriers have been removed and FDI has now become a fundamental part of the economy.

Thanks the decentralization policy started in the FDI law amendment in 1996, each province has more power and autonomy in dealing with foreign investments such as in granting investment licenses, leasing land, providing export and import licenses and recruiting labor. This policy, on the one hand, allows provincial authorities to develop innovative ways that attract more foreign investor and also lead to variation in the implementation of the central laws and regulations in the provinces. Foreign investors may experience a lot of red tape -

* Tel.: 84-912222345

E-mail: lehoangbahuyen@hdu.edu.vn

namely, corruption or delays in administrative progress if local authorities possess conservative inherited norms and ways of thinking. In this context, foreign investors have considered many factors when investing in Vietnam, such as modes of entry and location choices for their operations so that they can make use of advantages and minimize disadvantages [2].

In order to attract investors to Thanh Hoa and provide the most favorable conditions for them, the province has offered many investment priority policies as well as improving administrative procedures. Over the past period, the province's investment environment has been significantly improved. This improvement has been with a view to: No restrictions on size, industry, and geographic areas, based on the Investment Law and Enterprise Law. Thanh Hoa is continuing to review and to improve the system of mechanisms and policies directed towards incentives and making the process of investment more convenient for investors. These mechanisms and policies of Thanh Hoa focus on improving and simplifying administrative procedures. These open and attractive mechanisms and policies, call for investment, create innovation in building an essential socio-economic infrastructure, promote the advantages of human resources, and improve the quality of human resources in order to meet business's demands. In addition, resolution No. 02/NQ-TU dated 27/6/2011 regarding improvement for investment environment the in province in the stage 2011-2015 focused on implementing site clearance work in order to meet investors' requirements, support business development, ensure transparency of information for business, support business development, and ensure transparency of information for business [3].

With the above policy, in 2013 in Thanh Hoa province there were 41 investment projects involving foreign direct operation with a total registered capital of USD 9.350,78 million.

These results are encouraging, but compared to the potential and advantages of Thanh Hoa province, are still limited. The number and size of investment projects in Thanh Hoa are low. Thanh Hoa is classified as one of the top provinces based on the provincial competitiveness index. Therefore, the identification of factors affecting FDI in Thanh Hoa and an analysis of the impact of each factor to attract foreign investment is essential for the government in offering policies to attract investment capital.

2. Review of literature

The sluggish economy during the 1980s forced the Vietnamese Government to implement economic reform in 1986 by restructuring the economy from a planned to a market economy. The main task of microeconomic restructuring was the transfer of companies from state ownership to private ownership and the encouragement of foreign investment by favorable policies. Thereby, the role of the private sector was strengthened. Besides the improvement of the FDI regulation framework, Vietnam has signed bilateral investment treaties with over sixty countries and has become a member of well-known international organizations such as the WTO and the ASEAN. The economic integration with the Asian region and the world has contributed to transferring the investment regime in Vietnam more in line with international standards and more favorable to foreign investors.

Besides the open policies for foreign investment, the new market in Vietnam is potentially attractive to many investors. Before the economic renovation, consumers in Vietnam had almost no access to many consumer goods which were available to people in many other parts of the world with a similar level of per capita income. After the opening up of the economy, Vietnam with a population of over 80 million people, has become a big market for consumer goods manufacturers. Moreover, Vietnam as a developing country with the desire to quickly upgrade the economy has also been an attractive market for many other businesses, such as machinery supply or infrastructure construction. Factor-cost advantages arising from low costs of some major raw materials and low labor costs create the attractiveness of Vietnam as compared to neighboring countries, especially in the garment, textile, and seafood manufacturing industries.

Although there are numerous reports on FDI in Vietnam, empirical research is still limited. This has been partly because of data availability. In the past, Vietnam did not publish much data on the operations of foreign affiliates, and the statistical office did not undertake regular surveys of foreign investors until the late 1990s. Furthermore, it is hard to find systematic socio-economic statistics that are useful for studies on determinants of FDI. It is thus impossible to conduct comprehensive analyses of foreign investment in a long-term perspective [4]. However, since 2000 the General Statistics Office (GSO) has implemented surveys on companies in all provinces of Vietnam. This paper uses the data set from these surveys for empirical study. We hope that data from these surveys create good conditions for research on FDI in Vietnam. With respect to factors affecting the

infusion of FDI capital in to the provinces, there have been very few studies exploring the reasons why foreign enterprises choose one province in Vietnam in which to invest over another, or why a specific region within Vietnam is preferred by foreign investors over the others. In addition, all these studies can use data only at a provincial level with conventional variables reflecting the location advantages such as government policies, political stability, labor cost, labor productivity, market size, market growth, infrastructure, and geographical proximity [5].

