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**CAUSES AND EFFECTS OF FOREIGN DIRECT INVESTMENT:
BASIS FOR POLICY RE-DIRECTION IN THANH HOA PROVINCE
IN VIETNAM**

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ABSTRACT

This research was undertaken with the primary objectives of: (1) To describe the trends in FDI in Thanh Hoa Province in the period from 2001 to 2012. (2) To determine the factors affecting attraction of FDI in Thanh Hoa Province. (3) To analyze the effects of FDI in the economic growth of Thanh Hoa Province. (4) To formulate policy implication to enhance economic growth of Thanh Hoa Province in Vietnam. To organize the research questionnaire, the conceptual framework was adopted from the Eclectic Paradigm or the “OLI” paradigm developed by Dunning 1993 and according to factors which are influencing to choice of a host market of Gilomre, O’s Donnel, Carson and Cummins (2003). The paper was studied six major factors such as Political / Government / Legal Factors, Social and Cultural Factors, Economic and Market Factors, Financial Factors, Availability of resources factors and Infrastructure Factors which are highly affecting for the inflow of FDI. The variables under each of the above factors have been included in the questionnaire.

The research methodology of the study which explained conceptual frame work, research design, population and sample size, questionnaire design, data collection and data analysis methods. The research was conducted in two phases. The first phase involved secondary collection, desk tally by review, literatures, research, journals, publications, books, official reports from government officials. The second phase was the primary data collection by doing survey using structured questionnaires (either through e-mailing, telephone and direct face to face interview). The population of this research was forty one (41) FDI entrepreneurs and 100 officers. To obtain the sample size it was used the Slovin formalation and the sample size was determined as 37 and 80 respondents respectively.

Data processing methods, survey results are coded, data entry are described by

statistical tool. The combinations of descriptive and as well as statistical tools have been used to analyze the findings of the study. The data were processed by using SPSS. All primary data collected through the questionnaires were analyzed by frequency tables and correlation analysis. The techniques like simple tabulations have been used for the frequency tables, determination of rank sum, mean, P Value, Adj. Variance and standard deviations. Correlation analysis was used to study the linear correlation among the various factors affecting FDI and the level of significance.

This study focuses on the four main issues: Firstly, about the trends in FDI in Thanh Hoa Province, FDI in Thanh Hoa increased rapidly in the period from 2001 – 2012. Secondly, about the factors affect the attraction of foreign direct investment in Thanh Hoa Province. We found that there are two aspects of the Thanh Hoa economic environments in which international business partners are particularly interested: the economic and marketing and infrastructure factors. However, the social and cultural factor seemed not be a significant factor. Most investors put the social and cultural factor in the least important group. Thirdly, analyze the effects of FDI in the economic growth of Thanh Hoa Province. FDI has a positive impact on the industrialization and modernization in Thanh Hoa province in recent years. However, the current state of foreign direct investment in Thanh Hoa still exist some limited such as: Total investment project is small, they are not commensurate with the potential and strengths of provincial; Differences between the registered capital and performance capital is large, performance capital growth is not high etc. Finally, evaluate the favorable level of factors affecting the investment process of FDI enterprises in Thanh Hoa province. The result of the study shows that there are some

factors that have been evaluated as much more favorable, while other factors are considered more difficult.

Based on the findings of this research, recommendations were made to the relevant in Thanh Hoa government in particular and as well as to the in the center government for the formulation of appropriate investment incentive policies to attract more foreign direct investment opportunities into Thanh Hoa province in the future in-line with the FDI entrepreneur's perception.

