

Increase Foreign Direct Investment Attraction in Thanh Hoa Province



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SUMMARY: In recent years, more and more large projects have been invested in Thanh Hoa, showing that the province has made strong changes to improve the business investment environment. The Resolution of the 19th Party Congress of Thanh Hoa province has determined that continuing to promote administrative reform, creating an open and attractive investment environment is one of the three breakthroughs in the 2020-2025 term. , localities in the province are making efforts to implement many specific solutions to improve the business investment environment, focusing on improving governance quality and administrative reform. Thanh Hoa is still the leading locality in the Central region in terms of attracting FDI, but in recent years, Thanh Hoa province is showing signs of slowing down. The article studies the current status of FDI investment in Thanh Hoa province in the period of 2020 - 2022, from which to propose some solutions to increase FDI.

KEYWORDS: Foreign direct investment, foreign direct investment capital, investment environment.

1. INTRODUCTION

Foreign direct investment (FDI) is a particularly important capital flow for growth and international economic integration, contributing to additional capital, technology, management capacity, business ability, organizational ability. and participate in the global supply chain. The negative impact of the COVID-19 pandemic and the rapid and complicated changes in the world have forced countries to readjust their FDI policies.

FDI inflows are not only an important resource for socio-economic development, but also actively contribute to perfecting economic institutions, improving the business investment environment according to the principles of the market economy. market and in line with international practices, making a significant contribution to enhancing the country's position and power.

Thanh Hoa province is currently ranked 8th in the country and first in the North Central and Central Coast regions in attracting foreign direct investment (FDI) projects. In recent years, the province has always paid attention to investment promotion, investment promotion, administrative reform, and implementation of preferential policies and mechanisms to make Thanh Hoa an attractive destination for foreign investors.

However, the province's results of attracting foreign investment in recent years have not been as expected. The number of projects and FDI capital that Thanh Hoa has attracted in recent years has been surpassed by neighboring localities such as Nghe An and Ha Tinh. Therefore, Thanh Hoa province needs to take measures to increase FDI attraction.

2. Theoretical basis

The concept of FDI

FDI is defined in many different ways, according to the International Monetary Fund (IMF) in its annual balance of payments report, "FDI is a form of investment with long-term benefits by an enterprise in another country (country). receiving investment), not in the country in which the enterprise is operating (the country of investment), for the purpose of effectively managing the enterprise". This view mainly emphasizes on the long-term of investment activities and the investment motive is to gain management rights.

UNCTAD (2012), "FDI is a long-term investment associated with the long-term interest and control of an investor in a country (foreign direct investor or parent company) in a company in another country (foreign direct investment company or subsidiary).

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In 2020, Vietnam's Investment Law defines "outward investment activity as an investor's transfer of investment capital from Vietnam to a foreign country, using profits earned from this investment capital to carry out investment activities." business investment activities abroad".

These opinions are all in agreement, so: FDI is a type of investment that enables investors to take part in the operation of investment operations in the receiving country with the goal of making a profit.

Therefore, it is clear that FDI is a type of cross-border investment made by a foreign investor who resides in an economy in order to control or significantly influence the management of that nation. a company operating in a different economy.

The role of FDI

FDI is a significant factor in where investment capital goes.

Firstly, FDI helps to supplement capital to assure economic growth in recipient nations and regions.

Second, assist nations and communities in receiving funding for development and better utilization of domestic resources. Projects involving foreign direct investment aid nations and municipalities in making better use of their existing resources, including land and natural resources, and they particularly aid in raising the level of technology and the caliber of labor.

Thirdly, FDI enables nations and regions to access finance, expand export markets, and quicken the pace of economic reform. Additionally, the rise in the share of industry and services is the result of the trend of economic globalization as well as internal efforts on the part of the recipient nation and area.

Fourth, FDI is a realistic and highly effective kind of investment that is free from political restrictions and does not place a burden on the economy in the form of direct debt. All investment capital is brought into the host nation and region by FDI, allowing FDI to support the growth of new sectors, particularly those requiring large sums of money, sophisticated methods, and cutting-edge technology.

