

## **THE PREMEABLE**

### **1. Necessity of the topic**

Hanoi is the Capital of Vietnam. To be always a national center of politics, socio-culture and economy, Hanoi City leaders have already and continue to promulgate lots of capital development policies, including the FDI attraction. Understanding and employing the thinking as well as regional marketing are both requirement and instrument to attract the domestic and international investments.

For such reason, the writer chose “Territorial marketing to attract the foreign direct investment (FDI) in Hanoi, period 2013 – 2020” as a topic for his PhD thesis.

### **2. Research objectives**

By this topic of the thesis, in one hand, the writer focuses on contemporary knowledge on the territorial marketing, on the other hand he analyzes and assesses reality of the territorial marketing in the FDI attraction of Hanoi. The thesis will also clarify differences between marketing policy and FDI attraction in Hanoi City with other provinces/cities. On such basis, the thesis will recommend solutions to perfection of territorial marketing to attract the foreign investment to Hanoi capital in future.

### **3. Object and scope of research**

Object of research: (i) Marketing to attract FDI in Hanoi; (ii) Experience in territorial marketing to attract FDI in some Asia countries as well as in some provinces, cities of Vietnam. The thesis is just confined to territorial marketing activities to attract the FDI in period of 2009 – 2012, when Ha Tay was merged into Hanoi.

### **4. Approach and scientific research methodology**

Documents about theory of territorial marketing, FDI attraction picture of Hanoi will be consulted. Qualitative methodology by interviewing the experts in FDI attraction to Hanoi will be applied in this research. Purposeful sampling method aims at determining the persons engaged in the interview related to the thesis topic.

### **5. Overview on the thesis-related research**

Territorial marketing was studied by some authors in the world, especially Philip Kotler (USA) and H. Brossanrd (France). In Vietnam, although several studies were

conducted on the local marketing, generally they did not develop and reflect stages of procedure of territorial marketing establishment sufficiently. Moreover, such works did not analyze the factors affecting formation and implementation of territorial marketing and reflect typical features of Hanoi's territorial marketing to attract the FDI.

## **6. Advances and contributions of the the Thesis**

Academic aspect: (i) Systemize general arguments about territorial marketing to attract the FDI; (ii) Define and study the factors that affect the territorial marketing policy for FDI attraction.

Practical aspect: (i) Study experiences in territorial marketing of some Asian countries, Vietnamese cities; (ii) Analyze and evaluate reality of FDI attraction by Hanoi City's recent territorial marketing approaches; (iii) Recommend the territorial marketing solutions to attract FDI in Hanoi City.

## **7. Thesis structure**

The thesis consists of three chapters:

Chapter 1: Argumentative fundamental of territorial marketing for the foreign direct investment attraction,

Chapter 2: Assessment on reality of territorial marketing for the foreign direct investment attraction in Hanoi City, period of 2009-2012,

Chapter 3: Recommend the territorial marketing solution to the foreign direct investment attraction in Hanoi, period of 2013-2020.

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# **CHAPTER 1: ARGUMENTATIVE FUNDAMENTAL OF TERRITORIAL MARKETING FOR FOREIGN DIRECT INVESTMENT ATTRACTION**

## **1.1. Argumentative fundamental of territorial marketing**

### ***1.1.1. Definiton and features of the territorial marketing.***

As defined by P. Kotler, the territorial marketing refers to the image designed to satisfy demands of the target market of a territorial region. This will become successful when the local people and companies are willing to cooperate with the community and expectations of tourists and investors.

The territorial marketing has basis features as follows: 1/. Being a philosophy, a process, a method to specify and satisfy current or potential expectations of the agents operating in the same territorial region; 2/. Being communitarian; 3/. Being adhesive to the power's functions, role; 4/. Having different branches.

### ***1.1.2. Subject of the territorial marketing***

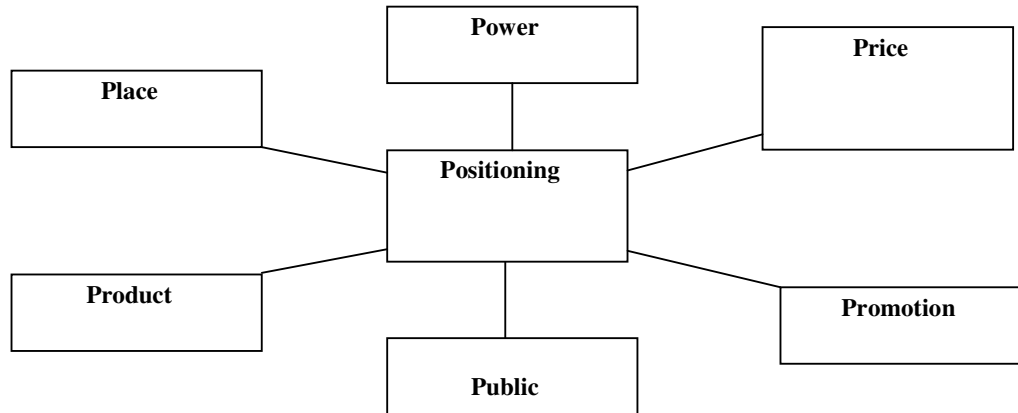
Subject of the territorial marketing is the agents joining in the territorial marketing activity, such as: 1/. Region managers and authorities; public societies; 2/. Private economic sector (companies); 3/. Residential community.

