

### 5.3 Investment promotion activities

#### 5.3.1 Image Building

*Image building should involve top political leaders*

While image building by itself does not guarantee increases in investment, it can be a useful tool to convey changes in policies and general impressions of a country. A review of image-building campaigns from various countries reveals two important aspects:

- Involvement of top political leaders
- Clear and consistent message

The message may change over time as the economics situation develops. Looking at the example of China below reveals that image building campaigns have been of an evolutionary nature.

In the case where reforms have been implemented, for example, image building activities can correct investors' misperceptions. However, it is important that an image building campaign be followed by investment-generating activities.

#### Case study - Image building in China

*China's message has adapted to the changing economic environment.*

China has gone to great lengths to ensure that concerns of foreign investors are addressed. Messages issued to the business community are consistent and focused.

The messages are given at meetings of all levels, expressed in the Chinese media and more importantly in the foreign language Chinese controlled media and in overseas Chinese language media. Specific business magazines are used as mouthpieces whilst trade bodies, organisations and delegations all deliver consistently the central themes

These messages can be characterised over the last twenty years as follows:

**1980's** - In response to investors' concerns that the reforms might be reversed the government issued in many forums two key messages:

- *"reform is here to stay"*
- *"The government will not re-appropriate investments" – investors therefore have protection through property surety.*

**1992** – China reasserts that economic reform is key and that it is moving towards to socialist-orientated market economy.

- *"Increasing influence of market forces"*

**1996-1997** - The government announces its intention to reshape SOE's, permitting some to vanish as the government continues its drive to join WTO.

- “SOE reform”

1997/8 - Whilst relatively unaffected by the Asian crisis China expresses concerns about the region as whole - stand up as a voice for the region and taking greater interest in the regional economy.

China has also had campaigns based on *Focused theme marketing*

- Flagship developments
- Global events such as the Olympic bid, Asia Games, Expo 2010. These events raise China’s profile on the global stage
- “New China” image development. This theme is consistently pushed through the outreach media including overseas and foreign language media.

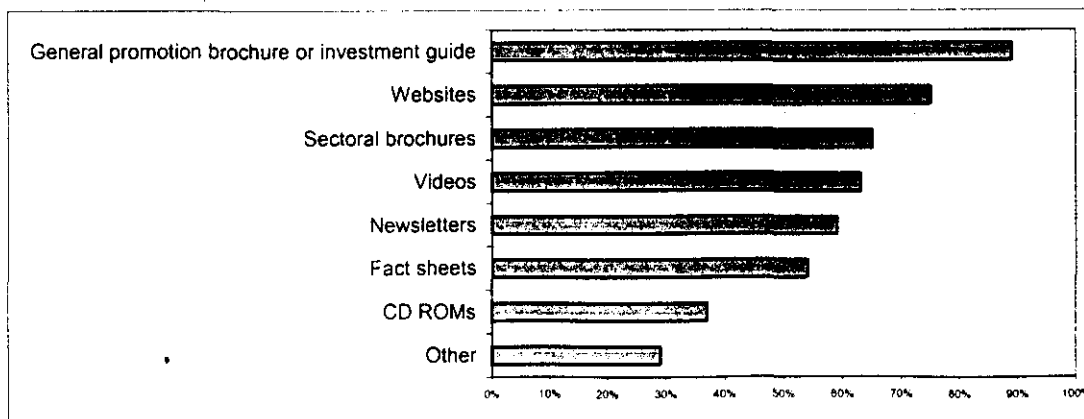
### 5.3.2 Promotional Tools for Image-Building and Investment Generation

The promotional tools used to communicate investment opportunities to prospective investors vary widely among agencies. Many place a good deal of importance on personal contact which can be achieved through international conferences and trade fairs, hosting visiting missions for foreign investors, organising seminars and meetings as well as conducting missions to other countries.

A number of non-personal promotion techniques are also employed such as direct mailing and advertising in foreign media. General brochures are the most frequently used marketing material, but the internet has become increasingly popular and there are indications that investors are using this medium to collect data on investment prospects.<sup>55</sup>

*A number of promotional tools can be utilised for investment promotion*

**Figure 63: Most common promotional tools used by IPAs**



Source: UNCTAD, 2002

<sup>55</sup> UNCTAD, 2002

**Case Study - Best practices in Internet –based investment promotion<sup>56</sup>**

The advent of the Internet has transformed the concept of distance and has made a wealth of business and investment data available at the click of a mouse. Internet has particular implications for IPAs and for developing countries facing increased competition for foreign investment flows, this new medium opens opportunities to reach potential investors and to close the “information gap” encountered.

*The internet is playing an increasingly important role in investment promotion.*

Today, it is standard practice for an IPA to operate a Web site providing online access to key investment information on their country or region, such as: an overview analysis of the business environment; recent inward investment trends; key economic data (e.g. GDP per capita, inflation); the investment regulatory regime and investor incentives; details of relevant commercial laws and regulations; analysis of high potential sectors and associated factor costs; descriptions of specific investment opportunities; and details of the services the agency provides to potential investors..

Many Web sites now provide more in-depth information and analysis, such as detailed comparisons of factor costs (e.g. labour, utilities) with their immediate competitors. These IPAs also update and add new content to their sites on a more frequent basis (e.g. weekly) in order to encourage repeat visits to the site.

The website of an IPA can be important tool to provide potential investors with information on the investment environment and investment opportunities in a given country. A review of the websites of Thailand and Malaysia gives good insight into what type of information is made available and promotional tools used.

*The websites of Thailand and Malaysia detailed.*

**Websites of Thailand and Malaysia***Thailand*

The main investment promotion agency is the Board of Investment of Thailand (BOI). The BOI website is listed at [www.boi.go.th](http://www.boi.go.th) and advertises that it offers investors on-line information about investing in Thailand and claims that the **"Thai BOI is your one-stop source of up-to-date business and investment information."**

The website is maintained and managed by JLF Associates Ltd., an international business consultancy firm based in Bangkok, Thailand specialising in website management and marketing communications.

The website is available in English, Chinese, French, German, Japanese and Thai. Once potential investors choose a language, they are presented with a broad range of links to various sources of information. The design is colourful

<sup>56</sup> UNCTAD, WIR 2002

*The BOI website is well designed and maintained*

with a number of charts and tables used to describe the data. The colour scheme is adequate, but pictures related to Thailand are not included.

The first thing that stands out, however, is a link to a document outlining the BOI strategies. This is two-page paper describing the seven strategies adopted by the BOI to cope with the changing world of the 21st century and that Thailand seeks to implement in order to continue and increase its attractiveness as an investment location.

Some of the important links provided are as follows:

- BOI Divisions, Organisational structure and Who's who in the BOI
- Doing business in Thailand
- Thailand in brief
- Thailand information database
- Promoted companies database
- Other websites useful to investors

Doing Business in Thailand section is very comprehensive and begins with an overview of establishing a business in Thailand and types of business organisations. It provides links on topics such as industrial licensing, taxation, patents and trademarks, the cost of doing business in Thailand and the status of Thai infrastructure, including facilities such as airports, deep sea ports, and highways, and the availability of power, water and telecommunications.

The web page also contains links to a page of statistics, which displays tables of utility, communications and labour costs, tax rates, information about air, sea, rail and road freight pricing, and information about availability and cost of land within industrial estates. Other charts and tables provide costs of establishing and running an office in Bangkok, and the results of a survey of expatriate living costs in Bangkok.

*A complete picture about the business climate in Thailand is presented*

The page also contains information about industrial production of selected products in Thailand, tables breaking down Thai imports and exports by product and a table displaying interest rate movements for the past 5 years.

It is noted, **"By the time you have finished visiting all these pages, you will have a complete picture about the business climate in Thailand."**

Thailand in Brief section provides an overview of demographic, monetary, social and culture and business environment in Thailand. The discussion on demographics emphasises the educational and wage level of Thailand as well as the structure of the labour force while the monetary part looks at general economic information such as GDP, inflation rates. Other economics information is provided in the business link. The social and culture part provides a brief discussion of topics ranging from history, topography to the structure of government.

Thailand Information Database is a library of documents from various sources such as the Bank of Thailand, Ministry of Transport and Communication,

*The BOI website is very user-friendly*

National Statistical Office etc. It can be searched, selected, and sorted providing access to a wealth of information.

Promoted Company Database is a listing of every company and every project promoted by the BOI. This database can be filtered and sorted by the user and the output is a table of qualifying projects. From the table, you can access a page of information about each project.

There is also a download page that provides one location for the visitor to download any of the information referred to in the BOI Home Page.

Finally, there is a link to the Procedures for Obtaining Promotional Privileges that walks the potential investor through the application process of applying for BOI promotional privileges - from the time an application is submitted to the time a business starts operation.

Overall, the website of the Thailand Board of Investment is extremely user-friendly and provides a vast source of information to the investor. It also includes a registration form and user survey to provide feedback to the BOI regarding the needs and satisfaction level of the visitors to the website.

*The website of MIDA is available in English and Japanese*

### **Malaysia**

The main investment promotion agency is the Malaysian Industrial Development Authority (MIDA), the government's principal agency for the promotion and coordination of industrial development. The website is maintained by MIDA and is listed at [www.mida.gov.my](http://www.mida.gov.my). It advertises that it is the first point of contact for investors who intend to set up projects in the manufacturing and its related support services sectors in Malaysia. Overseas investors are also encouraged to contact MIDA for assistance in planning fact-finding trips to Malaysia.

The website is available in English and Japanese and once potential investors choose a language, they are presented with a broad range of links, each highlighted by a picture, to various sources of information. The website makes use of various visual effects to highlight each category.

Some of the important links provided are as follows:

- Why Malaysia
- Investors Guide
- Costs of Doing Business
- Investment Opportunities
- What Investors Say
- Statistics

Why Malaysia is a brief introduction to the benefits of investing in Malaysia and includes sections on economic strength, supportive government policies, an educated work force, developed infrastructure, and a vibrant business environment.

*The Investors Guide provides a complete picture of policies and regulations*

Investor's Guide provides a nearly complete picture of the procedures and policies related to investment in Malaysia. Sections include details on incorporating a company, investment incentives, taxation, immigration procedures, manpower for industry, finance and exchange control, technology transfer, environmental policy, facilities for investment and a list of promoted activities and products.

While the information is useful, a chart detailing the step-by step procedures is not included.

Cost Of Doing Business provides a comprehensive assessment of such factors as starting a business, taxation, human resources, utilities, transportation, and living in Malaysia. Also included is a list of useful addresses, both mail and e-mail, of various state agencies and investor-related contacts.

The data presented is quite detailed and is often broken down to the regional and local level. Wage rates for a large number of professions are made available and utility costs cover everything from electricity to sewage. Again, the information is broken down to the regional and local levels.

*Detailed statistics are available*

Investment Opportunities briefly describes the different type of industries in Malaysia in which foreign investment is encouraged. What is particularly useful to investors desiring to set up a joint venture is a link to a database provided by the Registry of Investors and Contract Manufacturers (RICOM). RICOM's principal objective is to assist local and foreign manufacturers to identify suitable joint-venture partners for projects in Malaysia. The RICOM database can search for the websites and other contact details for all Malaysian and non-Malaysian companies doing business in Malaysia. In addition a company can register with RICOM, free of charge, and company details and project proposal will be posted in the RICOM directory.

What Investors Say lists all investors by country currently with operations in Malaysia. Examples of success stories for various companies are also available.

Statistics is a comprehensive source of data ranging from manufacturing investments to project applications received and projects approved.

In addition to the above sections, there is a link to publications that makes available the information on the web site in soft copy. Some of the documents are available in Japanese, French, German, Italian, Korean, and Mandarin. Additional publications on investment guidelines and forms can also be downloaded.

Overall, the website of the MIDA is user-friendly and provides a vast source of information to the investor. It also includes a registration form and user survey to provide feedback to the MIDA.