Fifth, FDI is linked to the transmission of knowledge in the fields of research, technology, cutting-edge methods, and management.

Factors affecting FDI attraction

(1) Infrastructure and services

Good infrastructure is one of the important factors to help investors reduce indirect costs in production and business and possibly in investment activities. Therefore, the balanced and comprehensive development of the infrastructure of a country or a locality is proposed as a top need in attracting investment capital. An investment area with a complete infrastructure system, including the development of both technical and social infrastructure.

(2) Natural conditions

Natural conditions are one of the main factors in agricultural production including geographical location, land, natural resources, and climate.

Natural resources and land are the main factors constituting the source of raw materials for production activities of enterprises. Therefore, if a country with rich resources will help businesses in cutting raw material costs and improving business efficiency, it will have a good impact on attracting FDI inflows. Nauro F. Campos and Yuko Kinoshita, 2003).

(3) Natural environment

The natural environment can be seen in the economy's stability, capacity for expansion, and profitability. This is a feature that is nation-specific. The favorable natural environment elements that will influence foreign investors' behavior and choice of investment destinations are known to them.

(4) Social environment

The advantages of the social environment factor are reflected in the level of education, attitudes and beliefs and social moral values, religion, customs, language and communication; number of employees, skill level of workers; employee discipline.

(5) Policies and institutions

Institutional and policy factors are reflected in the regulations of the central government, ministries and branches. In recent years, realizing the great role of FDI inflows to economic growth has led many governments to change their national policies towards this important capital inflow, with the main trend being to create favorable conditions. benefit from this capital flowing into the country. Most governments have issued preferential policies to attract more FDI along with adjusting the legal framework, preventing corruption, creating a transparent investment environment, etc.

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3. THANH HOA PROVINCE'S FDI ATTRACTION STATUS

Characteristics of natural and political conditions of Thanh Hoa province

Thanh Hoa is a gateway province that connects the North and the Central region. It is compared to a smaller version of Vietnam and has three distinct geographical regions: plains, mountains, and coastlines. The Northern major economic region has an impact on the area where Thanh Hoa province is situated. With 102 km of coastline, this area may grow its tourism industry and utilize its seaports. There is also access to Tho Xuan Airport, Ho Chi Minh Road, and Trans-Vietnam Railway. Furthermore, Thanh Hoa covers a big region with a diverse range of natural zones.

Over the years, Thanh Hoa has always been consistent, drastic, creative, flexible and effective in the work and activities of the Provincial Party Committee, People's Council, Provincial People's Committee; Party committees, authorities, Fatherland Front and mass organizations; the consensus and support of the business community and all classes of people in the province. In Thanh Hoa province, in 2022, the spirit of solidarity and unity among the Party committees, authorities and people will be strengthened. The sense of responsibility in leadership, direction and administration from the province to the grassroots is promoted. The confidence of the business community and the people in the development of the province is increasingly consolidated.

Socio-economic conditions of Thanh Hoa province

The third-largest population in the nation, Thanh Hoa is a land rich in historical and cultural traditions. Its inhabitants are hardworking, inventive, and combat-hardy, with a determination to rise above their circumstances and improve their community and their nation.

The province is home to the Nghi Son economic zone (1), which is connected to the Nghi Son deep-water port and eight industrial parks. It also has a sizable territorial sea, a long coastline, numerous picturesque beaches, an abundance of natural resources, and an abundance of human resources.

Implement the renewal policy initiated and led by the Party; In the past years, the Party Committee, government and people of Thanh Hoa province have united, strived, been dynamic, creative, effectively brought into play potentials and advantages, strongly aroused resources, achieved comprehensive results in many fields. The province's economic scale in 2020 will reach VND 126,172 billion, ranking 8th in the country; State budget revenue reached 30,744 billion VND, exceeding the estimate; per capita income reached 2,510 USD.