### ***1.1.3. Market segmentation, selection of target market and region positioning***

As stated by P. Kotler, target customers of territorial marketing are dwellers, workers, tourists, companies and export markets. The local governments usually seek to attract new enterprises and sectors to provide more employments to their people, increasing in their source of wealth.

Selecting the business line or the investors to be attracted depends on many variables: (i) Targets and capability of the local government; (ii) "Profitability" (or target achievement) for the locality from the investors or the business lines with encourage of investment; and (iii) Competitive intensity in the FDI attracting market.

To build an image, the local government should develop a positioning strategy, namely the collection of outstanding features of the image so as for customers to identify the regional products among similar ones and to distinguish a product with competitive ones.

**Diagram 1.1: Mix - region**

(Source: Vu Tri Dung and Nguyen Duc Hai, 2011, Territorial marketing, National Economy Publisher)

## **1.2. Argumentative fundamental of FDI and FDI attraction**

### ***1.2.1 Definition on FDI and FDI attraction.***

Foreign direct investment refers to an investment targeting at long-term benefits in a company operating in another economy than its economy. Besides benefits, the investor also wants a position in corporate management and market expansion.

FDI attraction is a key target of many countries, provinces, cities. Vietnam is now a developing country and then FDI is one of importance in its economic growth.

### ***1.2.2. Target of FDI attraction to the territory***

Targets of FDI attraction are grouped into two: Economic targets: Development acceleration and revenue raising for the locality, income improvement and employment raising, local enterprise development... Non-economic targets: Raise the living quality, protect the environment, conserve and promote the traditional values. On determination of FDI attraction targets, such two groups of target should be harmonious with each other. Often, the targets are concretized in three types: i) Value of FDI registered and implemented; ii) Investment aspect that is prioritized by the local government; iii) Non-economic targets.

Targets of FDI attraction are defined on basis of determination of opportunity and source of investment attraction with main contents as follows: Market forecast; Forecast of competition; Identification of demands and expectations of the foreign investors; Analysis and assessment on current capacity; Local governments and leaders' recognition and management capability of territorial marketing.

### ***1.2.3. Criteria to evaluate efficiency of FDI attraction***

These criteria often consist of: (i) Attracted FDI amount; (ii) FDI's investment sectors; (iii) Sustainability of FDI investing in the territory; (iv) Pervasive effect of FDI attraction.

### ***1.2.4. State management of the local government to raise efficiency of FDI attraction***

Forecast is reflected by accurate information and scientific conclusions. Orientation: correctly specifies the locality's economic development strategy as per period. Protection refers to protection of ownership and legal profits of the foreign investors. Organization and running: cooperate and optimize the functions in the FDI management apparatus. Inspection and supervision aim at: (i) Discovering any error, discrepancy throughout period of investment projects, (ii) Collecting feedbacks and opinions from the foreign investors; (iii) Helping the foreign investors to solve their difficulties in performance and operation of the projects.

## **1.3. Factors that affect efficiency of territorial marketing in FDI attraction**

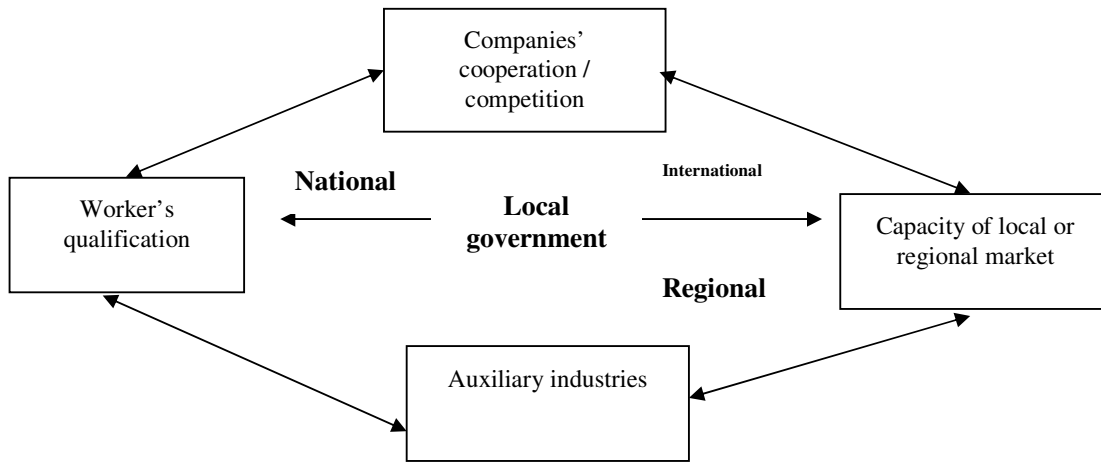
### ***1.3.1. Effect of the macro environment on the territorial marketing in FDI attraction***

Analysis on macro environment is prerequisite because such environment has significant influence on the local development. The macro environmental factors include: politics, economy, socio-culture, natural conditions, technology and international conditions.