In terms of national determinants, we can count on the works of Mirza and Giroud (2004), Hsieh (2005) and Nguyen Nhu Binh and Haughton (2002) [14]. The paper of Mirza and Giroud (2004) surveyed transnational corporations with operations in the ASEAN and found that Vietnam was chosen as a destination of FDI because of its political stability, large population, quality of labor force and diversified industrial bases. The authors stated that while around 45 per cent of companies investing in Vietnam did so with the motivation of market seeking, only 14 per cent could be regarded as efficiency seeking, and the other motives were mixed and could be either efficiency or market seeking, depending on contingencies [9].

Hsieh (2005) studied the determinants of FDI inflows to the Southeast Asia transition economies including Laos, Cambodia, Myanmar and Vietnam in the period from 1990 to 2003 and found that the most important determinants were the lagged FDI inflows, GDP per capita, and the degree of openness. Moreover, the Asian financial crisis was found to reduce FDI inwards to these countries [7].

Once enterprises have decided to invest in a particular country, they face the choice of location for their operation inside the country. The location-specific characteristics and policies of local authorities can affect the decisions of enterprises. In the case of Vietnam, there have been some studies investigating the regional determinants of FDI including Nguyen Phuong Hoa (2002), Pham Hoang Mai (2002), Le Viet Anh (2004), Meyer and Nguyen (2005), Nguyen Phi Lan (2006), and Nguyen Ngoc Anh and Nguyen Thang (2007). In particular, the work of Meyer and Nguyen (2005) examined the distributions of both newly registered FDI in 2000 and the cumulative FDI up to 2000 by using the logit model. The authors found that foreign investors were interested in the availability of industrial zones and the friendly policies of local authorities. Furthermore, the provinces with larger populations, better transport infrastructure, higher GDP growth and better educational systems can attract more FDI. The location decisions by foreign companies are also driven by the agglomeration effect that was proxy by the lagged FDI stock [8].

Nguyen Phuong Hoa (2002) analyzed the regional determinants of FDI distribution across provinces in Vietnam during the period from 1990 to 2000, and revealed that market size presented by provincial GDP, GDP per capita, the availability of technical workers, availability of industrial zone is the most important determinant of distributions of both registered and implemented FDI [10]. By using linear regression, Pham Hoang Mai (2002) estimated the factors that influence the pattern of regional location of FDI from 1988 to 1998 and pointed out foreign investors are attracted by infrastructure, the quality of the labor force and the size of the local market.

Government tax incentives, on the other hand, did not make any significant impact on attracting FDI flows to poor and remote provinces [16].

Similarly, the research of Nguyen Phi Lan (2006) used conventional variables with the data at the provincial level to show that economic growth, market size, quality of labor force, labor cost, infrastructure, exchange rate, and domestic investment affected the location decisions by foreign enterprises [15]. By using the ordinary least square regression, Le Viet Anh (2004), Nguyen Ngoc Anh and Nguyen Thang (2007) made some changes when respectively including the agglomeration effect of the cumulative FDI and institutional performance of local authorities, measured by the Vietnamese Provincial Competitiveness Index 2006 in the econometric models, besides other conventional variables. They indicated the importance of market, quality of the labor force, infrastructure conditions, and the agglomeration effect in attracting FDI. However, the institutional performance of provincial authorities seemed not be a significant factor [13, 17].