*Reinvestment by foreign investors is an important part of FDI promotion.*

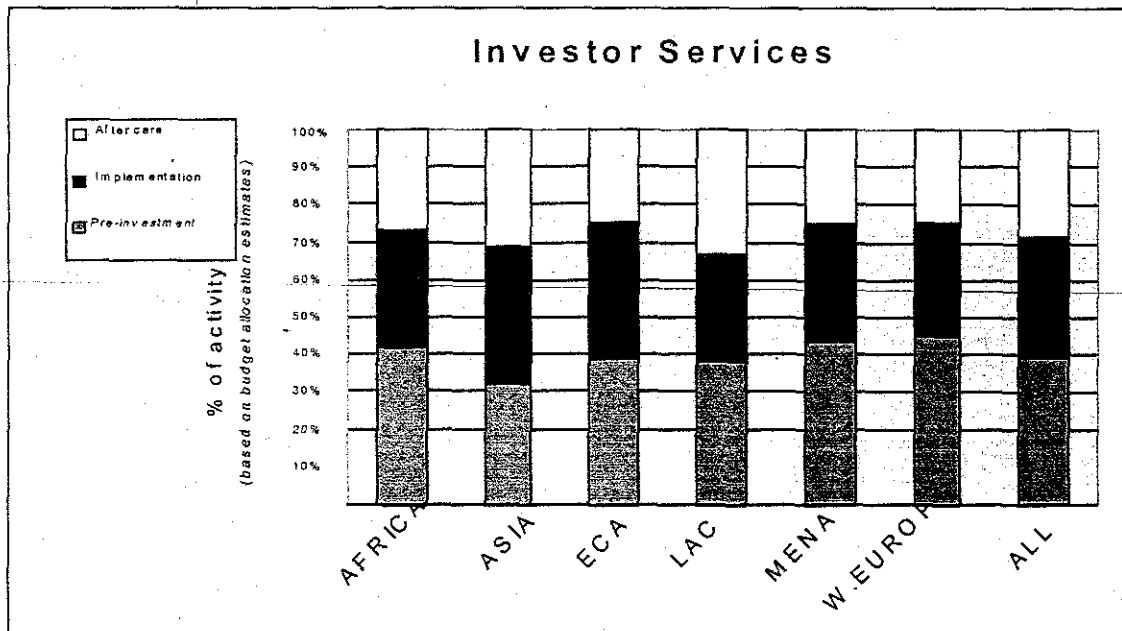
**5.3.3 Investor Services**

Investor services are generally divided into pre-investment and post-investment services. The main types of pre-investment services for most IPAs in terms of importance are business matchmaking (strategic alliance, joint ventures, etc), providing domestic market information, and advice on local employment conditions. For IPAs in less developed countries, providing domestic market information is of prime importance.

The most important post-investment service is the assistance with registration and licensing followed closely by legal assistance and assistance with obtaining the required work permits.

Reinvestment by foreign investors is an important part of FDI and taking care of current investors is an important part of the investment promotion effort. This requires the encouragement of investment through aftercare service.

**Figure 64: Services provided by IPAs**



Source: FIAS Workshop – Investment Promotion: Towards Best Practices, 2002

*Hiring a qualified staff is of prime importance.*

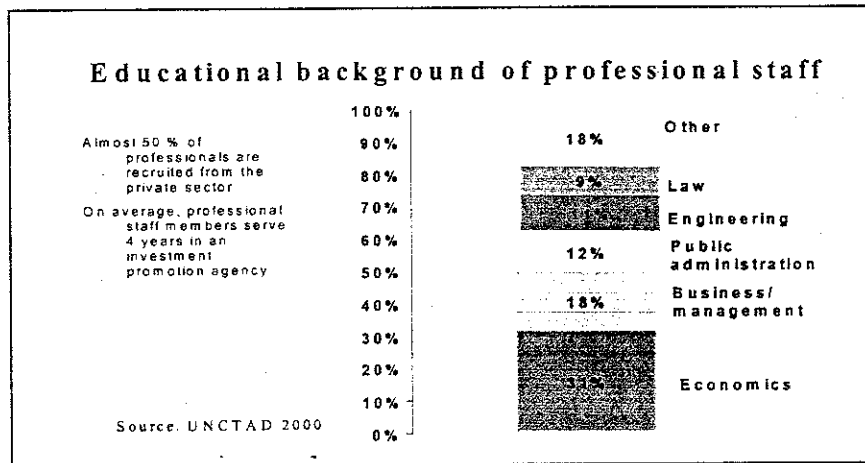
**5.4 Staffing the IPA**

The staffing of the IPA will depend on the budget allocation and the number of task assigned to the IPA. While some IPAs are multi-million dollar operations with hundreds of staff in various countries, others operate with few employees on a severely constrained budget.

Hiring a professional staff is of prime importance and the employees must

possess skills necessary to carry out the functions of the agency. A survey of the educational background of professional staff is presented below:

**Figure 65: Education background of IPA's professional staff**



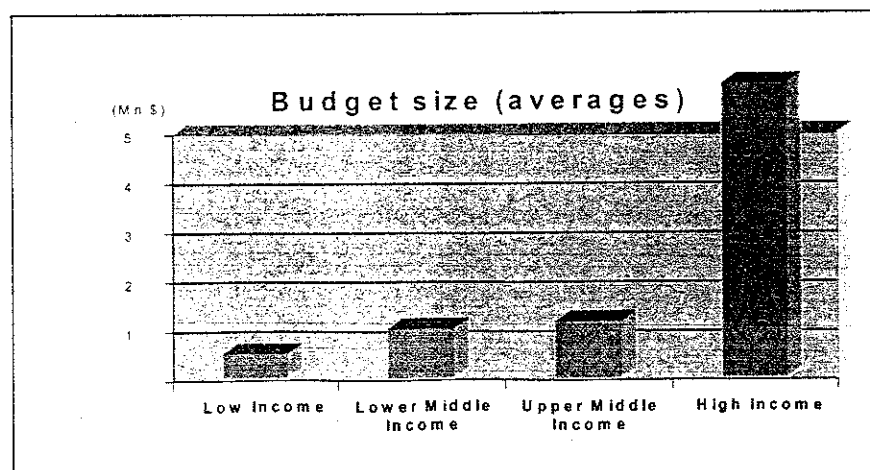
Source: FIAS Workshop – Investment Promotion: Towards Best Practices, 2002

### 5.5 Budgets

*There is a wide dispersion of IPA budgets*

Information on budget and staff salaries is difficult to obtain, but data show a wide dispersion between income groups. As expected, there is a direct relationship between the budget size and the income level of the country. The scope of activities in higher income countries will also be higher, but most of the budget differences can be attributed to organisational structure and functions as well as the scope of services carried out by the IPA.

**Figure 66: Average budget size for promotional activities**



Source: FIAS Workshop – Investment Promotion: Towards Best Practices, 2002



### 5.6 Case Study - Thai Board of Investment (Thai BOI) - FDI promotion activities

*The BOI of Thailand is a good example of a well-run IPA.*

The Board of Investment (BOI) of Thailand undertakes FDI promotion activities in Thailand. The promotion activities carried out by Thai BOI could be classified into 3 groups with the emphasis varying from time to time.

#### Image building

The purpose of image building is to raise the profile of Thailand as an appropriate location for FDI. Promotion activities include:

- Advertising in general and business media,
- Participating in investment exhibitions,
- Advertising in industry sector specific media,
- Conducting general investment missions, and
- Conducting general information seminars on investment opportunities.

*Image building has used to change negative perceptions.*

Only since the mid 1980s has the Thai BOI carried out systematic promotion campaigns. At the early stage, promotion activities included advertising and arranging for investors and journalists to visit Thailand to explore investment opportunities and organizing overseas mission.

In 1992, Thailand experienced a political crisis that created a negative image in the international investment community. To restore the image of Thailand, Thai BOI initiated a campaign under the slogan "*Thailand: Open Society, Dynamic Economy*" with cooperation from both the public and private sector with a budget of 80 million Baht. Activities under the program included advertising in leading newspapers in targeted countries, organizing missions and presentations, inviting foreign business leaders and journalists to Thailand, organizing the Thailand Forum with over 50 COEs of leading foreign companies in Thailand to demonstrate their confidence in the Thai economy etc.

The economic crisis in 1997 prompted Thai BOI to carry out another image building campaign with a budget of US\$ 3 million for a period of 6 months. This campaign concentrated on the seriousness of the Thai Government in resolving economic problems.

*In 2002, the BOI identified 5 targeted industries for promotion.*

#### Investment generation

These activities focus on targeting investors through various activities:

- Engaging in direct mail or telemarketing campaigns,
- Conducting industry or sector specific investment missions,
- Utilizing networks of overseas offices,
- Meeting with existing foreign investors, and
- Engaging in firm specific research followed by sales presentation.

An important action of Thai BOI is to strengthen the role of overseas offices. Although a number of sector studies and seminars were conducted, up until recently, target activities were not systematic and the tracking system was not well in place. Thai BOI just started to put in place a computerized tracking system for investors.

In June 2002, Thai BOI identified 5 industries to be targeted for proactive marketing: agro-processing, fashion industry especially garment, lather and jewellery, automotive, information and communication technology (ICT) including electronics and high value added services such as tourist and regional head quarters.

Investment services

*The BOI has comprehensive investor services*

This is one of the most important part of the FDI promotion program carried out by the Thai BOI. The services include providing investment counselling services, expediting the processing of application and permits and providing post-licensing services.

Thai BOI has been providing comprehensive services to investors such as providing necessary information via Internet homepage, setting up BUILD Unit helping with developing linkages between MNCs and local suppliers, setting up One Stop Shop for Visas and Work permit and Investment Services Center.

## **PART VI: RECOMMENDATIONS TO IMPROVE THE EFFECTIVENESS OF FDI PROMOTION**

### **6.1 Setting up an Investment promotion agency (the IPA)**

#### ***6.1.1 The need to have a focused investment promotion institution***

*It is highly recommended that Vietnam set up a specific IPA at the national level.*

As discussed in Section IV, investment promotion in Vietnam is carried out at the national level by the Ministry of Planning and Investment. At the local level provincial Departments of Planning and Investment (DPI) and Management Boards of EPZs and IPs (MB) engage in a number of promotion activities albeit with varying degrees of success. What is clearly evident, however, is there are inconsistencies in the message and services provided to both potential and existing investors resulting in confusion and uncertainties. This has impacted on Vietnam's attractiveness as a destination for foreign direct investment.

To function as an effective tool for economic development, however, investment promotion requires a focused institution at the national level to undertake promotion activities. This institution can also take the role of coordinating, assisting and monitoring the promotion activities of local IPAs (i.e. DPIs, MB, etc.) to ensure the quality and consistency of investment promotion. It is critical that the investment promotion agency has the backing of key decision makers and must have a clear mandate for its operations and its activities supported by a clear institutional framework.<sup>57</sup>

Thus, it is highly recommended that Vietnam establish a specific investment promotion agency at the national level to carry out and coordinate investment promotion activities (hereafter referred to as the Vietnam Investment Promotion Agency or VNIPA).

#### ***6.1.2 Secure support for the VNIPA***

*The VNIPA needs to convey the message that the government is committed to making FDI attractive.*

In order for the VNIPA to effectively work, there must be a common consensus on the importance of investment promotion and the role of foreign direct investment in benefiting the Vietnamese economy.

The national government needs to convey the message to both potential investors and organizations dealing with foreign investors that investment promotion is necessary and the government is clearly committed to instituting policies that make foreign investment desirable.

All governmental authorities and in particular the top country leaders should commit to provide support to the VNIPA and ensure that policies and regulations convey the same messages to investors. This is particularly important in Vietnam where lack of coordination and consensus between different authorities as well as inconsistent policies and regulations are

<sup>57</sup> Multilateral Investment Guarantee Agency Investment Promotion Toolkit

perceived as the main obstacles for foreign investment.

### *6.1.3 Proposed agency structure*

Given the specific nature of Vietnam where the investors need an agency that can deal with different Government authorities to help them in resolving troubles and issues concerning laws and regulations, it is preferable that the VNIPA be a Governmental organisation with ministry status.

*The VNIPA should function as the main agency for the country*

The experiences learned from other countries indicate that foreign investors would prefer the organisation dealing with foreign investment having the "ministry" status. They believe that if the national IPA has "ministry" status, it has the same power as other ministries and therefore can better protect their interests. This is particularly important for transitional economies.