The economic structure shifts towards industry and service as the key, in which the proportion of agriculture, forestry and fishery sector accounts for 10.8%, industry and construction accounts for 48.5%, service sector accounts for 48.5%. accounted for 32.2%, other industries accounted for 8.5%.

Thanh Hoa province is in the group of 10 provinces and cities with the highest disbursement rate of public investment capital in the country. Public investment activities are directed to be implemented drastically and synchronously.

Along with socio-economic development, national defense and security, social order and safety continue to be ensured. External activities, coordination with central agencies, association and cooperation with provinces and cities throughout the country are promoted.

The socio-economic situation, national defense - security, the construction and rectification of the Party and the political system in 2022 of Thanh Hoa province have achieved many important results. There are 24/26 major targets achieved and exceeded the plan.

High economic growth, among 7 provinces and cities with the highest growth rate in the country. The growth rate of gross domestic product (GRDP) reached 12.51%, exceeding the planned target (11.5% planned). Thanh Hoa has successfully organized many major political and cultural events with strong spillover effects, creating good effects in society; culture - society continues to make progress; spearhead education, high-achievement sports remain among the leading provinces in the country. The implementation of social security policies, especially for people living on rivers, people living in areas with high risk of landslides, policy families, and those in difficult circumstances. towels are cared for and supported.

The situation of foreign direct investment in Thanh Hoa province

(1) Size of FDI

Through investment development and promotion operations, Thanh Hoa province has made a number of advances in recent years in its approach to investors and foreign capital sources. The work of provincial leaders abroad involves more than simply traveling and learning; it also involves promotion conferences that emphasize chances for collaboration and financial incentives. In order to conduct field research, learn about, and select investment prospects in crucial sectors, the province additionally organized receptions, worked, and brought numerous organizations, enterprises, and banks. Numerous delegations from the Asian Development Bank (ADB), the World Bank (WB), a delegation of experts from the Japan International Cooperation Agency (JICA), a delegation of investors from India, WHA Group of Thailand, Ramky Group of India, Millennium Corporation (USA),

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Compal Group (Taiwan), and JFE Engineering Vietnam are expected to attend in 2022. Thanh Hoa is the top location in the Central area as of 2022, with 164 registered projects and a total registered capital of 14.57 billion USD, or 24% of the total registered capital of the entire region. The Covid pandemic's effects, however, caused Thanh Hoa to slow down in luring FDI starting in 2020. Thanh Hoa has the lowest reported FDI capital in the North Central area for the entire year of 2022 at 97.51 million USD. Details of the scale of FDI capital in Thanh Hoa province in the years 2020, 2021, and 2022 are shown in the following table:

Table 1: Size of FDI capital in Thanh Hoa province in the period of 2020-2022

Targets	Year of 2020	Year of 2021	Year of 2022
Number of newly granted projects (projects)	14	11	7
Newly registered capital (million USD)	240,3	137,44	69,33
The quantity of projects to expand capital (projects)	7	8	5
Additional registered capital (million USD)	100,95	42,43	27,40
Contribution share total (turn)	22	7	4
Value of capital contribution to buy shares (million USD)	8,29	12,96	0,78
Total registered capital (million USD)	349,54	192,84	97,51

Source: Thanh Hoa Province Department of Planning and Investment

Regarding new projects, the province of Thanh Hoa has seen a decline in the number of new projects over the past several years, from 14 projects in 2020 to 7 projects in 2022. The amount of newly registered capital has also decreased in line with this trend, from 240,3 million USD in 2020 to 69,33 million USD in 2022.

The additional registered capital increased sharply in 2020 (from 24.07 million USD to 100.95 million USD), but gradually decreased in 2021 and 2022 (42.43 and 27.04 million USD).

Total registered FDI capital is the most important indicator reflecting the size of FDI capital. In the period of 2020-2022, the registered FDI capital of Thanh Hoa province also tends to decrease.