### ***1.3.2. Effect of competitive environment factors***

M.Porter made an analytical frame of competitive advantages among nations which we can apply in different forms so as to fit with smaller territories like area or cities, provinces, resident areas.

## **Diagram 1.2: Regional competitive advantage**



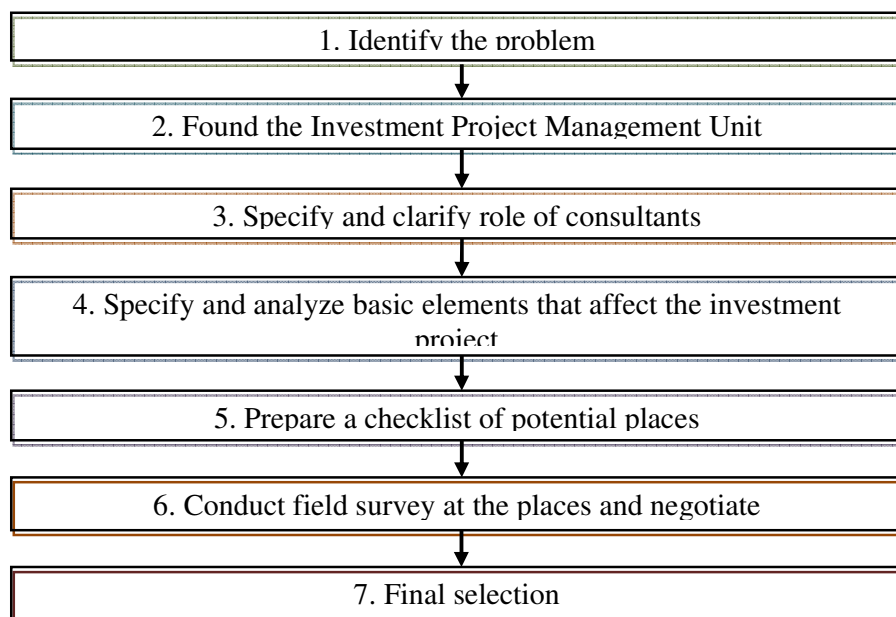
Source: Micheal E.Porter, “The Competitive Advantage of Nations”, Press, New York, 1990).

In the diagram above, the government has a special position in capacity of a decisive factor that determines the competitive advantage of a nation or a region. It makes the large scale projects’ decision making more complicated. Unification between governmental levels in the same region may create the competitive advantage for such region.

### ***1.3.3. Effect of the factor group originating from FDI investors***

In fact, the foreign investors’ behavior is related to selection of investment place and an important factor that affects activity of territorial marketing.

**Diagram 1.3: Selection process of investment place**



(Source: Nguyen Duc Hai, “Understanding about selection of investment place – an important content in the local marketing”, Construction Journal, 2009)

#### ***1.3.4 Effect of agency, subjects who conduct the territorial marketing to attract FDI.***

Provincial agencies are the subject in applying the territorial marketing to attract FDI. Effect of this group on the territorial marketing can be seen via some basic contents below: Firstly, create a legal environment to ensure and encourage the FDI to orient itself to our Communist Party’s economic development in socio-economic conditions of Vietnam in compliance with international practice and laws. Secondly, build and develop a socio-economic infrastructure and ensure the safety of movement of FDI. Thirdly, provide supporting services to the foreign investors (before, during and after investment)

### **1.4. Territorial marketing policy for FDI attraction**

#### ***1.4.1. Roles and duties of territorial marketing in FDI attraction***

With territorial marketing, the local leaders may know and determine expectations of the agents who are or will operate in their locality. From that, they can promulgate policies and assure necessary conditions to attract “clients”, meet their expectations and demands better (than the others).

#### ***1.4.2. Applying territorial marketing instruments to attract the FDI***

Provide product territory (Product): for the foreign investors, the product in their interest is firstly the investment environment, infrastructure, basic public service, attractive points, investors service.

Prices and territorial space (Price): In fact, the territorial price is indirectly defined by identifying the component parts of operating cost of a FDI company. Besides the expenses payable to acquire a territorial space, expenses of electricity, water, transport, taxation, manpower ... should be taken into account.

Distribution (Place): Currently, most of the countries / regions / localities which are positive and proactive on the investment market have their own representative network in many target countries / regions / localities. Representative network form is often associated with multi-level organizational structure of the promotional organizations.

Promotion and marketing territory (Promotion): Such activities show the territory's position and strategy to the investors. This policy includes all the locality's activities to communicate and promote its image to the outside.