*Branch offices of the VNIPA can assist local DPIs, etc.*

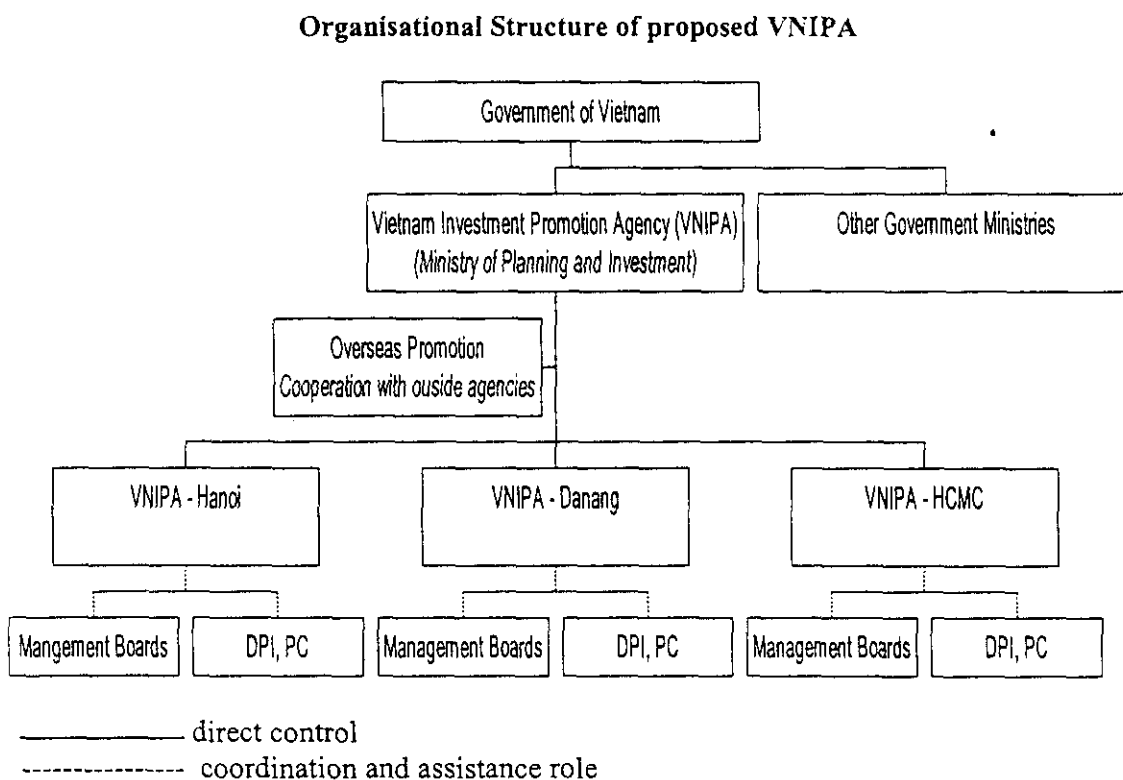
In the context of Vietnam, however, it is not expected that a separate ministry for investment promotion could be created in the short-run. One suggestion is to create a General Department for Foreign Investment within the jurisdiction of the MPI. It is recommended that this Department undertake the role of the national IPA (VNIPA). In the long-term, the VNIPA could be granted "ministry" status.

The VNIPA would function as the main investment promotion agency for the country as a whole. In addition to the VNIPA, branch offices of the national promotion agency should be established in the North, South and Central areas of Vietnam to better serve the needs of these particular regions. These branch offices could assist in coordinating and monitoring the activities of the local DPI's, People's Committees and management boards of EPZ's and IZ's.

In addition, there should be some consideration for the VNIPA to have overseas offices or representatives in major target areas such as Japan, Europe and the United States. This is often considered the best way to carry out promotion and marketing abroad. They can, however, be an expensive option and the benefits must be weighed against the cost. Nevertheless, the VNIPA should work closely with the Trade and Commercial Section of Vietnamese Embassies in foreign countries and other foreign business organizations.

The high level organisational structure of the proposed VNIPA is outlined below.

Figure 67: Proposed organisational structure of Vietnam IPA



**6.1.4 Define legal framework and mandates of the VNIPA**

*The legal framework of the VNIPA needs to be clear and well-defined.*

In order for the VNIPA to effectively work, it needs a clear and well-defined legal framework that specifies its responsibilities, its authority and powers, its structure and its links with the Government. The benefits of a clearly defined legal base include<sup>58</sup>:

- It is a sign of the agency’s stability, permanence and independence for potential investors and national and provincial government officials.
- It establishes and clearly defines the agency’s right, powers and responsibilities in investment promotion activities and related policy issues.
- It forestalls undue interference in its activities by Government, political, business or other special interest group.

The mandate of the VNIPA should be simple, straightforward and limited to a discrete number of tasks specifically related to increasing inward FDI and assisting new and existing investors. For example, the mandate of the Thai BOI follows such a format emphasising the service aspect of investment promotion.

Examples of  
well-defined  
IPA mandates

**The Thailand Board of Investment** is working to be your one-stop shop for service. The BOI helps investors in three key ways: To reduce the risks associated with investment, to reduce initial investment costs and to improve the overall rate of return on investment; and to provide support services at all times. (Thai BOI website)

The mandate of the Malaysian Industrial Development Agency is broader, dealing with both domestic and foreign investment.

#### Malaysian Industrial Development Authority (MIDA)

MIDA is the Malaysian Government's principal agency for the promotion and co-ordination of industrial development in Malaysia. It is the first point of contact for investors who intend to set up manufacturing and related services projects in Malaysia

The major functions of MIDA are:

- To promote foreign and local investment in the manufacturing and related services sectors
- To undertake planning for industrial development
- To recommend to the Minister of International Trade and Industry policies and strategies on industrial promotion and development
- To evaluate applications for:
  - incentives provided under the Promotion of Investments Act 1986 for promoted manufacturing activities, tourism, R&D, training institutions and software development
  - manufacturing licences under the Industrial Coordination Act 1975 and the Petroleum Development Act 1974
  - expatriate posts required by manufacturing projects
  - tariff protection/duty exemption for raw materials, components and machinery
  - joint venture, technical assistance/know how, licence, patent/trademark and management agreements
- To facilitate new and existing companies in the implementation and operation of their projects, and offer assistance through direct consultation and co-operation with the relevant authorities at both the Federal and State levels
- To facilitate the exchange of information and co-ordination among institutions engaged in or connected with industrial development

(MIDA website)

The mandate of China's Ministry of Foreign Trade and Economics Cooperation is much extensive, since this ministry deals with such areas as foreign direct investment, trade, and various forms of economic cooperation. The mandate

dealing with foreign investment, however, is concise, as illustrated below.

**MOFTEC's Mandate Related to FDI**

- To analyze and study China's foreign investment developments and present regular briefings to the State Council.
- To give macro guidance as to China's foreign investment work.
- To draw up and execute administrative rules and regulations on foreign investment, participate in the formulation of mid-term and long-term planning and development strategies of foreign investment.
- To gather and publish "The Industrial Catalogue Guiding Foreign Investment".
- To examine and approve the establishment of foreign invested enterprises with foreign input exceeding the state fixed amount, or engaged in restricted business areas, or in businesses subject to quota and license administration.
- To examine and approve the contracts and statutes of large-scale projects with foreign investment and their subsequent changes.
- To supervise and inspect the implementation of laws, regulations, contracts and statutes by foreign invested enterprises.
- To guide and oversee the attraction of foreign investment and other business opportunities as well as trade performance of foreign invested enterprises in China.

Given the goal of attracting US\$12 billion in newly registered capital by 2005, the following is a suggested mandate for the national investment promotion agency in Vietnam.

*Mandates of the proposed VNIPA should emphasise FDI promotion.*

- increase contribution of FDI to the economy by informing new investors of the advantages of Vietnam as an FDI destination
- facilitate new investments by providing a professional service that enables investors to meet their specific project needs in the various sectors
- to bring to the attention of the government any actions that could further improve the environment for foreign investors
- nurture and assist in resolving problems of existing foreign investors to enable them to expand their current investment

*The VNIPA should also work with policymakers to improve the investment environment.*

A more detailed discussion of the activities involved in achieving the objectives set above is set out later in this report. An outline includes:

- Develop, coordinate and implement FDI investment promotion strategies such as image-building and investment generation
- Identification of FDI targeted industrial sectors for FDI
- Identification of regional areas for FDI promotion
- Evaluate and license FDI projects above stipulated thresholds and in selected areas

- Study and make proposals to the Government on development of policies relating to foreign investment,
- Supervise and monitor the implementation of FDI
- Work to resolve problems of potential and existing investors
- Maintenance of the VNIPA website

The agency should also be responsible for working with appropriate policy makers to improve the investment climate. For Vietnam, this will include urging the simplification of administrative procedures, support for implementation of clear rules and regulations for foreign investment that are not subject to change, calling for the elimination of the dual pricing system and government crackdown on corruption at all the various levels. The VNIPA needs to have the authority to make good on promises made to prospective foreign investors.

It is recommended that the mandate of the VNIPA only focus on activities related to foreign direct investment. Domestic investment and trade promotion activities should not be included in its mandate.

The agency's legal status must be clearly defined and made clear to other parts of the government and a separate budget and staff assigned. The agency should also have a certain degree of financial autonomy to enable it to attract qualified employees and conduct activities.

#### **Should the agency be a One-Stop Shop?**

*There are different models of One-Stop Shop*

The power and functions of One Stop Shops is not the same everywhere. However most of these agencies emphasis investor servicing, in particular post-licensing services. Promotion agencies of neighbouring countries such as Thailand, Singapore, and Malaysia focus on helping investors become familiar with the policy and institutional frameworks of a country and with its bureaucratic procedures for establishing and operating the business.

Different countries have different models of a One Stop Shop. In general, they can be classified into the following 4 levels according to the degree of integration:

*Level 1: Non-coordinated or diffuse frameworks* – this is a do-nothing approach. There is no co-ordination at all and investors must themselves seek necessary approvals, clearance, contacts, sites etc.

*Level 2: Inter-ministerial frameworks* – an approval committee is made up of representatives from various authorities attempting to reduce potential conflicts between different authorities in policy and approval decision. This is more preferable than a do-nothing approach but less satisfactory than one stop approval approach. However, without tight control and monitoring, investors can face considerable delays in obtaining the required approvals and permits. In such a case, the One Stop Shop would be more of a hindrance than help.

*Level 3: One-stop facilitation frameworks* –Under this approach, the One Stop



Shop will provide at a single location information on investment services and on the approval required. This form differs from inter-ministerial framework in that a special unit at the IPA composed officials from relevant authorities such as tax, customs, labour etc is set up. The investors can meet all of them at a single visit.

*Level 4: One-stop approval Centre* – this is the most integrated approach and is close to what investors mean about “One Stop Shop”. The investors could receive all necessary approvals and permits from this Centre. This is what the investors want and what many Governments want to provide. The key success factor of this structure is that the One Stop Shop should have the legal power to issue licenses and approvals. This would require strong commitment from the Government to investment promotion and investment realisation.

Substantial efforts have been put in setting up the “One Stop Shop” by many local authorities (n particular DPIs and MBs). It seems there is consistent opinion as to which approach should be adopted. Each local authority has tried to implement this concept in different ways. The success therefore varies.

*The VNIPA and its branches should aim to be One Stop Facilitation Centre.*

In terms of pre-licensing and licensing process, many local authorities reached level 3 or 4 (i.e. One-stop facilitation or One-stop Approval Centre). In terms of post-licensing services, the local DPIs and MBs are moving from level 1 to 2.

*DPIs and MBs should aim to be One Stop Approval Centres.*

Given the current administrative structure in Vietnam where the issuance of various licences approvals and permits rest with the local Governments, it is not feasible for the VNIPA or its branches to be One-Stop Approval Centres. However, they can help to facilitate approval and act as a One-Stop Facilitation Centre. They can provide investors with information and advice on issues relating to investor’s operation and business.

The role of One-Stop Approval Centre should be undertaken by the provincial DPIs and MBs. The VNIPA would support provincial DPIs and MBs to perform their roles through providing technical assistance, issuing guidelines, organizing training and facilitating knowledge sharing via internet or intranet.

The VNIPA should also act a “Sounding Board” to gather comments from investors and local authorities and make proposals to the Government to improve the quality of investor services.

#### ***6.1.5 Determining the VNIPA’s internal structure and staffing***

*The effectiveness of the VNIPA will depend on the strength of its management.*

The effectiveness of any investment promotion agency will be determined by the effectiveness and strength of its management. While the discussion below provides specific recommendations for the VNIPA, such recommendations are also applicable to provincial and local IPA’s.

Given that the sponsoring ministry of the VNIPA is the MPI, the MPI should appoint a Director to head the investment promotion agency.

It is strongly advised that the individual appointed as director have a significant

level of achievement and able to operate with the senior levels of the government. It is advised that this individual have close relations with the office of the Prime Minister. He or she should have international experience and the ability to read, write and speak English fluently.

The Director should not be assigned any additional responsibilities in the MPI.

*Creation of an Advisory Board:*

The creation of an advisory board to the VNIPA may be desirable, as it will allow the VNIPA to benefit from the advice of the business community and other individuals with relevant experience. Since the advisory board does not have any statutory role its members could include one or two expatriate business leaders or foreign experts on investment promotion.

The advisory board can serve to:

- Offer advice on the current plans and implementation of investment promotion
- Alert the agency to problems and concerns of potential and existing investors regarding government policies and regulations
- Provide comments and advice on issues of concern to the VNIPA

Once there is a clear mandate for the establishment of the VNIPA the functions and responsibilities of the staff of the VNIPA need to be clearly defined. A suggested internal structure would consist of the following divisions:

*The divisions and their responsibilities defined*

DIVISION	RESPONSIBILITIES
Promotion	Investor targeting, conducting publicity and public relations campaigns, producing promotional literature, marketing and advertising. Inward and outbound missions
Investor Services	Investor Services and responsibility for individual cases.
Corporate Services	Personnel, training, finance, Management Information systems, general management
SENIOR MANAGEMENT	RESPONSIBILITIES
Director, Vice-Director Executive Assistant	Strategy, management, relations with other government agencies

In each division, there will be a number of individuals who can be considered "front office" staff and others who will be "back office" staff. Front office staff will be expected to have direct contact with potential and existing investors as well as liaison with other ministries and government officials. The back office staff, however, will not deal directly with investors.