Unit: million USD

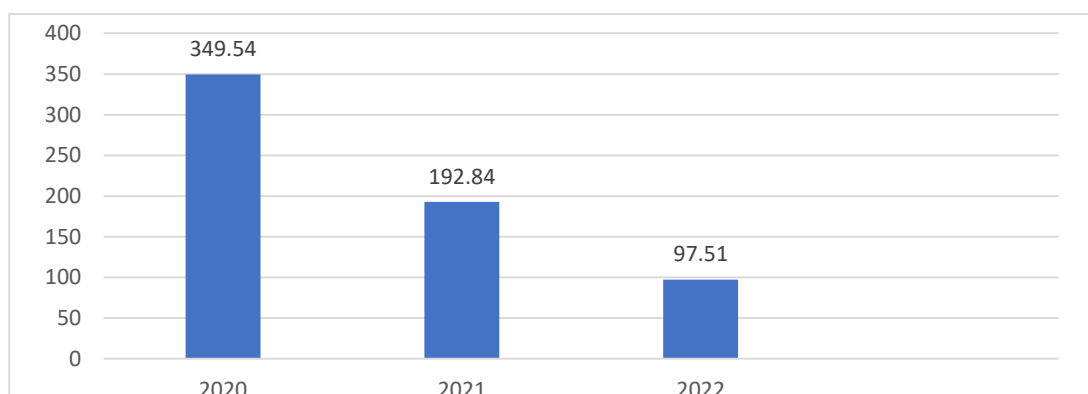


Figure 1: Total FDI registered in Thanh Hoa province in the years 2020-2022

Source: Thanh Hoa Province Department of Planning and Investment

The chart above clearly shows that the fluctuation of FDI capital registered in Thanh Hoa province gradually decreased over the years 2020-2022. Considering the whole period, from 349,54 million USD in 2020 to 97.51 million USD in 2022; equivalent rate of decrease of 72.84%; average annual decrease of 18.2%. The decline is not only reflected in the indicators of FDI capital structure, registered FDI capital in Thanh Hoa province, but also in the overall ranking of FDI attraction of Thanh Hoa province compared to other provinces across the country. . Specifically:

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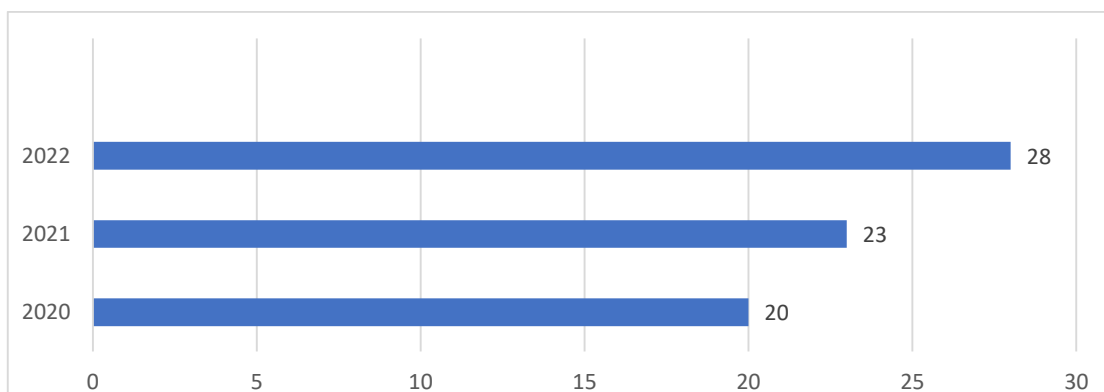


Figure 2: Ranking of FDI attraction in Thanh Hoa province compared to other provinces nationwide

Source: Thanh Hoa Province Department of Planning and Investment

As a result, Thanh Hoa was placed 20th nationally in terms of luring FDI in 2020; however, this ranking falls with time, falling to 23rd in 2021 and 28th in 2022.