The power of government (Power) and attitude of the public (Public): From angle of territorial marketing, the power plays an important role. It creates necessary conditions for its local economy to develop sustainably by building a law system and an effective working institution. Role of local government is expressed in its specific policies such as tariff policy (premise rental, investment related expenses ....); investment promotion policy (support service for investment promotion ....).

***1.4.3. Result evaluation and adjustment to territorial marketing policy in order to raise efficiency of FDI attraction.***

Inspection and evaluation on the marketing process usually cover: inspection and assessment on annual plan; check and assessment on strategy. In the territorial marketing, check and assessment on strategy are applied popularly, namely evaluating whether the present marketing strategy remains suitable or not and evaluating the marketing efficiency in primary aspects as follows: (i) Philosophy about client; (ii) Marketing oriented organization; and (iii) Efficiency.

After marketing activities for FDI attraction are evaluated, it is necessary to recognize difference between the plans (target) and performance as well as to clarify the subjective and objective cause of such difference.

**1.5. Experience in territorial marketing for FDI attraction**

With research on application of territorial marketing to FDI attraction in some Asia countries (Philippine, Singapore, etc.) and Vietnam (Da Nang, Binh Duong), the territorial marketing may be grouped in four as follows: 1/ "Solid" factors like infrastructure (traffic, telecommunication, etc.). They have influence on future efficiency of FDI companies who managed to invest in the locality. 2/. "Flexible" factors like the local policies for the investors and their family, the local investment and business environment. This group is decisive to attracting the investors to the locality. 3/. "Special" factors are related to support services, assurance of material and cultural life for the investors and their family. 4/. "Internal" factors include: capability and



responsibility of the local leaders, mobility and use of qualified labor force (public employees, officials...) and skilled workers with professional consciousness...

## CHAPTER 2: ASSESSMENT ON REALITY OF TERRITORIAL MARKETING FOR FDI ATTRACTION IN HANOI CITY IN PERIOD OF 2009-2012

### 2.1. Reality of economic development and FDI attraction in Hanoi in period of 2009 - 2012

#### 2.1.1. Overview on population and economy of Hanoi – the Capital of Vietnam

Hanoi is both the Capital and the second largest city of Vietnam. Its gross regional domestic product (GRDP) in 2008-2012 period reached to 9.45% per year. Per capita income in 2012 was USD2,257 per capita, 1.33 times higher than the year 2008. Regional budget revenue constantly equals to and exceeds the budget assigned by the Central Government and the Municipal People’s Committee. In 2012, total of social investment capital was 232,659 billion dong, 1.8 times higher than the year 2008.

#### 2.1.2. Present status of foreign investment attraction in Hanoi City

For recent years, Hanoi has been undergoing a vigorous change in FDI attraction. Hanoi ranks the third in FDI attraction nationwide.

**Table 2.1: Hanoi’s foreign investment in comparison with the nation through periods**

Period	Number of projects			Registered capital (USD1000)		
	Nation	Hanoi	Ratio %	Nation	Hanoi	Ratio %
2001-2005	3,522	322	9	10,629,000	2,964,000	27.8
2006-2010	10,482	1,412	13.5	165,647,374,045	18,938,243,969	11.4
up to 12/ 2012	1899	489	25.8	21,950,000	1,931,600	8.8

(Source: Hanoi Department of Planning and Investment)

As shown in the table above, the investment capital of Hanoi varies in parallel with that invested in Vietnam. Ratio of project number in Hanoi is relatively high (25.8%) but the registered capital is inadequate, just at 8.8%. This means that many FDI projects in Hanoi often have medium and small scale. Hanoi concentrates the attraction to the industries that involves high grey matter. Also, in general, the investment capital tends to pour in service industry.

Such results come from Hanoi’s efforts in business environment improvement to be smoother, announcement on covering all the construction costs of “outside fence of industrial zones” facilities such as “electricity, water, road, supporting the enterprises in

recruitment and training of high-quality manpower. Moreover, daily behaviors related to the investor, such as tax, social order, etc. are also cared, enabling the investors to feel secure about their business here.

Nevertheless, the investment capital attraction of the city remains much restricted, just because Hanoi meets some disadvantages in FDI attraction compared with another, for example, land price, salary, etc. are less competitive than other provinces, cities. Furthermore, Hanoi is the capital so the so-called “breakout” as other provinces, cities is impossible.

## **2.2. Analyzing the factors that affect the territorial marketing for FDI attraction in Hanoi**

### ***2.2.1. Effect of macro factors***

Macro factors include objective elements (meaning the investment environment of Vietnam) that have influence on the investment attraction in the locality (namely Hanoi). Generally, for the last years, the legal environment – Policy (P), economy (E) have had strong impacts on the foreign investors with more challenges than opportunities. Conversely, the environmental factors, society (S) and technology (T) have positive effects to the FID attraction.

### ***2.2.2. Effect of competitive environment factors***

Competition in FDI attraction among the localities tends to rise in Vietnam as a consequence of decentralization and demands of socio-economic development. At 25-year foreign investment conference, Prime Minister Nguyen Tan Dung said that our common spirit is decentralization, perfection of decentralization regime in direction of both promoting the local creativity, imitative and assuring the united management of the central government so that it is probable to minimize the weakness where the investor may harm our nation’s benefits.