TABLE OF CONTENTS

	<i>Page</i>
ACKNOWLEDGEMENT.....	ii
ABSTRACT.....	.iii
TABLE OF CONTENTS.....	vi
LIST OF TABLES.....	.ix
LIST OF FIGURES.....	x
ABBREVIATIONS.....	.xi
CHAPTER 1. INTRODUCTION.....	1
1.1 Background.....	1
1.2 Problem Statement.....	3
1.3 Research Objectives.....	5
1.4 Study Object and Scope.....	6
1.5 Research Questions.....	7
1.6 Significance of the Study.....	8
1.7 Research Definitions.....	9
1.8 Organization of this study.....	14
CHAPTER 2. LITERATURE REVIEW AND STUDIES.....	15
2.1. Theoretical overview: FDI.....	15
2.1.1 Definitions of FDI.....	15
2.1.2 Attract FDI.....	17
2.1.3 Forms of FDI.....	18
2.1.4 Effects of FDI.....	21
2.1.5 Summary of some theories of attraction of FDI.....	22
2.2 FDI and Motivation.....	28
2.3 Factors Influencing Location of FDI.....	35
2.3.1 Political stability and policy mechanisms factors.....	35

2.3.2 Socio-cultural environment factors.....	35
2.3.3 Financial factors.....	36
2.3.4 Economy and market factors	36
2.3.5 Resource factors.....	37
2.3.6 Infrastructure factors	38
2.4 The determinants of the FDI in Vietnam review of literature.....	40
2.5 Overview of Thanh Hoa province	48
2.5.1 Overview of Thanh Hoa’s social - economy.....	48
2.5.2 The mechanisms and policies for attracting FDI in Thanh Hoa province	49
CHAPTER 3. RESEARCH METHODOLOGY	53
3.1. Theoretical framework and hypothesis development	53
3.2. The data collection and data analytical framework	55
3.3. Sample size and Population determination	60
3.3.1 Population determination	60
3.3.2 Sample size determination	61
3.3.3 Sampling Method.....	62
3.4. Questionnaire Design.....	62
3.5. Response Rate	63
CHAPTER 4. DATA ANALYSIS AND RESULTS	64
4.1 The trends of FDI inflows in Thanh Hoa Province in the period from 2001 to 2012 ..	64
4.2. Data analysis about the factors affecting the attraction of foreign direct Investment in Thanh Hoa Province.	67
4.2.1 The importance of various factors in attracting FDI ìnlows in Thanh Hoa province	70
4.2.1.1. Political/governmental/legal factors (F1).....	70
4.2.1.2. Social and cultural factors (F2).....	72

4.2.1.3. Financial factors (F.3)	73
4.2.1.4. Economic and marketing factors (F4).....	74
4.2.1.5. Availability of resources factors (F5)	75
4.2.1.6. Infrastructure factors (F6)	76
4.2.2 Results of the Analysis.....	77
4.3 Data analysis about the effects of FDI in the economic growth of Thanh Hoa Province	78
4.3.1 Contributions to development and movement of economic structure	79
4.3.2 Contributions in mobilizing invested capital for development	80
4.3.3 Employment change.....	81
4.3.4 Contribution of FDI sector in province revenue.....	82
4.3.5 FDI contribution to export turnover.....	83
4.4 Analysis of factors affecting the process of FDI investment in Thanh Hoa province	84
4.2.1 Analysis of research results	84
4.2.2 Correlations coefficient	89
CHAPTER 5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	91
5.1 Summary	91
5.2 Conclusion.....	93
5.3. Policy implications	96
5.4. Limitations and further research.....	99
BIBLIOGRAPHY.....	100
Appendix - A.....	106
Appendix - B	107
Appendix – C	118
Appendix – D	137

LIST OF TABLES

Table		Page
4.1	Foreign direct investment project licensed in period 2001 to 2011	64
4.2	The importance level of political, governmental and legal factors	70
4.3	The importance level of social and cultural factors	72
4.4	The importance level of financial factors	73
4.5	The importance level of economic and marketing factors	74
4.6	The importance level of availability of resources factor	75
4.7	The importance level infrastructure factors	76
4.8	Descriptive Statistics	77
4.9	The important of factors affecting the process of FDI investment in the Thanh Hoa province (Response from the management FDI)	85
4.10	The importance of factors affecting the process of FDI investment in the Thanh Hoa province (Response from the civil servants)	86
4.11	Factors affecting the investment process of FDI enterprises in Thanh Hoa Province	87
4.12	Descriptive statistics and correlation (Response from the civil servants)	89