(2) FDI capital structure

According to the totals by the end of 2022, the Thanh Hoa province Department of Planning and Investment has reported the following capital structure for FDI:

- The following chart illustrates the breakdown of FDI capital by investment sector in Thanh Hoa Province:

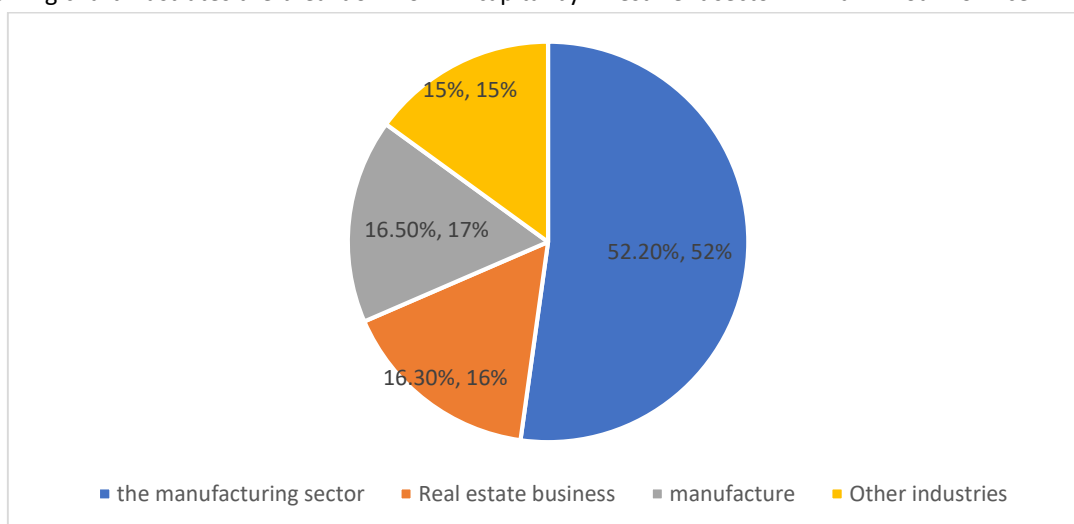


Figure 3: FDI structure in Thanh Hoa province by investment sector

Source: Thanh Hoa Province Department of Planning and Investment

Thanh Hoa province will have 164 projects with a total registered capital of 14.57 billion USD by the end of 2022. The processing and manufacturing sector leads the way in Thanh Hoa with 85 projects totaling 7.6 billion USD in registered capital, or 52.2% of the total accumulated registered capital. 27 projects were drawn to the production and distribution of electricity; their combined registered capital was 2.4 billion USD, or 16.5% of all cumulative registered capital. The third industry is real estate, which has 22 projects totaling \$2.37 billion in registered capital, or 16.3% of all registered capital. The remaining ones include businesses in the hospitality and food service sectors as well as those in the arts, entertainment, and so on.

- Regarding the structure of FDI capital in Thanh Hoa province by investment partners:

Table 2: FDI structure in Thanh Hoa province by investment partners

Targets	Project		Registered capital	
	various projects	Proportion (%)	Capital size (million USD)	Proportion (%)
Japan	86	52,4	6,66	45,7
Korea	37	22,6	1,6	10,98
Other countries	41	25	6,31	43,32
Total	164	100	14,57	100

Source: Thanh Hoa Province Department of Planning and Investment

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As a result, Thanh Hoa province will rank eighth in the nation in terms of attracting FDI by the end of 2022 with 164 FDI projects from 20 different nations (including Japan, Korea, Taiwan, China, Singapore, Canada, Germany, UK, Belgium, Hungary, and Australia).

Assessing the status of FDI attraction in Thanh Hoa province

Achievements:

- By the end of 2022, Thanh Hoa is the leading locality in the Central region in terms of FDI attraction with 164 projects, the total accumulated registered capital is up to 14.57 billion USD, accounting for 24% of the total registered capital of the country. whole area. This is the result of Thanh Hoa province promoting reform of administrative procedures, improving business investment environment, publicizing planning, completing infrastructure, training and preparing human resources.

- Thanh Hoa aggressively invests in technical infrastructure projects up to the project's border, such as: transportation, electricity, water, and communication; concurrently, the province supports efforts to maintain safety and order throughout project execution. Currently, Thanh Hoa is investing in a complete system of wharves and ports, including Nghi Son seaport with 62 ports including container ports and specialized ports, as well as connecting roadways such as coastal highways.