While both types of staff are essential to the successful operation of the

VNIPA, the skills and abilities will differ and determining the number of staff in each division will depend on the mandate and specific tasks assigned to the VNIPA and each division. It should be emphasized that the quality of staff is more important than the quantity and individuals should be appointed primarily based on capabilities and less on political considerations.

Since the main function of the VNIPA will be to conduct promotion activities, particular attention must be paid to this division. At the national level, all promotion or marketing activities will be done from this division.

Some specific recommendations for the promotion and investor services divisions are:

#### Promotion Division

Since the quality and professionalism of the staff of the promotion division are critical to the success of any promotional agency, efforts must be made to recruit the best individuals possible, maintain these individuals and improve staff capabilities.

The skills required for the promotion division include:

- Market research capability, market planning and the ability to use resources effectively (back-office staff)
- Networking and organizing (front-office staff)
- Selling and influencing (front-office staff)
- Presentation and negotiation (front-office staff)
- Foreign languages (front and back-office staff)
- Public relations and how to handle the media (front-office staff)
- Management of time and resources (front and back-office staff)

It is also extremely important that all staff of this division be skilled in information technology, economics or business and fluent in at least one foreign language. English proficiency should be mandatory for all staff (particularly for the front-office staff) and it is suggested that individuals in languages such as Japanese, Chinese and a European language also be recruited.

Below is a recommended structure and terms of reference for the staff of the promotion division:

*The promotion division staff need to be skilled in a number of areas.*

*English languages skills are important*

*Information technology skills are necessary for a number of staff*

Expertise	Terms of Reference
Information Technology, Marketing	Designing and maintaining VNIPA website.
Economics, Business	Responsible for developing information database. Conduct industrial sector analysis for investor targeting
Marketing, Economics Media	Develop campaigns and investor guides for image building and investment generation. Develop promotional brochure, videos, and CD-ROMs.
Marketing Politics Media	Responsible for both inward and outbound investment missions. Liaison with potential investment partners.

External consultants should be used in those areas where special expertise is required. This may include website design, advertising campaigns, and production of promotional material such as videos or CD-ROMs. These external consultants could also assist in capacity building at the VNIPA.

**Case study: Use of external Consultants by the BOI Thailand**

*The use of consultants is recommended*

An expert from JICA is assigned to Thailand BOI to assist with the promotion of Japanese investment into Thailand such as

- to provide investment consultation services for Japanese and Thai companies for the venture in Thailand,
- to assist and participate in investment promotion seminars
- to assist in preparing investment promotion missions to and from Japan
- to assist in BOI Unit for Industrial Linkage Development Project
- to give advice for publishing investment guide books in Japanese language, etc.

Investor Services Division

*The individuals of the investor services division should have a knowledge of different cultures.*

The staff of this division will handle each inward investment case generated by the promotion division or by other means. Ideally a single individual or group should handle each case from start to finish.

To better service the investors, it is recommended that the division be structured following a geographical basis – i.e. a team is assigned to be in charge of certain regions or countries such as Japan, Korea, ASEAN, Asia, Western Europe, US, etc. Apart from the general business skills and knowledge of an investment promoter, the officers in each team should have good understanding of the business style and culture of the countries under their responsibility. For example, the officer in charge of Japan should understand the way Japanese companies are doing business, its culture, and can speak Japanese fluently.

The staff of this division should also be skilled in marketing and public relations

### 6.1.6 Human Resource

Clear policy and legal framework, promotion strategies and organizational structures will not themselves ensure effective performance. Successful promotion needs staff capable of understanding the tasks involved and with the necessary motivation, attitudes, experiences and skills.

The human resource policies of any investment promotion agency need to ensure that suitable staff are selected, adequately trained, and job requirements clearly expressed and monitored and rewards reflect their achievements.

#### Recruitment and selection

Building a professional and qualified investment promotion staff will require recruitment of qualified individuals. Many of the current staff of the MPI do not possess the necessary skills in marketing, advertising, publicity, public relations and research that are necessary to conduct a adequate investment promotion campaign. These limitations must be realized and new or additional staff must be recruited to fulfil this task.

It is recommended that clear requirements and selection criteria be set up for each position. For example, the marketing expert of the promotion division should at least meet the following key criteria:

- Have university degree (preferable of a foreign university)
- Fluent in English and another foreign language
- Good presentation skills and communication skills
- Having good business awareness
- Be able to work independently
- Active and creative

The Economist should at least meet the following criteria:

- Having Master Degree in Economics,
- Having analytical skills
- Fluent in English and be able to communicate in a second foreign language
- Be able to use certain specific software for financial and business analysis,
- Be able to work independently

The recruitment could be done internally or with the assistance of a professional recruitment agency. There are also aptitudes tests designed by professional firms, which can be used to test the analytical skills, creativity, leadership skills etc.

#### Reward system

We understand that the salary structure of state officials is based on a fixed scheme, which is significantly below the market rate. In order to attract and

*There is a clear need for the VNIPA to hire qualified and professional staff.*

*The salary of the staff should be competitive.*

retain quality staff, the salary offered by the VNIPA should be competitive for the market. It is suggested that a specific salary structure for the VNIPA is developed. This should not be regulated by the salary scheme applicable to state officials. We understand that the Ho Chi Minh City Trade and Investment Promotion Centre adopts this approach.

It is recommended that the compensation structure be developed on the basis of the job-based and performance based pay system. This means that the salary of each individual is based on the work performed, the responsibilities attached to the job and the contribution of the individual to the VNIPA's performance.

The development of the salary scheme should therefore take into account the following factors:

- The degree of difficulties and requirements of each job,
- The responsibilities attached to the specific job,
- The market rate for similar jobs with similar responsibilities
- The level of performance

In order to develop an equitable salary structure, a staff grading system should first be created. The salary system will be developed on the basis of the staff grading system. Each staff grade can have from 5 to 8 sub-levels, which reflect the performance and quality of the staff.

Surveys of compensation packages for various professionals in similar occupations are available in Vietnam and can be used as a source for benchmarking. This requires a commitment from the Government in terms of a willingness to pay higher salaries than currently offered by the national government. The present low formal wages paid to civil servants in Vietnam gives rise to problems of divided loyalty, half-hearted performance of official duties, absenteeism and inefficiency.

#### Performance measurements

*Good performance appraisal system with clear criteria are important.*

Performance appraisal is an important part of the HR policy and compensation system. It is necessary that clear performance criteria to be set up for each staff level. Performance criteria could include the following areas:

**Development** such as teamwork, development of others (i.e. subordinates), self-development (both technical and managerial skills),

**Client Services** such as relationship (with investors, other international and governmental organizations), quality of work performed, quality of response to investor's queries etc

**Management skills** such as ability to meet the deadline, response time to investor's queries

**Others** such as knowledge sharing, communication skills etc.

Based on the standard criteria, it is recommended that objectives be set for each staff. Annual performance appraisal should be conducted against the set objectives and performance criteria.

*Training and development should be an integral part of the task of the VNIPA.*

*External training may be necessary to provide the staff of the VNIPA with required skills.*

To keep staff's motivation, the reward system should be linked with the performance. In other words, the performance appraisal results should be used as the basis to determine salary increase and promotion.

#### Training and Development Plan

In a survey of foreign investors conducted for this report, the quality of government officials in terms of factors such as management skills, motivation, language skills and marketing ability was rated only fair by a majority of investors. These deficiencies impact significantly on the perception of Vietnam as an attractive investment environment and need to be rectified quickly.

It is recommended that an overall training and development program be developed for the VNIPA, which should focus on 2 areas: technical training and soft skills training.

- Technical training aims to improve the technical skills of the staff such as legal, business awareness, language, research techniques, market planning, report writing, analyzing techniques, information technology, marketing techniques.
- Soft skill training could cover presentation and negotiation, selling and influencing, public relations and handling the media, leadership, management etc.

There are various forms of training such as:

- On the job training – this could involve cooperation with external consultants.
- External training – undertaking formal classroom training at domestic or overseas institutions. This could be short-term courses (few days to few weeks) or a full program. A number of foreign organizations in Vietnam offer various short-term courses on specific areas such as sales & marketing, presentation, website design etc.
- Observation of activities of counterparts in investment promotion agencies in the region – i.e. sending staff to work as “intern” in other IPAs.

The training program should address the specific needs of each staff level and provide staff with necessary skills and knowledge to perform their duties. For junior staff, the priority should be placed on technical training to build up the basic skills and knowledge. A longer-term program or a full program such as Diploma, Master courses are preferable.

For more senior staff, short-term courses on specific areas are recommended. In addition, the training should focus more on soft skills.

One method of improving the quality of staff is to borrow for periods of time employees from local professional service companies skilled in marketing, etc. The funding for this may come from overseas development agencies of countries

who have an interest in investing in Vietnam. Another option is seconding staff to work in foreign IPAs or organizations for a certain period. The skills and knowledge learned from working overseas will then be transferred to other staff.

#### **Example of External Training Opportunities**

*Standard training workshops are available*

World Association of Investment Promotion Agencies (WAIPA) provides a full programme of training workshops organized independently or in cooperation with other international organizations and private companies. Participation in these workshops is free of charge for WAIPA members. In 2001, WAIPA's training programme included workshops on Investment Promotion through the Internet, Investor Targeting, Investment Show Programming. Each workshop is custom-tailored to the industry sector and geographical area of the participating IPAs. Finally, WAIPA offers the unique opportunity enabling the professionals of WAIPA member agencies to spend up to two weeks training at successful IPAs worldwide.

#### **6.1.7 Budgets and Funding Sources**

*Government funding should be the main source.*

Naturally, the operation of any IPA and its ability for undertaking certain promotional efforts is significantly affected by the resources available. On one site, the operational and promotional budget of an IPA depends largely on the objectives, the promotions strategy and the detailed promotional program. On the other hand, the promotion strategy and program will depend on the potential availability of the resources.

*ODA and private sector could be utilized.*

Resource constraint is the common problem of all IPAs, in particular IPAs in developing and least developing countries. However, without sufficient financial resources, the success of any promotional program is uncertain.

Since investment promotion is a public good, the main funding resource of the VNIPA should be the State budget. Other funding sources include foreign aid, contribution from private sectors or fees from provision of services to investors. Since the VNIPA is a quasi-governmental organization, the main funding for the operation and promotion activities of the IPA should come from the State budget. However, the VNIPA should also explore the opportunities to utilise all other resources.

#### *International aid*

A number of international organization has been providing funding and assistance for state-owned enterprises reform, private sector promotion, capacity building, administrative reform etc. The VNIPA should discuss with these organizations potential financial assistance for FDI promotion. The areas which may be of interest for international donors are:

- Technical assistance in the setting up process, in particular formulating the governance principles, defining the role and responsibility for specific divisions.
- Capacity building – various staff development activities such as



providing short term training courses on selected subjects to VNIPA staff, assigning consultants with specific skills in investment promotion to work at the VNIPA. Some agencies may also offer scholarships for full time courses.

- Management information technology – the VNIPA should seek financial assistance from international organizations for the improvement of the current Web sites and the setting up of the Investor database and potentially the information centre (refer to our suggestions in the following section).

#### *Private sector*

There are various types of support that can be provided by the private sector (i.e. investors). Generally, the private sector often does not provide cash funding, but is willing to participate in various promotion activities. Possible contributions by the private sector to the VNIPA's promotion activities include:

- Cooperation in issuance brochures, business guides, Newsletters and circular these to potential investors,
- Assist with the maintenance of the websites by providing most updated information for example law firms could provide the VNIPA with English translation of the legal regulations for the web,
- Contribution to the organization of investment seminars and conference by assisting with the organization such as preparation of materials, making presentation, making financial contribution.

#### **6.1.8 Performance measurement of the VNIPA**

Setting goals for both the organization and employees will help to focus the attention of the agency on its main task. These goals can be outlined in an annual or semi-annual work plan. Measuring the performance of the IPA can be done by:

- Detailed internal measurement - this involves keeping track of all projects, won and lost.
- Detailed information on the number of site visits or investments that are currently being considered
- Tracking market share of values of projects in competitor regions
- Developing an internal study on the quality of work done by the VNIPA as well as branch and overseas offices. One option is to compile case studies of both good and "bad" situations and meetings can be held to discuss what should and should not be done in the future.
- Conducting a satisfaction survey among a number of existing and potential investors. An external consultant could be utilized for this activity.
- Benchmark studies conducted by an external consultant

*Clear criteria should be defined to measure the effectiveness and performance of the IPA.*

#### **6.2 Adopting a targeted FDI promotion strategy**

*Institutions involved in investment promotion need to adopt and implement an effective promotion strategy*

The results from interviews and surveys reveal an urgent need for institutions designated to carry out investment promotion to adopt and implement an effective FDI promotion strategy. At the national level, the investment promotion strategy would be undertaken by the newly established VNIPA (currently the MPI).