### ***2.2.3. Effect of the factors related to the investors***

In the research by Nguyen Manh Toan, he mentioned 4 factor groups that may affect selection of investment place with 8 criteria including economy (potential market, cost advantages), resource (human resource, natural resource, geographical position), infrastructure (technique and society) and policy (incentives and assistance).

In general, on selection of investment place, the foreign investors should pay attention to: 1/. Infrastructure (technique and society); 2/. Administrative procedures (business registration, taxation, customs, etc.); and 3/. Business environment (incentives and assistance, etc.). Of course, their inclusive interest is the profitability and sustainability of the business.

#### ***2.2.4. Effect of internal factors (of Hanoi)***

Hanoi owns many advantages in FDI attraction. Firstly, in geographical aspect, Hanoi lies in the development tangible of Hanoi – Hai Phong – Quang Ninh with many advantages in traffic and economic development. Secondly, Hanoi is the center of politics, culture, technical science and it is a great economic center of the country. Its GDP growth is fairly high (10.53% on average in 2006-2011 period – higher than the average of the whole country). Economic criteria are stable and growth is fairly good. Many leading-edge technology industries lie in Hanoi. Thirdly, Hanoi's infrastructure is relatively perfected.

Nevertheless, Hanoi still has some weak points. In regard to labor force, its high-skill manpower is deficient. Moreover, labor cost in Hanoi is much higher than the others. In respect to infrastructure, road system is still restricted, lack of bypass roads; inner traffic is not good and there is an inadequacy in administrative management, urban management. Its competitive power and attractive image to attract the FDI, especially the European and American investors as well as spearhead industries have not been as high as Ho Chi Minh city and some others.

### **2.3: Analysis and assessment on territorial marketing for FDI attraction in Hanoi in 2009-2012 period**

#### ***2.3.1. Identifying and attracting strategic clients/investors of Hanoi***

In term of foreign investment attraction, it is possible to segment the market, the investors by origin of country and investment area. Japan is still the biggest investor in Hanoi's industrial zones. In general, Asia countries are still the markets attracting Hanoi's investment. At present, about 57.8% of investment projects in Hanoi is occupied by service industry. This is also an attractive market segment to the foreign investors.

**Table 2.2: Investment structure by sectors (based on the valid projects)**

No.	Description	Investment capital – million USD	Ratio
1	Industry	4,317,500,000	39.2%
2	Service	6,363,500,000	57.8%
3	Agriculture - Forestry	319,000,000	2.9%

*(Source: Hanoi Department of Planning and Investment)*

Hanoi orients priority to foreign investors attraction (by nation and production – business lines). However, targets of attracting the investors from Europe and USA have not been executed well.

### **2.3.2. Survey on territorial marketing for FDI attraction of Hanoi City**

Practical research orients toward basic goals: (i) Clarify the factors that affect selection of investment place of the Foreign invested enterprises. (ii) Analyze the foreign investors' evaluation on relevant policies of Hanoi City to attract the FDI.

Qualitative study: Interview some leaders and managers of Hanoi DOPI, Industrial & Export Processing Zones Management Board of Hanoi in order to realize the matters the foreign investors want to know when they decide investment place as well as business and production process. Quantitative study (Sample size: 105): using the questionnaires with definite contents.

The study indicates that Export Processing Zones Management Board of Hanoi holds a role more important than DOPI, which reflects the investors' demands on infrastructure and associated services. Japanese investors occupy 53.3%, followed by Korean investors. The investors from USA and EU just take a small percentage (under 8%) inadequate to their potentiality as well as Hanoi's goals. New investment form is essential.

Selecting the investment place, the foreign investors rely on many factors, of which each has its own significance to them.

**Table 2.3: Main rationale to place the factory in the locality**

	Feedback		% by situation
	Quantity	Rate %	
Cheap labor	39	22.8	44.3
Good infrastructure	45	26.3	51.1
Near the input suppliers	10	5.8	11.4
Near the clients	43	25.1	48.9
Near the producers of similar products	6	3.5	6.8
Favorable conditions for transport	28	16.4	31.8
Total	171	100.0	

(Source: Survey outcomes of the writer)

In the table above, the foreign investors select the investment place according to three “solid” factors as follows: 1/. Good infrastructure (51.1%); 2/. Near the market / clients (48.9%) and 3/. Cheap labor (44.3%). Followed by favorable traffic conditions (31.8%).

For “flexible” factors of FDI attraction, results are reflected in many variables. The first, the investors’ evaluation on policies related to operations of the foreign invested enterprises. The second, evaluation on support and assistance of Hanoi City. The third, approach to production elements such as materials, manpower, capital, real estate. The forth, local government’s assistance in the production. The fifth, infrastructure. The sixth, decisive factors to the enterprise’s investment in Hanoi. The seventh, decisive factors of selection of investment place. The eighth, evaluation on incentive policies of Hanoi offering to the investors. The ninth, way of selecting Hanoi for investment. The tenth, role of Hanoi investment promoting agency.