Nguyen Tien Long (2011) has analyzed and mentioned the general theoretical issues of FDI with the movement of the industrial economic structure of the local economy. The thesis focuses on clarifying the theoretical basis of the impact of FDI on the movement of the industrial economic structure, and determines the correlation between FDI with the restructuring of the local economy. In particular, the thesis used quantitative analysis methods to determine the impact of FDI on the movement of industrial economic structure of Thai Nguyen in the period 1993-2009. The variables (including FDI) in assessing the level of the movement of the industrial economic structure function (factor: $\cos\phi$) which are selected through correlation analysis, are not

only consistent with the theory, but also able to explain reality in Thai Nguyen province. The correlation coefficient is statistically significant. If the model gives good results, it can be used to predict and select targets for the movement of the industrial economic structure in Thai Nguyen province under the impacts of FDI [11].

Nguyen Thi Ai Lien (2011) analyzed and found that the investment environment caused the biggest obstacle to FDI activities. In the condition of limited resources, focusing on improving these factors will have positive and quick effects on the investment activities, thereby increasing the efficiency of the process of improving the investment environment. Applying Pareto methods, the thesis proposed a process of assessing and improving the investment environment [12].

The thesis of Bui Thuy Van (2011), made the theoretical connection between the theory of FDI and the movement of export products structure. Then based on this the thesis clearly explained the effects of FDI on the movement of export products structure and this ensured that it was to be necessary and reliable reasoning (other researches mainly explained the effect of FDI on export in general) [6].

In short, the contents of the research fields mentioned are controversial. This is because the process of globalization and the integration of international economy have been widely affecting the economy of entire nations, and many issues have been considered differently. These researches are based on the sense of initiative of host countries, and the orientation of the development of economy - society in a national extent only - rarely mentioned is the local extent. Up to now, there is no research that has sufficiently and systematically dealt with issues such as: determining the factors that affect the process of FDI in Thanh Hoa

province. It is important for the researcher to assume the factors that affect FDI in Thanh Hoa province such as: Time investment licensing; time of evaluation the basic design, planning and construction licensing; compensation for land acquisition, land allocation; government intervention in the operation of enterprises; labor recruitment; the dynamics of provincial leaders... etc. The paper proposes some main policies and solutions for Thanh Hoa in particular and for Vietnam in general.

3. Data and methodology

3.1. Sample size and population determination

3.1.1 Population determination

- Business managers of FDI and the main shareholders of the businesses: There are forty one (41) FDI entrepreneurs, who are in companies operating in Thanh Hoa province since the year 2001 up to 2012.

- Government officials: The population of this study is 200 officers who are in the Province's People's Committees, Department of Planning and Investment, Department of Finance, Department of Industry, Tax Authority, Land Authority, Department of Transportation, Department of Agriculture and Rural Development, the Investment Promotion Center of Thanh Hoa province, the Branch of the State Bank of Thanh Hoa, the Union of Cooperatives and Small and Medium Size Enterprises and the Vietnam Chamber of Commerce and Industry in Thanh Hoa.

3.1.2 Sample size determination

The sample size is determined using the Slovin formulation as follows:

$$n = N/(1 + Ne^2)$$

Where:

n is the sample size of each respondent group;

N is the total population of the respondent;
 e^2 is the probability of error.

- Business managers of FDI and the main shareholders of the businesses: in the population of this study there are forty-one (41) FDI entrepreneurs ($N = 41$), $e = 5$ per cent (at least 95 per cent confidence level), therefore the sample size for this study is:

$$\begin{aligned} n &= 41 / \{1 + 41 (0.05)^2\} \\ n &= 37 \end{aligned}$$

Hence the sample size is 37. To collect the required data 37 questionnaires were sent to the FDI companies located in Thanh Hoa through both e-mailing and personally delivering. Thirty-seven (37) responses were received.

- Government officials: in the population of this study there are forty-one (41) FDI entrepreneurs ($N = 100$), $e = 5$ per cent (at least 95 per cent confidence level), therefore the sample size for this study is:

$$\begin{aligned} n &= 100 / \{1 + 100 (0.05)^2\} \\ n &= 80 \end{aligned}$$

Hence the sample size is 80. To collect the required data 80 questionnaires were sent to the FDI companies located in Thanh Hoa through emailing, by telephone and personally. Eighty (80) responses were received.

3.2. Sampling method

This research was conducted in two phases. The first phase involved secondary collection, desk review, and a literature research of journals, publications, books, official reports from government officials. The second phase was the primary collection of data by conducting a survey using structured questionnaires (either through e-mailing, telephone or direct face-to-face interviews).