At the provincial and local levels, agencies designated to carry out investment promotion activities will also need to adopt and implement strategies and promotional activities, albeit at less extensive level. The VNIPA and its branch offices should play an important role in both coordinating and supporting the activities of provincial DPIs and MBs.

Therefore, the recommended promotion strategy and technique discussed in the remainder of this paper will apply to both the VNIPA and any provincial or local government institution in Vietnam assigned the task of investment promotion.

A FDI promotion strategy should cover at least the following issues:

- What industry sectors will be targeted in the short term (1-2 years) and in the medium term (3-5 years)?
- Which key geographical should receive focus?
- What promotional approaches will be used to reach these companies and why they are selected<sup>59</sup>?

#### **6.2.1 The need to have a targeted promotion strategy**

*Targeting promotion can help Vietnam achieve its strategic objectives*

The current investment promotion trend is to move to more focused promotion strategies – i.e., to focus promotional resources on attracting a defined sub-set of FDI flows rather than FDI in general because of the following reasons.

Firstly, a targeted approach can help the country to achieve strategic objectives related to aspects such as employment, technology transfer, exports and cluster development in line with its overall development strategies.

The second reason is the increased worldwide competition for FDI, in particular export-oriented FDI. Generally, TNCs consider a broader set of potential investment locations for export-oriented FDI, and a focused approach is particularly important for small and less developed economies.

Another reason for targeted promotion relates to cost-effectiveness. Many IPAs have realised that general image building and investment generation activities are not sufficient unless done together with a well-defined strategy to attract a specific kind of FDI.<sup>60</sup>

#### **6.2.2 Determination of target industry and potential sources of investment**

A targeted FDI promotion strategy requires the determination of which

*"Selling points" of Vietnam help determine the targets*

industries, activities, countries, and even companies should be the focus of attention. The starting point is a careful assessment of Vietnam. The purpose of this assessment is to benchmark Vietnam against other competing countries such as the ASEAN5 and China to identify Vietnam's relative strengths and weaknesses – i.e. to understand the "selling points" of Vietnam.

Based on the analysis of the competitive advantages of the Vietnamese investment environment set out earlier, the key "selling points" of Vietnam are:

- A stable political and social environment
- A strategic location in Indochina and South East Asia and potential access to the regional market
- A large and young workforce that is cost-competitive.

Part III of this report presented a systematic approach to determine target industries for FDI promotion. Although a detailed analysis of specific firms in each industry is beyond the scope of this study, the results in Part III will provide a good starting point from which the newly established VNIPA and other relevant IPAs can implement a targeted campaign. The industrial analysis showed that the Government should firstly focus on those industries which, based on specific criteria spelled out, are rated with a High score from both Government's and investors' perspective.

These include:

- Oil and gas industry
- Electronics
- Chemicals
- Garment
- Shoes
- Leather products

*FDI promotion is an on-going process*

Those industrial sectors which received a High score for the Government, but Medium score from investor's perspective include, may also be targeted depending on the goals and resources of the relevant IPAs. The Medium rated industries are:

- Mechanical engineering
- Information technology
- Fishery products processing
- Agriculture products processing
- Textile
- EPZ and IZ infrastructure construction

It should be noted that an FDI promotion strategy is not a static analysis. Given the changing nature of the global, regional and local economies, the detailed and comprehensive studies of regions and industrial sectors to better identify potential investors must be constantly reviewed and updated. The competition for FDI may also make it necessary for the VNIPA and branch offices, as well

as provincial and local IPAs, to identify not only which industry to target, but also activities, or niche areas, within a particular industry that is likely to maximise the location's advantages. A country or location may only have competitive advantage in certain niches or products. It may be necessary for the provinces, for example, to identify these niches and products in which to focus investment promotion activities.

Once the target industries have been identified, it is important to identify the potential segments for possible investment. A common segmentation used in business marketing can be adopted in investor targeting whereby the market can be segmented by economic, geographical, demographic and psychographic criterion. For foreign investment, geographical and economics sectors are most important.

Using geographical segmentation, for example, and based on the analysis in Part III, a preliminary assessment recommends that the national IPA in Vietnam (VNIPA) should target the following countries

Target industries	Target home countries
Garment and textile	Taiwan, Korea, Hong Kong, Singapore
Leather, shoes/footwear	Taiwan, Korea, Japan, Hong Kong, Singapore
Electronics	Japan, United States, EU countries, Korea
Oil & Gas	United States, EU countries, Malaysia, Russia
Food processing	Taiwan, Korea, Japan, EU countries
Information technology	United States, Japan (for hardware), EU countries, Singapore
Chemicals	United States, EU countries, Japan, Korea
Mechanical Engineering	Japan, Korea
EPZ, IZ infrastructure construction	Japan, Singapore, Indonesia, Korea

The targeting strategies of the priority industries selected for promotion should also be considered in light of their structure and production techniques. The table below, for example, shows the structure of the priority industries determined in Part III, broken down into the categories of capital intensive, labour intensive, natural resource, technology, and export based. Based on this analysis, policies, measures and marketing strategies specific to each industry can be developed.

Target industries	Capital Intensive	Labour Intensive	Natural Resource	Technology Based	Export Based
Garment		X			X
Textile	X			X	
Leather, shoes/footwear		X			X
Electronics*		X		X	
Oil & Gas	X	X	X		
Food processing		X		X	X
Information technology		X(S)		X(H,S)	
1. Software (S)					
2. Hardware (H)	X(H)				
Chemicals	X				
Mechanical**		X			X
Engineering	X				
EPZ, IZ infrastructure construction	X				

\*The extent to which this industry will fall under each category will depend on the particular product, choice of production technique, etc. It is expected that the industry would be less labour intensive over time.

\*\*This industry includes a broad array of products and the characteristics of each may vary

Nevertheless, developing strategies to promote a specific industry or specific county is not practical or feasible until both a national IPA is established and an overall development strategy for the economy has been agreed upon by the relevant authorities. As mentioned before, investment strategies are dynamic, and it should be noted that formulating strategies should be one of the priorities for VNIPA and other relevant IPAs.

#### Case study – The targeted approach in Thailand

Thailand identified the following 5 target industries based on their long term growth potential, their need to be strengthen efforts to be able to compete effectively in the global marketplace and their need to take the advantage if their competitiveness.

*Agro-industry* – Thailand has abundant natural resources, cost-effective labour and proven production capabilities. Thailand is the world's largest exporter of rice, canned tuna, rubber and canned pineapples. These fundamental strengths are seen as a basis for the industries' transition into higher-value-added agro-processing by improving product quality, yields and sustainability.

*Automotive industry* – The main strengths of Thailand are cost-effective skilled labour, availability of parts and components suppliers and access to the regional market.

*Fashion* – particularly leather, garments and jewellery. Thai craft persons are well respected for their artisanship. Inward FDI is expected to improve product design and to build up Thai products and brand.

*Electronics* including information and communication technology. Thai electronics goods have long been accepted in the global market. The challenge is to move from simple assembly to higher value added processing.

*High-value added services* including software services, printing and long-stay tourists.

For each targeted industry, policies, measures and marketing strategies specific to each industry are developed taking into consideration their needs based on factors such as competitiveness, market potential and levels of technology.

The BOI identified 3 regions for its targeting strategy: EU, Asia (especially Japan, China, Singapore, Taiwan Province of China and Korea) and North America (United State and Canada). These regions will receive more investment missions from Thailand. Additional overseas offices will be opened in these regions to provide more individualised services to potential investors. During 2002, new offices were opened in Shanghai and Hong Kong. In 2003, offices will be set up in San Francisco and Osaka. (UNCTAD, WIR2002).

#### **China's targeted Overseas Chinese**

China has a large and wealthy community of overseas Chinese. As part of China's targeted FDI promotion strategy, special focus was placed on attracting overseas Chinese.

Prior to 1992 the amount of FDI from this source was not large. Whilst many individuals had attempted to negotiate with local politicians to obtain the favourable conditions they were seeking as a condition of entry few had been successful.

In 1992 Deng XiaoPing made an important tour of the southern provinces and a series of speeches all widely reported in international media announcing that China was opening up for business and was particularly interested in accommodating overseas Chinese returnees.

Perhaps the single largest contributing factor to the post 1992 increases in FDI was the almost unanimous adoption by the leadership and the people of Deng's theories of "Building Socialism With Chinese Characteristics" incorporating the thesis of a "Socialist Market Economy"

Whilst any move away from the communist legacy of Mao was always going to be difficult Deng's description allowed for a half way house that worked for proponents of communism and their socialist ideology whilst acknowledging the existence and benefits of the market. This acknowledgement is viewed by many as the trigger for FDI growth post 1992.

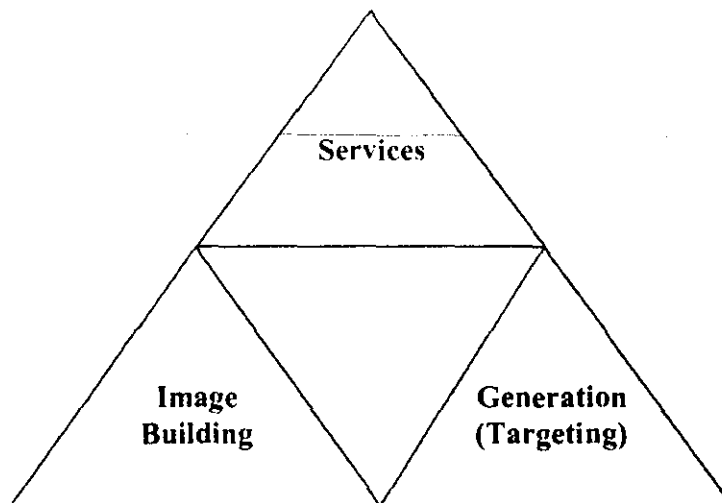
A further feature of the overseas returnees, that Vietnam may be able to capitalise on, is the close association with hometowns. Many of the wealthy individuals either returning to the mainland or investing in mainland projects have chosen to invest in their family hometowns or in the locale. The prestige of a local person that has "made good" and subsequently returned wealth to the area is good combination for both parties. Politicians are keen to promote the investment, businessmen receive favourable treatment (compared to other towns) and the personal connections and links that are important for business anywhere in the world are often already in place.

### 6.3 Investment promotion techniques

There is a range of techniques to promote foreign investment. They can be classified into three groups:

- Techniques aimed at building the image or changing the investment image of a country – **image building techniques**
- Techniques used to generate investment directly – **investment generating techniques**
- Techniques aimed at servicing existing and prospective investors – **investor servicing techniques**

The relationship between these activities can be described as follows:



Investment promotion agencies generally engage in all three activities. However, the priority given to any particular element of the promotion process will depend on the individual country, its investment requirements, the resources, policy and regulations, and the conditions in domestic and overseas markets. The priorities will also change over time and with the development stage of a country.

*Vietnam's image in the international arena needs to be improved.*

*A central marketing theme needs to be developed*

### **6.3.1 Image building strategies and techniques**

#### **6.3.1.1 Effective marketing methods**

In any changing environment, there is always a gap between perception and reality. This is especially true for economies going through an economic reform process. In Vietnam, economic reform has proceeded at a rapid pace, but investors may not know the full extent of these changes. Based on the survey, it appears that investors are not fully aware of the extent of the reforms, as information has sometimes been difficult to obtain.

Making investors aware of investment opportunities and the investment environment is an important component of promotion. Potential investors need to be aware that reforms are in place.

In addition, the general awareness of potential investors about Vietnam as an investment destination is very low. For some, there is a lingering association of Vietnam with the image of war. This may be particularly true of European and American investors.

An image-building campaign will also need to dispel negative images and make people, not only investors, aware that Vietnam is open for business and well on its way to integrating into the world economy.

The main objective of image building for Vietnam is twofold:

- "Raise the awareness of Vietnam"
- "Improve investors' perception of Vietnam".

#### **Develop a central marketing theme – a message to investors**

To be effective and avoid confusion, a central marketing theme for Vietnam should be developed. This will need to be done by the VNIPA. This then should be incorporated by provincial and local IPAs, although they may wish to include other messages more relevant to their particular location.