- In addition, Thanh Hoa continuously reviews, amends, supplements and promulgates a number of mechanisms and policies to create attractiveness and favorable conditions for attracting investment; improve the business investment environment.

Limit:

- Attracting FDI into Thanh Hoa is likely to slow down in 2021 and 2022. Compared to certain surrounding provinces, such Nghe An and Ha Tinh, the growth rate of FDI capital is lower. The volume of FDI into Thanh Hoa province has generally fallen between 2020 and 2022, both in terms of the number of newly awarded projects and the amount of registered capital.

- The results of luring investment into the province are positive but still not achieved as expected, not commensurate with the potential and advantages. The investment promotion of Thanh Hoa province has received attention, but lacks synchronization and strategy; investment promotion forms are not diversified; investment promotion force is small; some promotion staff's professionalism is low and not really active.

- According to the government's Provincial Competitiveness Report for the years 2020–2022, Thanh Hoa's provincial competitiveness tends to decline.

Table 3: Thanh Hoa's provincial competitiveness from 2020 to 2022

Targets	National ranking	Weight	Evaluate
Year of 2020	28	63,91	Rather
Year of 2021	43	63,21	Medium
Year of 2022	47	63,67	Medium

Source: Provincial Competitiveness Report, VCCI

- The coordination mechanism in handling administrative procedures according to the one-stop-shop mechanism, the one-stop-shop mechanism in some fields is still limited, and there is still a slow and late situation in the settlement of inter-related documents.

Reason

- The outbreak and the impact of the Covid-19 epidemic have caused the world economy to slow down, and many activities have been turned upside down, seriously affecting.

- Although Thanh Hoa offers many benefits and incentives for foreign investors, the lack of clean, large-scale premises and the still-limited industrial infrastructure are impediments in attracting foreign investment initially. the financiers.

- Many industrial clusters still have problems with investment procedures in terms of site clearance, planning adjustment...

- At the departmental level, Thanh Hoa province also has a number of constrained issues with regard to resolving issues for businesses and individuals, including avoiding accountability, "playing football" with issues, and "sanding" the field. its oversight.

4. CONCLUSIONS AND RECOMMENDATIONS

Through investment development and promotion operations, Thanh Hoa province has made a number of advances in recent years in its approach to investors and foreign capital sources. Provincial leaders' "acts" toward prospective nations go beyond only traveling and studying; they also hold marketing conferences that emphasize chances for collaboration and financial incentives. In order to conduct field research, learn about, and select investment prospects in crucial sectors, the province additionally organized receptions, worked, and brought numerous organizations, enterprises, and banks.

Thanh Hoa province needs to keep concurrently making the following fixes in order to attract more FDI:

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- The province's infrastructure planning needs to be properly implemented as the first practical remedy. Infrastructure planning must display the entire system of social infrastructure, including the banking system, audit..., and develop communication systems, in addition to the full range of works or work items, such as the transportation system, power system, water supply, drainage, and environmental sanitation systems.

- The province must focus on fostering favorable business environments, assisting firms, and regularly engaging in dialogue and meetings with businesses to better understand the issue and act quickly on their suggestions and offers.

- Continue to comply with current regulations on attracting foreign direct investment and advise the Government on renewing the mechanism to attract FDI capital and selecting effective investment plans. Thanh Hoa needs to consider removing barriers to investment and business activities due to overlapping, conflicting and unreasonable legal regulations; promoting digital transformation in sync with administrative reform; promote international cooperation activities associated with local reform implementation.

- Thanh Hoa needs to effectively implement financial market-related content, regulations to support FDI businesses' production and business operations, and keep focusing on helping them overcome the negative effects of the Covid-19 pandemic.

- Pay special attention to luring capital and technologically advanced nations. Foreign direct investment is attracted by multilateralization and diversification from new prospective partners and markets. Additionally, giving current partners and markets like Japan, Korea, Singapore, and Taiwan prominence...

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