In the first step, the survey method was used to collect primary data. There were 2 groups of respondents targeted in the survey using questionnaires. The first respondent group was the business managers of FDI and the main shareholders of the businesses. The second group of respondents included staff working in agencies and units in the government line agencies at provincial and district levels with functions and tasks related to the operation of foreign-investment enterprises in Thanh Hoa province.

In the second step, we used SPSS software to analyze the current status of the investment environment and the main factors affecting the process of FDI in Thanh Hoa province.

In the third step, the Pareto chart was used to find out what factors were affecting the investment process of firms with FDI in Thanh Hoa province.

In the fourth step, based on the results of the third step, solutions were proposed to improve these key factors.

3.3. Questionnaire design

The questionnaires were designed to get data for the research objectives of the study. The questionnaire comprised three parts. Part one was designed to ask the respondents to provide the general information about their enterprises. The second part consisted of determinant factors driving the selection of Thanh Hoa province measured on the Likert scale with "1" as least important and "5" as most important. The third part consisted of affecting factors on the investment process in Thanh Hoa province. The Likert scale was applied as it is considered the most appropriate and reliable measurement scale for such type of questions and is easy to construct and manage. To ensure accuracy,

the questionnaires were designed by taking into account the following factors:

(a) Academic literature, research articles and publications;

(b) Pre-testing to ensure that the respondent understood the questionnaire in the right perspective.

3.4. Response rate

With the survey of FDI managers, thirty seven respondents responded to the forty-one questionnaires sent out, hence the rate of response was 90.2 per cent and it can be considered as a satisfactory level. For the investigation of the officials belonging to local authorities, eighty respondents responded to the 90 questionnaires sent out, hence the rate of response was 88.9 per cent. The questionnaires were handed out to working individuals and were collected immediately after they were completed.

4. Empirical analysis

4.1. The trends of FDI inflows in Thanh Hoa province in the period from 2001-2013

The FDI inflows in Thanh Hoa increased rapidly in the period from 2001-2013, the invested capital, on average, was US\$ 15, 09 million a year. During the period from 2006 to 2011, although suffering from the world and the regional economic crisis, high inflation rate and increasing prices of input materials in domestic markets, the FDI in Thanh Hoa province achieved good results. Total registered FDI capital in the period 2006-2011 was US\$ 6,366.86 million, bringing the total registered FDI capital accumulated by the end of 2011 to US\$ 6,401.08 million - ranked No. 10 in the country. The most remarkable project was the Nghi Son oil refinery project, a joint venture between Kuwait, Japan and Vietnam, with a total registered capital of US\$ 6,401.08 million

and the capacity of 10 million tons gasoline/year.

In 2012 and 2013, as reported by the Thanh Hoa Department of Planning & Investment (DPI), Thanh Hoa province granted investment certificates for two FDI projects with an investment of US\$ 28.5 million. Especially, on 15/01/2013 the Nghi Son oil refinery project announced its decision to adjust the project's total investment to US\$ 9 billion, of which the investments are: Vietnam Oil and Gas Group (Petro Vietnam) 25.1 per cent, International Petroleum Corporation, Kuwait 35.1 per cent, Idemitsu Kosan Company, Japan (IKC) 35.1 per cent, Japanese Mitsui Chemical Company (MCI) 4.7 per cent.

4.2. Analysis of factors affecting the process of FDI in Thanh Hoa province

The evaluation of the factors affecting the process of investment is an extremely important issue. Therefore, the study of this matter in Thanh Hoa will help to understand the thoughts and desires of the foreign investors' attitudes and behaviors when making their investment decision in the province. The survey's results shows that some factors evaluated by foreign investors and investment state management in Thanh Hoa are very favorable, while other factors are considered more difficult. The relative importance of these factors is presented in Table 1 and 2.

In Table 2, we can see that foreign investors show high interest with regard to time of investment licensing (mean 3.600, S.D 1.05062). Labor recruitment (mean 3.6625, S.D 0.89928) and the dynamics of provincial leaders (mean 3.8125, S.D 0.92905) have all been rated as highly favorable. However, some factors, such as compensation for land acquisition, and land allocation (mean 2.2750, S.D 0.92743) have been evaluated less favorably.