The central theme will be used to improve the country's image both in the investment community general and in the targeted sectors. The marketing theme should:

*Reflect what the investor is looking for* – investors' needs are generally to improve efficiency and profitability. The marketing theme should demonstrate how Vietnam could help investors to meet this need. It might, for example, stress the large, cheap and literate work force.

*Reflect the unique selling points of Vietnam* - to distinguish Vietnam in the eyes of investors, the theme must clearly identify Vietnam's unique selling points. For example – strategic location in Indochina and South East Asia, strong



*The message to investors must be accurate, truthful, and consistent.*

Government and popular support for economic reform.

*Be accurate and truthful* – Do not try to sell something that does not exist. Inaccurate advertising creates negative perceptions and resentments that are difficult to overcome.

*Be consistent* – the central marketing message should extend beyond advertising and be reflected across the full range of promotional activities. It is important that all marketing activities to be undertaken by the central or local Governments should deliver the same and consistent message. An inconsistent message will confuse investors.

Examples of marketing messages for Vietnam could be:

- ❖ Strategic location (Indochina and South East Asia)
  - Most stable
  - Most advanced
  - Gateway
- ❖ Education – oriented society
- ❖ Strong Government and popular support for economic reform
- ❖ Work force of 40 million – young and intelligent.
- ❖ Peaceful and safe environment
- ❖ Committed to change

#### **Promotional tools**

Promotional tools will need to be developed by both the national (VNIPA) and sub-national (provincial and local) IPAs.

*The development of high quality promotional tools is essential.*

*Developing high quality brochures, investment guides, fact sheets, newsletter*

Introductory brochures - Despite the proliferation of new technological approaches to investment promotion (i.e. CD-ROMs, the Internet), printed introductory brochures on the activities of the agency remain useful tools in that they provide an indication of the agency's professionalism and the high standard of service that investors can expect to receive. Conversely, poorly produced brochures containing inaccurate information imply poor standard of services. It is advisable to use a professional firm to assist in designing the brochures.

Fact sheets – are two or three pages documents outlining key data on the location (i.e. a country or province) to potential investors. Key information to be included in the fact sheets.

- Economic and industrial policy,
- Main industrial and business sectors,
- FDI stock and annual FDI flow in sectors, sources
- Trade statistics including export and import
- Investment climate information such as GDP, GDP growth, income per capita, interest rate, currency conversion rate, country credit rating by

*Fact sheets and newsletters can provide useful information to current and potential investors*

- international agencies such as Moody, Standard & Poor etc,
- Incentives regime
- Monetary policy and system
- Employment and labour law including labour cost, wage policy, trade union
- Educational levels
- Customs regime
- Taxation
- Infrastructure
- Utility cost and availability
- Role and services of the IPA

Fact sheets are generally produced in-house and therefore inexpensive.

Newsletters - provide potential investors with information on development of the location and can be used as a direct marketing initiative. Newsletters should be published more frequent, say quarterly. To be effective, each newsletter should address a key topic or a different sectoral focus such as the garment and textile industry and AFTA. Newsletters are not only an image-building tool, but are also an investment generation tool.

Investors often complain about the lack of information on Vietnam. Therefore, the IPA should consider issuing introductory brochures, fact sheets and newsletters to improve its image and the quality of its services.

*Particular emphasis must be placed on bringing the websites up to international standards.*

Website - The Internet can be one of the most effective and inexpensive promotional tools and priority should be placed on designing and maintaining high-quality IPA websites.

The current website of the MPI and those of most provinces have been assessed by investors and others as relatively poor. The website of the HCMC ITPC is much better, but still needs to be improved. Based on the review of the MPI and other countries' websites in the earlier sections of this report, improvement of the quality of the MPI (or new VNIPA) website should be regarded as a priority task for the national IPA. Other IPAs should also improve their websites.

What should be done?

- ❖ *Develop a more attractive design* – An attractive website encourages investors to visit the site. Thus, it also serves as an image building tool. If the technical staff of the IPA are not sufficiently qualified, IPAs may need to engage professional firms to design the website.
- ❖ *Improve the quality of information* – A good website should encourage users to frequent the site not just visit once. Potential investors have certain basic needs for information when considering investing in a country and the following types of information or links to other virtual sites should be made available by the IPAs.
  - Basic macroeconomic data;

*The websites should provide a range of information.*

- How to start and operate a business;
- Basic legal issues;
- Tax structures;
- Investment incentive schemes and other investment regulations;
- "Lists" of service providers such as consulting firms, engineers, lawyers, financiers, business consultants, market researchers, information technology consultants, etc.;
- Specific investment activities by sector;
- Costs of doing business, of labour and industrial land;
- Appropriate government and agency contacts;
- Business association contacts;
- A virtual meeting room where business people can find potential business partners and/or list their particular business interests.
- Examples of success stories

❖ *Maintain the site* – This is the biggest weakness of all Vietnam websites. It is recommended that a team be assigned to maintain the website. Their job should include:

*The websites must be well-maintained and updated*

- Responding to e-mail requests, suggestions, and complaints. A deadline for responding should be set (for example within 48 hours.)
- Keep the site current – this is very important. Surveys showed that many Vietnam websites contain very old and outdated information.
- Keep the site working in order – investors will be frustrated if they cannot access the site.
- Provide a means in which investors can give feedback and suggest improvements to the website

The websites should also:

- Be made available in other languages, such as Japanese
- Be linked to other websites in Vietnam
- Provide links to websites containing information on Vietnam
- Be linked to the website of the investment promotion network ([www.ipanet.com](http://www.ipanet.com))

The websites can be used as a tool to make all hard copies of promotional materials, applications, etc available in soft form which can reduce the costs involved in publications while at the same time providing investors with instant copies of important information. The website can also be utilised for collecting information for the investor database described below.

#### **Case study - Invest in China Website**

In China, in addition to the website maintained by MOFTEC ([www.moftec.gov.cn](http://www.moftec.gov.cn)), which provides information on all activities of this agency including foreign investment, a separate website ([www.fdi.gov.cn](http://www.fdi.gov.cn)) for foreign investors is available.

<p><i>The website should be linked to a variety other sites</i></p>	<p>Invest in China, approved by Chinese government, is a public service project of foreign trade and economic information under the support of the Foreign Investment Administration and International E-commerce Administration of MOFTEC, and functions as an important part of MOFTEC public information service system.</p> <p>Invest In China aims to carry on the positive, reasonable, efficient policy of attracting foreign direct investment, to advance the utilization level of foreign investment and to improve the business environment. The website promptly releases accurate, systematic, high-qualification information on foreign investment for domestic enterprises and foreign investors.</p> <p>Based on several large-scale databases, Invest In China provides information on: policies and laws, industry developments, investment administration, FDI statistics, investment institution, investment services, FDI invitation projects, multinational investment and news, etc.</p>
<p><i>The media is a good tool for promotion</i></p>	<p><u>Advertising campaign and public relations</u></p> <p>Advertising on foreign media (newspapers or TV) is an effective tool to raise the awareness of and to improve the image of a location, especially for a country not having a good image as an investment destination in the world market like Vietnam. However, advertising is expensive. It can be the most single drain on an IPA promotional budget. For example, a full-page colour advertisement in a major U.S. business magazine can cost around US\$80,000.</p> <p>In many cases, where potential investors have a low level of awareness or a misleading image of a location it is important that the IPA be involved with media relations. This is particularly important if the image is unfairly negative. The IPA will need to work with the media to correct these distortions, and a prominently featured in a major newspaper or television program is worth far more than series of expensive advertisements.</p> <p>Thailand and China have effectively exploited the advantages of public relations. Their national IPAs have relationships with all major business magazines. From time to time, journalists are invited to their countries to discuss measures the Government can or will undertake to improve the investment environment. Although most meetings are unofficial and private, in many cases good and positive articles are published after such meetings.</p> <p><b>Case Study – Thailand \$3 M Drive To Rebuild Nation’s Image Abroad</b></p> <ul style="list-style-type: none"> <li>• <b><i>“Thailand is back in the market”</i></b></li> </ul> <p>For years, the Board of Investment has served as Thailand’s cheerleader abroad, attracting the funds and know-how that has helped to develop the country from its agrarian roots into an industrial powerhouse.</p> <p>But following the Asian financial crisis, Thailand faced its most serious</p>

economic crisis in decades, and the Board of Investment Secretary General Staporn Kavitanon had a new priority: coordinating immediate solutions at home and rebuilding the country's battered image abroad.

To accomplish this task, as US\$3 million promotional campaign was launched in Hong Kong during the annual meeting of the International Monetary Fund in late 1997. Produced by Time/Warner, the campaign featured advertisements in the *South China Morning Post* and *CNN*.

The rationale for this campaign, according to Mr. Staporn was that "Everyone who came (to the IMF meeting) saw the message, which came from the people of Thailand. It basically said what our problem is, what medicine we're taking and what our future expectations are."

"We told the world that yes, we have a problem, but that it is being managed, and that our fundamentals are not that bad. What wanted to say is that "Thailand is back in the market."

#### Organising investment seminars and conferences (domestic or overseas)

Investment seminars and conferences are also a useful promotion tool. They can serve both image building and investment generating purposes. To be effective, these events must be highly focused and meticulously planned. A poorly organised conference can give potential investors a negative impression.

Vietnam had organised various investment seminars and conference in foreign countries. Due to problems in organisation and low quality of presentation, these events did not achieve the expected results.

What makes a seminar or conference successful?

- Highly professional management (by the agency or a professional consultant),
- High quality presentation and conference materials
- Choosing the right speakers – i.e. the speakers should have good marketing and presentation skills,
- Ensuring that presentations from all speakers are consistent with the conference objectives and convey the same message,
- Getting a quality audience
- Ensure widespread and positive public relations coverage both before and after the event. Invite domestic and international media; prepare press releases and press kit.
- Follow up the conference by contacting participants to fully exploit potential interest that the conference may generate.

Based on the interviews, most seminars and conferences organised by Vietnamese agencies failed to achieve expected results due to difficulties in management and poor quality of the presentations (both in term of conference materials and speakers).

*Investment seminars and conferences need to be of a professional nature and well-organised.*

*Potential investors want to know the experiences of successful investors.*

Potential investors are very interested in the experiences of existing investors, and involving successful investors to speak about their projects in the conference is a very useful tool. A number of IPAs in provinces such as Binh Duong, Dong Nai, Vinh Phuc have successfully adopted this approach.

#### 6.3.1.2 Improve the investment environment

It can be said that investment promotion is about “selling investment opportunities” to potential investors. A marketing program cannot be successful regardless of how good it is if there is a “bad” product. Creating a “good investment environment” is creating a good product.

*Improving the investment environment may be the most effective promotional tool.*

Part I and II of this report provided an analysis of Vietnam investment environment, policies and regulations concerning foreign investors in comparison with selected countries in the region. It indicates that even though certain improvements have been achieved, the investment environment of Vietnam is less competitive than China and the ASEAN5. Investors are still concerned about the pace of reform and many investors are disappointed with their experience in Vietnam.

If Vietnam wants to attract more FDI, there is an urgent need to improve the investment environment. There have been various reports and studies on this issue and various recommendations are made. This report will only address the most important recommendations to improve the investment environment.

In the short-term, the main objective of the VNIPA is to restore investors' confident. In order to achieve this, the following measures should be undertaken:

*Investor's confidence needs to be restored.*

- Avoid unpredictable adverse changes in the policies and regulations,
- Speed up the administrative reform,
- Reducing business cost by removing dual pricing system and unofficial costs,
- Develop sectoral master development strategy, and
- Increase transparency.

In the medium term (say 3 to 5 years), Vietnam should aim to be in the “Top 25 of the Confidence Index”. To achieve this, the following measures should be undertaken:

- Develop a comprehensive legal framework, not just FDI policies,
- Develop strong institutional framework to implement the policies,
- Elimination the discrimination between state and private sectors,
- Improve quality of hard and soft infrastructure system such as transportation system, banking and finance, training and education,
- Foster the development of a strong private sector,
- Reduce interference by the Government.

#### **6.3.2 Investment generation strategies and techniques**

*The targeted approach is recommended.*

The objective of investment generation is to “highlight investment opportunities to targeted investors.” While many of the promotional tools and techniques discussed in the section above under image building span investment generation and fulfil this objective, it will be necessary for both the VNIPA and provincial and local IPA’s to also carry out more focused activities.

IPAs may be required to go beyond the identification of industries and countries for targeting and need to identify individual companies (i.e. potential investors) and key decision-makers within them at the corporate headquarters, division or regional headquarters or individual foreign affiliates. If the IPA does not reach the right people, there is a risk that much time and resources will be wasted no matter how competitive a location is.<sup>61</sup>

The following section set out recommendations to improve the effectiveness of investment generation.