**Table 2.4: Synthetic assessment on policies related to operation of foreign invested enterprises**

Assessment	Number of answers	Gross average	Standard deviation
Specific laws and regulations related to business lines of the enterprise	88	2.03	.355
Tax policy	90	2.12	.392
Land policy	73	2.07	.30
Customs procedure	75	2.11	.35
Land clearance compensation policy	29	2.14	.441
Credit policy	48	2.02	.252
Financial regulation (account, foreign currency transfer, exchange rate...)	42	2.10	.431
Labor policy	83	1.90	.42
Environmental protection policy	75	1.99	.450
Technology policy	42	1.98	.517

(Source: Survey outcomes of the writer. Note: Gross average collume show relative evaluation on each regulation where the point up to 1 means good while up to 3 means bad)

As evaluated herein, the labor policy is deemed the most rational (1.90/3) whereas the land clearance policy is most unreasonable (2.14/3). The technology policy gets very different opinions and evaluations. Meanwhile, feedbacks on credit, land, customs policies show much higher unanimity.

In making decision on selection of investment place in Hanoi, the foreign investors pay special attention to three factors below: Labor cost; Availability of the industrial zones; Labor quality. Others: tax preference, land, urban scope, infrastructure quality, etc.

In opinion of the foreign investors, Hanoi's investment promoting agencies play an important role (68.4% of feedbacks) while just 10% evaluates it low.

## **2.4. Assessment on territorial marketing of Hanoi to attract the FDI**

### **2.4.1. Achievements and results of territorial marketing activity**

#### *2.4.1.1. Philosophy of clients*

Leaders and competent authorities of Hanoi are always aware of significance of FDI attraction to its socio-economic development. Hanoi also tries it best to understand and adapt itself to the foreign investor's decision-making on selection of investment place.

In other hand, awareness of significance of the client – the foreign investors is also seen in periodical reporting activity of the Municipal People’s Committee in regard to FDI attraction and implementation in Hanoi.

#### *2.4.1.2. Marketing oriented organization*

Hanoi City allocates the FDI management to three key agencies expressly: 1/. DOPI gives advice to the Municipal People’s Committee to award and manage FDI projects outside industrial zones and hi-tech parks; 2/. Industrial & Export Processing Zones Management Board awards and manages the projects inside the industrial zones; 3/. Hoa Lac Hi-tech Industrial Park Management Board awards and manages the projects within its area.

DOPI acts as a head to summarize reports and give advice about general policies on FDI activity in the city, to submit regular reports to Municipal People’s Committee and MOPI as stipulated thereof.

#### *2.4.1.3. Efficiency of marketing activity.*

As evaluated by the investors, except for attractive factors of market, manpower, infrastructure, for recent time, Hanoi also attracted attention of the enterprises, the investors owing to its strong reform in investment procedures, especially related to the land, infrastructure connection with Northern provinces which is in process of completion, considerable improvement of auxiliary services and industries, etc.

Recently, Hanoi has taken interest in incentive and support policies for infrastructure development, for example supporting 50% capital to build engineering infrastructure, plan of the industrial zones. Hanoi also offered assistance in trade promotion: Supporting up to 70% cost of trade promotion to the investors producing the exports. At the same time, administrative procedures become simpler and shorten time of license from 5 to 25 days in comparison with the Government’s regulations hereof.

### **2.4.2. Several basic restrictions of territorial marketing for FDI attraction of Hanoi City**

In consideration of Hanoi’s FDI attraction policies on basis of applying the territorial marketing variables, Hanoi’s FDI attraction still contains some basic shortcomings as follows: (i) The investment environment has not been improved



strongly. An unattractive investment environment shows that product policy and role of the Power are not good in the FDI attraction; (ii) Unobvious positioning: territorial picture that Hanoi wants to build in mind of the foreign investors has not been fixed; (iii) Promotion and communication programs are ineffective, and (iv) The infrastructure fails to meet requirements, including the engineering and social infrastructures.

Apart from three problems above, Hanoi's image is also damaged in the eye of foreign investors because of pollution.

## **CHAPTER 3: RECOMMEND THE TERRITORIAL MARKETING SOLUTION TO FDI ATTRACTION IN HANOI, PERIOD OF 2013-2020**

### **3.1. New background to affect the foreign investment attraction of Vietnam in coming time.**

#### ***3.1.1. General background***

In international aspect, the investment from 2011 to 2020 will continue to increase in investment flows among the nations, especial the FDI. Technology transfer among the countries will be in the same direction as investment shifts among the countries, the regions, the areas, etc.

Regarding to long-time prospect, Vietnam has many chances to become an industrialized country at medium level in 2020. Concurrently, Vietnam concentrates on full performance of market economy in 2018. Finally, Vietnam will be active in international economic integration in order to attract the FDI strongly and effectively on basis of improvement of its national competitive capacity.