Table 1. FDI project licensed in period 2001 to 2013

Year	Number of projects	Registered capital (Mill. USD)	
		Total	Of which: Implemented capital
2001	1	0,67	0,67
2002	1	1,18	0,18
2003	1	0,90	0,90
2004	3	1,97	1,97
2005	7	30,50	30,50
2006	5	6,35	6,35
2007	7	34,73	34,73
2008	8	6.188,60	127,90
2009	3	13,15	13,15
2010	11	81,93	81,93
2011	5	42,10	23,58
2012	2	28,50	1,55
2013	4	2.921,20	435,18

Source: Thanh Hoa Statistical Yearbook 2013.

Table 2. The important factors affecting the process of FDI in the Thanh Hoa province (Response from the management FDI)

Descriptive statistics			
	N	Mean	Std. Deviation
X1: Time of investment licensing	80	3.6000	1.05062
X2: Time of evaluation the basis design, planning and construction licensing	80	3.4250	0.92470
X3: Compensation for land acquisition, land allocation	80	2.2750	0.92743
X4: Government intervention in the operation of enterprises (check by police, tax-collector, etc.)	80	3.1750	0.96489
X5: Labor recruitment	80	3.6625	0.89928
X6: The dynamics of provincial leaders	80	3.8125	0.92905
X7: Access to policy-makers to resolve firm issues	80	3.2750	0.85647
X8: Control of corruption	80	2.8625	1.17725
X9: The environmental factors	80	3.5054	0.55073
X10: Access to information on investment policy and investment	80	3.4000	0.63363

Source: Results of the research group's surveys.

Table 3 shows that the civil servants' concerns are the same as the foreign investors about some factors, such as time investment licensing, the dynamics of provincial leaders, time of evaluation of the basic design, planning and construction licensing and access to information on investment policy and investment factors. These elements have highly affected the process of investment in Thanh Hoa. In addition, the labor recruitment factor

has been rated as the most favorable by civil servants. This is different from the opinion of foreign investors.

According to the investors, the granting investment licenses time is the most favorable factor when making investment implementation in Thanh Hoa. Factors affecting the process of FDI investment in Thanh Hoa province are assessed at different levels between investors

and state managers. While some factors have satisfied investors, other factors have still been facing difficulties. The result of the survey for managers in Thanh Hoa shows that there are two factors with advantages;

however, 75 per cent of the managers in the public sector said the most favorable factor is the dynamics of the leaders of Thanh Hoa province, followed by the investment licensing time and labor recruitment.

Table 3. The importance of factors affecting the process of FDI investment in Thanh Hoa province (Response from the civil servants)

Descriptive statistics			
	N	Mean	Std. Deviation
X1: Time investment licensing	37	4.6216	0.63907
X2: Time of evaluation of the basic design, planning and construction licensing	37	4.0000	0.40825
X3: Compensation for land acquisition, land allocation	37	2.1081	0.56685
X4: Government intervention in the operation of enterprises (check by police, tax-collector, etc.)	37	3.8108	0.39706
X5: Labor recruitment	37	3.9189	0.64024
X6: The dynamics of provincial leaders	37	4.3243	0.57995
X7: Access to policy-makers to resolve firm issues	37	3.7838	0.47930
X8: Control of corruption	37	2.4054	0.49774
X9: The environmental factors	37	3.4054	0.55073
X10: Access to information on investment policy and investment	37	4.0000	0.33333

Source: Results of the research group's surveys.

Table 4: Factors affecting the investment process of FDI enterprises in Thanh Hoa province

No.	The factors affecting the investment process of FDI companies	Assess levels of FDI	
		Good (per cent)	Not Good (per cent)
1	Granting investment licenses time	85	15
2	Evaluating basic design time, planning and construction permits	66	34
3	Clearance compensation, land tax or land	34	66
4	Intervention of government in operation of enterprises	62	38
5	Recruiting employees	59	41
6	Dynamics of provincial leaders	79	21
7	Assess policy maker's ability to deal with companies' problems	63	37
8	Corruption controls	45	55
9	Environmental factors	52	48
10	Access to information of investment and investment policies	66	34

Source: Results of the research group's surveys.