#### **Developing an investor database**

*An investor database needs to be developed.*

To effectively market Vietnam or a region of Vietnam to specific companies, a database of potential investors should be developed. The national VNIPA (and its branches) should be the primary agency involved in the development of the database, but provincial and local IPAs should provide information. This information would then be utilised by all IPAs.

This database is the storehouse of information that enables the IPAs to build and sustain a meaningful contact with foreign investors. It is also the foundation for targeting and direct marketing activities.

The key information to be included in the investor database:

- Company name
- Investment status
- Contacts and position in the Company – the name and biography of the CEO is important, but try to get information on as many key contacts as possible. It is worthwhile to include the name of personal assistants since they play important role in the communication process.
- Primary contact – need to identify the most appropriate person
- Contact address, telephone, e-mail
- Main business activities – grouping into industry group or subgroup,
- Sales in the recent years,
- Name of parent companies or affiliates
- Recent investment projects
- Internal assessment of potential investment – does the company have a plan to invest in the next 6, 12 or 18 months?

*An intranet system connecting IPAs in Vietnam will allow for information to be shared.*

If contacts with potential investors have already been made, the database should also keep track of all correspondences and communications with details on time and date of contact, means of contacts (i.e., letters, calls, presentation, site visits etc), follow-up requirements, feedback from the company. The database should be added to and updated frequently.

To enable better communication between different offices it is suggested that an intranet system be developed connecting the VNIPA with all branch offices, provincial and local IPAs, as well as overseas offices and/or foreign embassies. This will enable the IPAs to share information and better track the progress of potential and existing investors. It will also aid in speeding-up the resolving of issues that may arise, which is an important part to the investor services issue discussed shortly.

To design the database, any IPA can order customised database software or employ a consultant. The IPA can also buy list of companies from data providers. However, these will only provide standard information. The most useful information should come from the IPA staff through research, data analysis and actual interactions with companies.

### **Prioritising and targeting Companies**

The investor database will provide the IPA (at any level) the list of companies from which a high-potential group of companies or a specific company can be selected as a target for further investment promotion activities.

Contact with potential investors can be generated through various means.

- Direct mailing
- E-mail
- Phone calls
- The Internet
- Promotional events
- Presentation

It is recommended, for example, that a list of participants and their contact details should be obtained for all seminars, conference, workshops, trade fairs and exhibitions. This should be updated in the investor database.

The results of the above activities will help the IPA to further refine target investors and efforts can be made to attract these companies. Such efforts may include letters or phone calls to the respective companies.

A letter is preferable to a phone call, but a phone call may also be useful. The quality of the letter, however, is very important to stimulate the investors' interest. According to MIGA's guidelines, the following features contribute to a good marketing letter:

- The letter is short and to the point.
- It consists of five parts – the heading, the hook, the benefits, the proposition and the call to actions.
- It uses powerful words to convey the dynamism of the sector in Vietnam, and
- It shows that other leading firms are already interested in Vietnam

*The database will enable the IPA to select high potential investors.*

*A well-written letter can be a useful means of contacting prospective investors.*

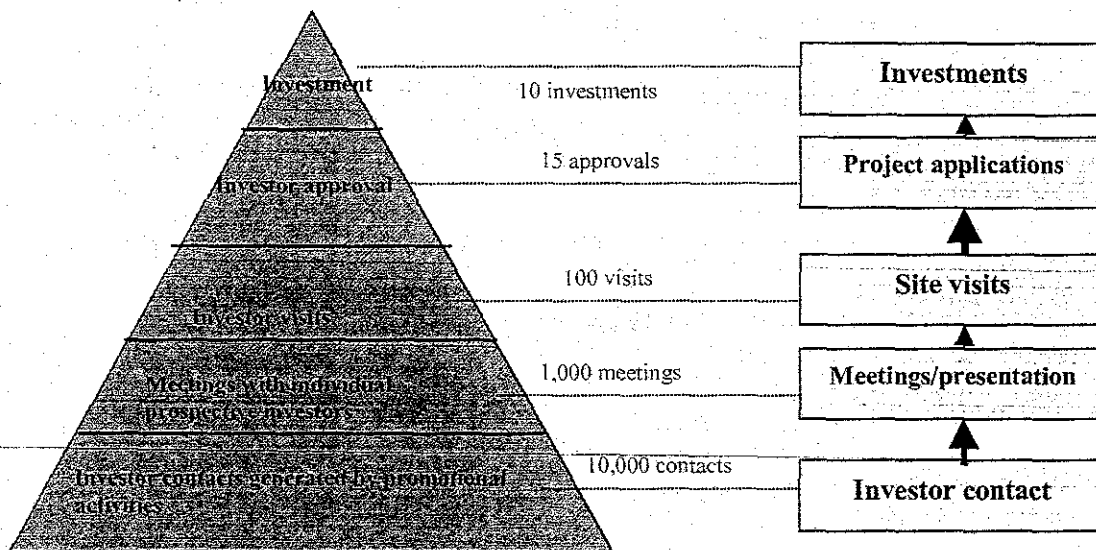


thereby independently enhanced the creditability of the marketing messages.

After sending the letter, the relevant IPA should follow-up on the targeted companies, provide them with additional information and respond to all their questions. Most importantly, the relevant IPA should explore the opportunities to give a presentation and invite them to visit the site. This approach can apply to companies of all sizes.

Investment generation is a long process and can be described in the following chart.

Figure 68: Investment Generation cycle



Source: MIGA – Investment promotion toolkit

The conversion rates indicated in the diagram are for illustration purposes. In practice, the conversion rates vary considerably depending on the location, effectiveness and experience of the IPAs, and the types of marketing tools adopted and the type of companies targeted.

The important message here is that it will require a substantial number of contacts to generate an investment.

**Adopting investment generation strategies for specific types of companies**

*Personal contact is highly recommended for large and TNCs*

*How to market large and transnational companies?*

Personal contact may play a very important role investment generation, but due to limited resources may only be adopted for selected companies such as TNCs.

Given the high profile of the TNCs and high competition for attracting TNCs, it

is recommended that senior officers in the Government, which may include the Prime Minister, Ministry or Provincial officials and Ambassadors be involved in the development of relationships with these companies. Establishing personal relationships with key decision makers of the target companies is an effective way to stimulate their interest.

Thus, for TNCs, mail campaigns may not be the best method of investor generation and more emphasis should be placed on personal contact. Opportunities for such meetings may occur at dinners, receptions, specific visits etc.

The Mayor of the city of Shanghai, for example, invited the CEOs of targeted multinational companies such as Motorola, AIG to visit Shanghai and offer advice on how to improve the investment environment. While he did not invite them specifically to invest in China, through these discussions the companies learned more about Chinas and subsequently made substantial investments.

We understand at a reception for the president of the Qualcomm Group, Vice Prime Minister Nguyen Tan Dung met with the president and pledged to welcome and create favourable conditions for foreign investors in Vietnam. This event was reported very positively in the media and helps to create a good image for Vietnam, particularly in the eye of US companies. An expansion of these types of activities would help Vietnam to both improve its image and lead to investment generation.

One option is to obtain the list of Fortune 500 and identify which companies have been invested in China or other ASEAN and not yet in Vietnam. These companies should be in the priority list for targeting.

#### *How to market to small and medium size enterprises?*

Marketing directly to a specific small and medium size company may not be cost-effective. Indirect marketing approaches are more appropriate in term of cost and resources.

The increasing trend is in the use of the internet. The need for all IPAs in Vietnam to improve the quality of their websites was highlighted earlier. The website can be the most cost-effective means for providing comprehensive information on Vietnam as a location for investment. Since SME's most likely will not have a local presence in the countries to gather the necessary information, they rely on the Internet and other sources of information to screen potential investment locations.

Organising investment seminars, workshops and conferences are also good ways to establish first contacts with SMEs, providing seminars are sector-specific. The use of Vietnamese embassies and agents for investment promotion is also a good strategy in attracting small and medium size enterprises

No matter what the size of the company, following-up on and maintaining

*The internet can be a cost-effective tool for marketing to small and medium size enterprises.*

*Vietnamese embassies and foreign professional firms should be considered to increase the effectiveness of promotion activities.*

regular contacts with these potential investors is important. To ensure they are up to date with the Vietnamese investment environment, it is suggested that material such as newsletters be sent to them on a regular basis. The Internet and e-mail can be a very effective and cost-saving device to accomplish this task. Companies may not want to invest today, but they may want to invest in the future.

#### **Using overseas offices and external agents for investment generation**

Due to the importance of personal contact in investment generation, many countries' IPAs have established overseas offices in key target markets such as the US, Europe, Japan. There are various benefits of having overseas offices.

Firstly, the overseas office would be in the position to respond more effectively to the needs of the potential investors and show the IPA has commitment in that market. However, the cost of maintaining overseas offices is generally very high. For example, to operate one-person office in the US can cost in excess of US\$100,000 per annum. This excludes the cost of organising seminars, conference or launching of advertising campaigns. In addition to the cost issue, the success of the overseas office would depend much on the quality of the local representative. If the local representatives are not properly trained and have experiences in investment promotion, it could be counter productive.

In the case of Vietnam where budgets are limited, Vietnamese embassies or overseas representatives can be good resources for investment promotion. To date, the embassies have only been involved on an ad-hoc basis to assist with organising missions and seminars. They have not been actively involved in investment promotion.

In a number of countries, the commercial counsellor is assigned the task of investment promotion. This may be a good model for Vietnam, provided individuals are adequately trained. In key target markets, hiring a staff to take the primarily role of investment promotion could be considered. To save cost, the staff could be an embassy member, but paid by the IPA.

Using an external agent for investment promotion is also an effective method of investment generation. This approach can be more cost effective than setting up an overseas office. In addition, the IPA could engage experienced professional marketing firms to carry out the task and the effectiveness would be expected to be higher. The fee structure for the agents can be flexible. In general, it would consist of two parts: a fixed minimum fee and a success fee for each investment generated. Certain industrial zones in Vietnam have adopted this approach to attract foreign investors to their zones and it seems to work well.

We understand that the MPI recently engaged an external consultant to carry out an investment promotion program in the US. It should consider applying the same approach in other target markets such as Japan, Korean, and the EU.

**How to attract more Japanese investment?**

Japan is currently the largest investor in terms of realized capital. Based on the analysis in this report, Japan should be a priority country, which Vietnam should target for FDI.

However, specific characteristics of Japanese investors will need to be considered when developing investment promotion strategies and techniques such as

*Improve the investment environment is most important.*

- Similar to other investors, Japanese investors are very interested in Government's efforts to improve the investment environment and reduce bureaucracy and administrative burden. Helping existing Japanese investors to resolve their problems is useful to get more commitment from Japanese investors.
- Japanese investors prefer to invest in locations where there are a large number of existing Japanese investors. Therefore, setting up Industrial Zones and Export Processing Zones with good infrastructure, an important requirement of many Japanese investors should be a priority.
- Most large Japanese companies have established supplier networks. When production facilities are set up overseas, suppliers often follow. For example, when Canon set up its plant in Thang Long Industrial Park, its parts supplier also set up a plant in the Noi Bai Industrial Park. This should be considered in the investment promotion activities of IPAs.
- "Word of mouth" plays a critical role in attracting Japanese investors. Taking care of existing investors will help Vietnam to attract more investment.
- Many important decisions of Japanese companies are made by the head office. Maintaining good relationship with the head office is therefore very important.
- Given Japan is a target country, it may be a good idea to have a representative in Japan, whose main duty is investment promotion. That person should have business awareness and marketing skills and understand Japanese culture. Fluency in Japanese is also desirable.
- Setting up partnerships and networking with business organizations (JETRO), major consulting firms, large investment banks such as Sumitomo Mitsui Banking Corporation, Bank of Tokyo and Mitsubishi, JBIC would allow Vietnam to build contact with their client base.
- Employing a Japanese expert as an advisor is also another good approach. The Thai BOI has a Japanese Consultant on their team.