#### ***3.1.2. Challenge to foreign investment attraction in Vietnam***

In general, confidence in Vietnamese economy is weakening and there are concerns about business and investment environment in Vietnam. Backward infrastructure, even in the transport sector, becomes the bigger concern. Administrative reform seems slow and especially there are many problems around dubiousness, bureaucracy, corruption.

### **3.2. Vietnam's opinion and orientation to FDI attraction till 2020**

#### ***3.2.1. Vietnam's opinion on FDI attraction***

- Opinion 1: FDI attraction should be suitable with industrial, socio-economic development programs.

- Opinion 2: FDI exploration should make use of competitive advantages of Vietnam in comparison with the other countries in ASEAN.

- Opinion 3: Attraction, usage and management of foreign direct investment must be efficient.

- Opinion 4: "Clean" FDI attraction for sustainable development of Vietnamese economy

### ***3.2.1. Vietnam's orientation and duties of FDI attraction till 2020***

Vietnam will endeavor to generate strong shifts in FDI attraction by selecting projects with high quality, high value added, state-of-the-art and environmentally friendly technology, enhancing linkage with domestic enterprises, conforming to economy restructuring plan and orientation. According to the Ministry of Planning and Investment, Vietnam strives to raise the FDI ratio over total social capital at 26% in 2015 and at 27-28% in 2020. Annual FDI deployed on average is about 18 billion USD.

### **3.3. Hanoi's FDI attraction target**

#### ***3.3.1. Development policy, duties of Hanoi Capital***

Planning direction and goal is to develop Hanoi as an effective, sustainable, highly competitive city and a capital with unique history, culture, tradition, landscape, architecture and to preserve its uniqueness.

#### ***3.3.2. Hanoi's FDI attraction policy***

Hanoi gives priority to the sustainable development projects. Priority is also offered to the projects making the clean energy products with high value added, increasing in intelligence, technology contents in each product, supply service, encouraging construction of centers for hi-tech research – development, source industry and auxiliary industry, healthcare and education projects satisfactory to regional and international quality standards. New urban development projects underline the development while healthcare, education, culture projects meet the regional, international quality standards.

#### ***3.3.3. Goal of FDI attraction***

Hanoi's FDI attraction goal till 2020 is as follows: For scale of capital – it strives to rank the second in FDI attraction and disbursement, targeting at occupying 15-20% of total social investment of the city. In 2014, Hanoi expects to attract 435 projects with registered capital of 1.4 billion USD (increasing by 7.7% compared with 2013), of which 350 projects are newly awarded with registered investment of 950 million USD.

### **3.4. Territorial marketing solutions to FDI attraction in Hanoi city**

#### ***3.4.1. Understanding about the foreign investors' behavior***

Marketing thought considers the investor as client and Hanoi leaders should understand behavior and expectations of FDI enterprises thoroughly. The fact in Vietnam indicates that the foreign investors' demands and expectations focus on three basic matters: 1/. Macro environment with policy institutions, exactly the investment environment; 2/. Infrastructure of traffic, telecommunication, electricity, water, etc. and 3/. "Friendliness" of local people as well as profession of public employees, official in the course of public service to the foreign investors.

#### ***3.4.2. Segmentation, selection of target client and territory positioning***

In FDI attraction orientation of Hanoi up to 2020, the target clients include: 1/. In term of economic structure, the service sector exceeds 50% of total FDI. In industrial sector, priority is given to projects which apply hi-tech, clean technology, save energy and natural resources and being environmentally friendly, etc.; 2/. In term of origin, FDI density from USA, EU and Japan will exceeds 50% in 2013 and reach to rate 70%; 3/. A list of FDI attraction will be developed, including the projects: building the high-quality hospital; building the high-quality vocational college; building the high-quality industrial zone;

Hanoi Industrial and Export Processing Zones Management Board determines the areas which will enjoy the investment incentives: 1/. Production of new materials, energy; CNC production, biotechnology, information technology, machinery; 2/. CNC application, modern technology, ecological protection, research, development and germination of CNC; 3/. Build and develop the infrastructure, etc.

In term of image, it is important to find out "the most salient difference" of Hanoi in comparison with the others so as to generate the programs increasing in its attractiveness. For example, Hanoi is the center of Finance and Hi-tech Service.

### ***3.4.3. Hanoi's combined territorial marketing policy to attract the FDI in 2013-2020 period.***

#### *3.4.3.1. Product – Power strategy*

This thesis describes the product inclusive of policy and role of the Power and necessary conditions to perform the policy (Product). In other words, it is necessary to put forward solutions to investment environment improvement, development of industrial zones, infrastructure and urban environment, supply and quality assurance of basic public services, skilled manpower, raising the service quality provided to the foreign investors.

#### *3.4.3.2. Promotion strategy*

Synchronous utilization of investment promotion techniques; territory positioning and development of promotion will be applied. Exciting and suitable messages should be chosen for the promotion. A locality may have various promotion choices. There are four big strategies attracting visitors, residents and labors, business and industry, to increase in exports. They are traditional strategy and image advertisement; promotion of hot spots; introduction of infrastructure and people.