The group of these elements is evaluated at fair level (over 60 per cent of enterprises rated them as good). The elements include the evaluating of the basic design time, planning

and construction permits; the government's intervention in operation of enterprises; accessibility of policy makers to solve the problems of business, information about

investment and the investment policies factor. The improvement of this group of elements is the result of the determination of the local leaders; the high assessment of the dynamics of local leaders expresses that point. The survey's results for the governmental managers are quite good; their evaluation of the control of corruption element in this area is improving.

The labor recruitment factor is evaluated differently between state managers and investors. State managers give this a good rating of 65 per cent. However, 41 per cent of employers are not satisfied with the recruitment of highly qualified labor. When Thanh Hoa province's labor resources are plentiful, they expect a better process of recruitment. This is also explained by the fact that labor working in a modern industrial environment lacks skills, experience and is unqualified.

5. Conclusion and policy implication

This study focuses two main issues: The trends in FDI in Thanh Hoa province in the period from 2001 to 2013, and analysis of factors affecting FDI in Thanh Hoa province.

Firstly, about the trends in FDI in Thanh Hoa province, FDI in Thanh Hoa increased rapidly in the period from 2001- 2013. The invested capital, on average, was US\$ 15,09 million a year. FDI in Thanh Hoa province is concentrated in the field of industrial processing and manufacturing. In addition, FDI is also concentrated in industrial parks and Nghi Son Economic Zone.

Secondly, evaluation of the favorable level of factors affecting FDI enterprises in Thanh Hoa province found that there are some factors that have been highly evaluated while other factors are considered more difficult. Accordingly, companies appreciate the value of

shortening the time of investment licensing, the dynamics of provincial leaders, and access to investment information and investment policies. Group factors that were evaluated at a favorable level were: time of evaluation of the basic design, planning and construction licensing, government intervention in the operation of enterprises (checks by police, tax-collector, etc.), and access to information on investment policy and investment. However, many enterprises think some important factors such as compensation for land acquisition, land allocation and corruption control are not improved. Thus, they have negative effects on the implementation of investment projects in this province. With the employer's factor, the employer was not satisfied with the employment of the labor force of Thanh Hoa province. This can be explained by the low quality of labor, and the lack of a skilled labor force to work in the modern industrial environment.

In this study, we have mentioned the trends of FDI in Thanh Hoa province and evaluate the favorable level of factors affecting FDI enterprises in Thanh Hoa province. Based on the above considerations, we suggest that policies to improve the investment climate emerging in Thanh Hoa province have to incorporate policies at both a local and national level. We suggest some main policies that the local and central government should develop in the coming time in order to encourage FDI in Thanh Hoa in particular and in the whole country as follows.

- To build an overall strategy to develop industries, as well as FDI in major industrial and economic zones of the province so investors can identify plans for long-term development and be able to make reasonable decisions. In addition, we need to offer preferential policies for investors who are interested in the sector and priorities such as duty-free import of technology, free value

added tax, state credit incentives, using land tax and other investment supports.

- Most foreign investors highly appreciate the presence of infrastructure and communication network facilities for any investment take place. Therefore, it is a must to improve the capacity of potential investment sites to attract investment by developing infrastructure such as industrial estates, export processing zones, roads, dry and sea ports, communication and generation of electricity. These are important factors for the Thanh Hoa government.

- That the bureaucracy and red tape (land acquisition, land allocation and corruption control) are somehow hindering factors for discriminating foreign investment into Thanh Hoa province. Therefore, the Thanh Hoa government, as well as the central government should focus strategy with a core committee at the highest level through the line departments to minimize bureaucracy and red tape to attract and promote FDI into the province.

- To make mechanisms and policies focus on removing the difficulties for the enterprises in stages of clearance compensation, land lease and land. For example, we need to improve the land valuation process, so that the approved price is close to the market price, to organize the inventory process well, and inventories of assets on land.

- To promote administrative reform, elimination of unnecessary licenses and procedures for investment. A synchronized administrative reform program includes: reducing the administrative apparatus, training staff, eliminating troublesome procedures and salary reform.

- To reform education and training systems to develop human resources, to increase highly qualified resources to meet the requirements of

integration and development of the country as well as the province.

- Construction of e-government to deal with administrative procedures. In the future we should facilitate administrative procedures to remove inappropriate, unnecessary, and overlapping conflicts. Local government should publish all the administrative procedures of Thanh Hoa province at a single site. Steps toward the resolution of administrative procedures should be answered through the network, limiting contact between businesses and civil servants in order to reduce the time and cost of business and bureaucratic corruption evils.

Although these policy lessons are suggested to apply in Thanh Hoa province, they are also relevant for other provinces in particular, and in Vietnam in general. In these provinces, there also exists a very unequal distribution of FDI with concentration in a small number of locations, creating a big gap in economic development among regions within provinces. The governments are concerned about attracting FDI to other places. If done well, there may be benefits from decentralization of policy responsibilities to allow local authorities to take their own entrepreneurial initiative.

References

- [1] Don Anura Wickramasinghe, "Determinant of the Factors Affecting Foreign Direct Investment (FDI) Flow to Sri Lanka and Its Impact on the Sri Lankan Economy", Master of Business Administration, Department of International Business Graduate School University of the Thai Chamber of Commerce, 2007.
- [2] Dinh Thi Thanh Binh, "Investment Behavior by Foreign Firms in Transition Economies - The Case of Vietnam", a dissertation submitted to the doctoral school of economic and

- management in partial fulfillment of the requirement for the doctoral degree in economics and management, 2009.
- [3] Le Hoang Ba Huyen, "Causes and Effects of Foreign Direct Investment: Basis for Policy Redirection in Thanh Hoa in Vietnam", a dissertation presented to the Faculty of Graduate School of Southern Luzon State University in partial fulfillment of the requirement for the doctoral degree in Business Administration, 2013.
- [4] Kokko, A., Kotoglou, K., and Krohwinkel-Karlsson, A., "The Implementation of FDI in Vietnam: An Analysis of the Characteristics of Failed Projects", *Transnational Corporations* 12 (2003) 3.
- [5] Dunning, J. and Narula R., "The Investment Development Path Revisited: Some Emerging Issues" in Dunning, J. and Narula, R. (Eds): *Foreign Direct Investment and Governments*, London: Routledge, 1996.
- [6] Bui Thi Van, "Foreign Direct Investment (FDI) for the Restructuring of Exports in the Northern Region", Doctoral dissertation, National Economics University, Vietnam, 2011.
- [7] Hsieh W. J., "The Determinants of Foreign Direct Investment in Southeast Asia Transition Countries", paper presented at National Cheng Kung University, 2005.
- [8] Meyer, K. E. and Nguyen, H. V., "Foreign Investment Strategies and Sub-national Institutions in Emerging Markets: Evidence from Vietnam", *Journal of Management Studies*, January, 42 (2005) 1.
- [9] Mirza, H. and Giroud, A., "Regional Integration and Benefits from Foreign Direct Investment in ASEAN Countries: The Case of Vietnam", *Asian Development Economic Review* 21 (2004).
- [10] Nguyen Phuong Hoa, "Contribution of Foreign Direct Investment to Poverty Reduction: The Case of Vietnam", 2002.
- [11] Nguyen Tien Long, "Foreign Direct Investment (FDI) to the Economic Restructuring of Thai Nguyen", Doctoral dissertation, National Economics University, Vietnam, 2011.
- [12] Nguyen Thi Ai Lien, "Investment Environment with Activities to Attract Foreign Direct Investment into Vietnam", Doctoral dissertation, National Economics University, Vietnam, 2011.
- [13] Nguyen Ngoc Anh and Nguyen Thang, "Foreign Direct Investment in Vietnam: An Overview and Analysis the Determinants of Spatial Distribution Across Provinces", 2007.
- [14] Nguyen Nhu Binh and Houghton, J., "Trade Liberalization and Foreign Direct Investment in Vietnam", *ASEAN Economic Bulletin*, 2002.
- [15] Nguyen Phi Lan, "Foreign Direct Investment in Vietnam: Impact on Economic Growth and Domestic Investment", University of South Australia, Economics Working Paper, 2006.
- [16] Pham Hoang Mai, "Regional Economic Development and Foreign Direct Investment Flows in Vietnam, 1988-1998", *Journal of the Asian Pacific Economy* 7 (2002) 2.
- [17] Le Viet Anh, "FDI-growth nexus in Vietnam", Mimeo, Graduate School of International Development, Nagoya University, 2002.