#### *3.4.3.3. Enhancing performance of the Investment Promotion Center*

Department of Planning and Investment should continue to propose solutions to completion and improvement of trade promotion quality: (i) Heighten quality of information; (ii) Develop and ensure profession of the trade promoting agency; (iii) Enhance cooperation among the trade promotion agencies; (iv) Diversify, multilateralize modes of trade promotion, etc.

#### *3.4.3.4. Place and price strategy*

Hanoi ought to make sure that procedure of investment licensing is the most rapid and safest. Hanoi may expand its contact channel via agents in the diplomatic network (embassy, business transaction).

In respect to the price strategy, Hanoi pay special attention to reformation in administrative procedures for purpose of providing transparent, updated and timely information, minimizing time cost for the investors to start their business; making decision on land prices within its area, effective on the 1<sup>st</sup> day of January every year.

#### *3.4.3.5. Seeking the local people' advocacy for the FDI project (Public)*

Firstly, intensifying propaganda of policies, laws of the Party and the Government to the officials and people in respect to the land clearance. Secondly, strengthening leadership of the local governments. Hanoi Industrial and Export Processing Zones Management Board should guarantee to have effective solutions to traffic, environmental problems .... in its area; And thirdly, intensifying the relationship with local government, whereby to assure business environment and living environment for members of Industrial and Export Processing Zones.

#### ***3.4.4. Developing the territorial marketing activities***

##### *3.4.4.1. Action plan*

The action plan consists of specific steps, policies, activities and schedule which should be performed by Department of Planning and Investment, Department of Industry and Trade, other departments, districts and industrial zones in order to attract a huge amount of FDI. Contents of such plan should be obvious, specific, active and detailed from preparation to implementation. Such an action plan should specify duties to be performed and persons in charge of each duty.

##### *3.4.4.2. Implementing the FDI attraction solutions*

To achieve the FDI attraction goals, Hanoi should issue series of solutions as follows: Develop and promulgate the official documents related to attraction, promotion of foreign investment; Review administrative procedures in pursuance of Program 30, phase II regarding simplification of administrative procedures; Complete the ISO process in relation to foreign investment; Conduct investigations, inspections at FDI enterprises which do not have contact information, regular reports; and take measures to deal with such enterprises.

#### ***3.4.5. Assessment and adjustment on territorial marketing program to attract the FDI***

Criteria should be applied to evaluate efficiency of each promotion technique. The investment promoting agencies may self-evaluate or hire an external entity to evaluate the promotion. Evaluations and adjustments should be executed separately as per methodology as well as each organization. Contents will include analysis on success,

failure and reasons. Both positive and negative opinions will be considered carefully to improve the investment environment.

### **3.5. Brief on recommendations to better the investment environment and FDI attraction in Hanoi**

#### ***3.5.1. Recommendations to FDI attraction for Hanoi***

The first, heighten efficiency and quality of planning, development plan of each sector/product. The second, complete regimes, policies to encourage the foreign investment, including: Investment incentive, support policies; Development policy of capital and credit market; Commercial and market policy; Land policy; Policy on development of materials source; Policy on development of human resources, etc. The third, intensify, improve performance of foreign investment promotion and campaign.

#### ***3.5.2 Several recommendations to policy on investment environment improvement in Vietnam***

The most importance is: Continue to execute and adjust the law system, reform on administrative procedures in order to foster performance of FDI projects; Develop the strategies to attract the foreign investors and some areas with high CNC content, export production; improve the investment promotion.

## CONCLUSION

Hanoi is the center of Politics – Culture – Society – Economy of the whole country. Marketing thought requires Hanoi to operate by itself as an enterprise toward market orientation. The leaders ought to know how to build the Capital as an “attractive product” as well as how to show off and promote specific properties of this “product” effectively to the foreign investors or the target markets.

The thesis provides a reference frame on application of territorial marketing in order to attract the FDI more effectively to Hanoi City. Reality of marketing application to development of the Capital and the FDI attraction in Hanoi has been much interested by the City leaders. However, due to low extent of application, the results are not as good as expected. In this thesis, Hanoi’s FDI attraction activities are analyzed and evaluated in viewpoint of territorial marketing. The thesis also recommends some territorial marketing methods to attract the FDI that are suitable with targets and adequate to potentiality of Hanoi. Those are to build an attractive investment environment for the foreign investors, to improve the infrastructure, to raise quality of labor forces and assistance services.... At the same time, promotion activities are also very important so as to create a positive picture on Hanoi in mind of the foreign investors, for purpose of turning Hanoi into a “ideal destination to the foreign investors”

Due to limited scope of research in respect to time and resources, the Thesis has not covered all the matters in territorial marketing to attract the FDI and thus certain shortcomings cannot be avoided. I, the writer, hope to receive comments, suggestions from the experts to perfect my thesis.

Sincerely thanks.