*Placing a representative in Japan should be considered.*

*Close partnership with Japanese organisations*

<p><i>Satisfied investors are the best marketing tool.</i></p>	<p><b>6.3.3 Investors services</b></p> <p>One comment made in the majority of interviews and surveys is that “satisfying investors is the best marketing tool”.</p> <p>Although significant improvements have been made, the quality of investor services is still not adequate, in particular during the project implementation.</p> <p>Investor service begins from the point a prospective company visits the location and continues throughout their project life. Investor service does not stop at the time where the investment licence is issued.</p> <p>Investor services could be divided into three stages: pre-licensing, licensing and post licensing.</p> <p><i>Pre-licensing services</i></p>
<p><i>First impressions can make a difference.</i></p>	<p>Pre licensing services involves organising a site visit for investors, provision of information required for their site selection and assisting with the preparation of investment application documents.</p> <p><u>Organise the site visit</u></p> <p>The first impression is important. The decision on whether the investor will come back will depend very much on the first visit. The following are some guidelines for making a site visit successful.</p> <ul style="list-style-type: none"> <li>• Assign one project officer to take care of the client and act as a single point of contact,</li> <li>• Assist the client with necessary logistic issues such as arranging hotel, transportation, visa etc</li> <li>• Develop a visit program that demonstrates how the location can address the specific needs of the client,</li> <li>• Arrange for the client to meet with selected existing investors and other people who can give positive comments on the location. Ensure that participants are fully briefed.</li> <li>• Arrange for the potential investor to meet with a senior officer of the location (if possible). This will make the potential investor feel that they are important and welcome.</li> <li>• Provide as much information and data as possible. The site selection team may visit several countries and inspect several sites. At each site, the team will collect large amount of information and data for subsequent appraisal. Thus, the volume and quality of information can make the difference.</li> </ul>
<p><i>Provide as much information as possible to the investor</i></p>	<p>The above recommendations apply to the VNIPA as well as provincial and local IPAs. Some of the above suggestions have already been implemented by certain DPs and MBs. However, it seems that there is a lack of a systematic approach. This reduces the effectiveness of the promotion efforts and a coordination of activities between the VNIPA and other IPAs may be</p>

<p><i>Following –up will require making good on promises made during the visit.</i></p>	<p>coordination of activities between the VNIPA and other IPAs may be beneficial.</p> <p>Training and development of marketing skills are also very important to equip the project officers with the necessary skills to organise a good visit program.</p> <p><u>Managing the post visit</u></p> <p>The most important activity in the post-visit period is “FOLLOW-UP”. All IPAs should honour promises and good intentions expressed during the visit and ensure that additional questions and requests are responded within the specified time frame. Senior government officials can also play a role in “pushing along” investment decisions.</p> <p>Based on the survey, managing the post visit needs to be improved at all levels.</p>
<p><i>Licensing services can be improved through coordination.</i></p>	<p><u>Licensing Services</u></p> <p>This is an area that appears to be managed very well by provincial and local IPAs. The concept of the One-stop shop exists for this type of service. However, for large and complex projects where involvement from other various governmental authorities is required, the process can still be difficult. This seems to be mainly an issue of co-ordination, which the use of the internet and intranet can be used to solve.</p>
<p><i>Assisting investors in resolving problems encountered during project implementation should be given the highest priority.</i></p>	<p><u>Post licensing services – after care</u></p> <p>This is the perhaps the most important part of investor services. Unfortunately, this is the area that receives the least attention from agencies involved in investment promotion. It should, however, be recognised that certain DPIs and MBs such as Dong Nai, Binh Duong, Vinh Phuc, Ho Chi Minh City are better able at carrying out this activity than others.</p> <p>Post licensing services is very diversified, but can be divided into 2 areas:</p> <ul style="list-style-type: none"> <li>• Assisting investors in resolving problems arising during the project implementation</li> <li>• Provision of value added services.</li> </ul> <p>In the current environment of Vietnam, the first area is most important. However, in the long run, an IPA should move toward providing added value services.</p> <p>Based on the surveys and interviews as well as considering the best practices in investor services, the following approaches are recommended to improve the quality of investor services. Since the issue of improving the legal framework, reduce the bureaucracy, etc may not be within the authority of the VNIPA, DPIs and MBs, our suggestions will focus on what the can be implemented within the current environment.</p> <p><u>Conducting regular dialogs with investors</u> – This practice has recently been</p>

*Action speaks louder than words in gaining investor's confidence.*

*An information centre should be set up.*

adopted by the Government, the MPI, MoF and various provincial People's Committees and should continue.

The event with the best reputation is the Business Sector Forum, organised on a bi-annual basis with the participation of the Prime Minister. However, the quality of other events is not very high due to poor preparation and lack of focus.

Although the 1<sup>st</sup> dialog between the MoF and foreign investors received very high interest and included the participation of senior management, subsequent events failed to attract a good deal of interest or companies only sent their junior staff. Low participation rate, however, does not mean that companies do not have problems. It could indicate disappointment with previous sessions.

One reason for the lack of interest in such sessions is that many of the issues raised previously have not been resolved. There seems to be no follow-up. In some cases, changes made in response to problems worsen the situation. Another issue is lack of focus and the timeframe involved in organising these events. Other events organised by provincial authorities or other ministries have similar problems.

Instead of holding general meetings, it is recommended that each meeting should focus on few main topics, which should be announced to the participants in advance. By reducing the number of topics, each topic can be discussed in more detail.

A report prepared by the IPA on what has been done from the last meeting is important to show that progress has been made and that the Government (central and local) is committed to fixing problems. Such a report could be given to journalists in hopes of receiving wider media attention. The will counter the negative reporting that may occur as a result of the forums.

The dialogs with investors can also serve as good opportunities for the central and local Government to announce their investment strategies.

All IPAs should act as "Sounding Boards" – It is recommended that all IPAs should act as the "sounding board" for the investors and raise their problems to the Government. As discussed above, an IPA, particularly the VNIPA should be seen as an organisation acting on behalf of and for the interest of foreign investors, not for the interest of the Government. In order to fulfil this role, the VNIPA, provincial and local IPAs should collect and consolidate issues and problems facing by investors and make suggestions to the Government to resolve them.

*Setting up an Information Centre* – Information availability is one of the main problems for investors (both domestic and foreign). Even basic information such as laws and regulations, which should be provided to each company, can be difficult to obtain. There is no official source for such information and documents. While some newspapers and magazines have selective data on licensed projects, export & import, inflation, GDP etc., there is no specific place or agency where companies can obtain historical data to carry out

analysis. In addition, the reliability of the information and data is questionable.

It is therefore recommended that an Information Centre be set up. Information available at the Centre should not be limited to general macro-economic data and information, but also cover information on specific industry sectors, regions as well as comparative figures from other countries in the region and main markets. The centre will need to have its own website where all the information is available and this information should be provided to other websites.

In the long run, the Centre could also carry out certain specific research projects, surveys etc. In other countries, there are a number of data providers, but such organisations are not yet available in Vietnam.

#### 6.4 Promotion strategies for specific regions

While the VNIPA is responsible for the FDI promotion strategy of Vietnam as a whole, provincial and local IPAs will have to adjust their strategy to their specific objectives and situations. However, the branch offices of the VNIPA can play a role in regional specific promotion by providing assistance for the IPAs within their given jurisdiction.

We set out below some recommendations for the promotional strategies for specific regions in Vietnam. Due to the geographical structure and economic development status, we classify Vietnam into 3 regions: North, Central and South whereby Hanoi, Da Nang and Ho Chi Minh City are the regional centres.

As discussed above, the first step is for each region to define its development goals and carry out a detailed analysis of its strengths and weaknesses. On this basis, target industry sectors will be identified. At the regional and local level, to be effective, it is recommended that the analysis should be detailed and specific in order to identify the industry niche or products that the region or location has competitive advantage. This will be the basis for tailoring investment promotion.

Although the promotional tools and techniques do not change, the combination of tools and techniques used to attract foreign investment to a region or location depends on a number of factors such as the location's size and investment goals, its record of winning investments, resources availability, the likely interest by investors, and location's characteristics.

##### 6.4.1 Proposed marketing strategies for the Northern region

The FDI inflow to Northern Vietnam over the recent years shows a big gap compared with Southern provinces although there are opportunities for gaining more investment in the North. The Government has spent a significant amount on building infrastructure such as road, bridges, port etc. Power and water supply is at the same quality as other regions. In terms of the quality of the labour force the Northern provinces may have some distinct advantages.

However, the general image of the Northern provinces as an investment

*The different regions of Vietnam will need to adjust their strategy to their given circumstances.*

*The Northern Region needs to improve its image.*



destination in Vietnam is not at a high level. Investors perceive that the local authorities in the Northern provinces are less pro-active in attracting foreign investment than those of Southern provinces. Our surveys and studies indicate that local authorities in Northern provinces have spent significant efforts in investment promotion, but the extent of their efforts is not well-known.

In light of this, we believe that the investment strategies of Northern provinces should place a special focus on *image building*. This will lead to *investment generation*. In other words, the priority will be image building – investment generation – investor services. Within the image building, the emphasis should be on effective marketing. This does not mean that the Northern provinces have a good investment environment and do not need to improve it. At the current stage where the image of the environment is more negative than its reality, marketing should take the priority. Improvement of the investment environment should always be a continuous process.

The following marketing tools and techniques would be appropriate to improve the image of Northern provinces.

- Good web sites – the web sites should have a link to the national web sites so that when the investors go in the national web sites they can access to the regional web sites. Make the web sites public to potential investors – the web address should be on all brochures, promotional material or business cards of senior officers.
- More publicity on what the local Government is doing to improve investment environment should be made available.
- More publicity on new projects licensed in the region and successful projects,
- Organise overseas missions, investment seminars and workshops. Note that good preparation and organisation is the key for success. If the agencies are not confident that they can organise a good trip or seminar, than it is better not to do so.
- Encourage existing investors to expand their investment and attract new investment.

#### **6.4.2 Proposed marketing strategies for the Central region**

By the end of 2002, the central region of Vietnam accounted for only five percent of total realised capital. Despite the introduction of very attractive investment incentive schemes with the aim to boost the investment in the least developed areas little success has been achieved, although Da Nang and the surrounding areas have attracted a few more projects in the recent years as result of the proposed refinery being located in this area.

*The Central region should emphasise investor targeting.*

The low FDI in the Central region is a result of many external factors such as location, climate, poor infrastructure (compared with the rest of Vietnam), and its slower pace of economic development. Availability and the quality of infrastructure are important factors affecting investment decisions and, accordingly, a good connection with the North, the South and other countries in the region is required to allow the companies located in this area the access to

other markets.

Thus, the priority of the Central region should be to improve infrastructure. Since it will require significant funding, the investment should focus on target areas, which have the potential to attract investment. The establishment of economic zones and industrial zones is a good way to improve the efficiency of the investment and also facilitate the later investment promotion.

The next issue is identifying the industry niche and products, which could be attractive for foreign investors. For example, the Central region has the largest forest area in Vietnam so wood plantation and woodchip production may be appropriate. The Central region has a long coast and supplies marine resources indicating that fishery cultivation and processing may be a target industry. Export processing zones could be set up in those areas nearby the ports to encourage export-processing companies. However, the ports first need to be upgraded. The case study below is a good example on how a region with difficult conditions identifies its specific niche.

In terms of marketing, the Central region should focus on investment generation and investor services and use the success from these activities as an image building tool. The active involvement of provincial leaders in marketing activities is very important to convince companies of the positive future of the region.

#### **Case study: Targeting investors in a specific niche: sun-dried tomatoes in Kyrgyzstan**

Being a small, poor and land-locked country, Kyrgyzstan has a difficult starting position for attracting export-oriented activities. To compound the problems in attracting FDI, all investment incentives had been eliminated to increase the tax base. Through technical assistance projects, Goscominvest, the IPA, developed a first-class website and good promotional materials. Despite these initiatives, it was not "on the radar screen" of most foreign investors and had insufficient funding for outbound missions, advertisements in business publications and broad-based image-building. In response to these problems, it developed an investor-targeting strategy. Interestingly, even though Kyrgyzstan had a comparative advantage in such industries as meat and wool production, attracting FDI to these industries was deemed to be impractical for various reasons.

Vegetables faced a somewhat different problem. Despite limited arable land, vegetables produced in the southern valley of Kyrgyzstan are of high quality. An expert from the Food and Agriculture Organization of the United Nations (FAO) had evaluated the country's tomatoes as the most nutritious and best-tasting of all the countries studied by the FAO. Still, exporting to neighbouring Uzbekistan was impossible because of trade restrictions and a dual exchange-rate system. Transport costs and long transport routes by land foreclosed markets in the Russian Federation and Europe for fresh produce, except by air freight at a considerable cost. The use of poor – quality tinplate for canning, and glass bottles, prohibited exports of processed vegetable products. Thus,

even though high-quality tomatoes sold for 4 cents a kilo in the market, this comparative advantage could not be translated into competitive advantage on export markets.

The project finally identified two agricultural products with investment potential: sun-dried tomatoes and wild mountain herbs that grew in abundance throughout Kyrgyzstan's mountain ranges. Goscominvest staff sent information on the investment opportunities, such as supply availability and comparative costs, to the specific companies identified as potential investors in the Investor Roadmap project via the Internet. Four companies responded favourably and visited Kyrgyzstan. Within six months, investment commitments had been secured from two companies based in Europe totalling several hundred thousand dollars. (UNCTAD, WIR 2002)

#### **6.4.3 Proposed marketing strategies for the Southern region**

*The Southern region success can be improved on by focusing on investor services*

The Southern region has the best record of FDI inflow and has a relatively good image in terms of a proactive attitude on the part of the local Government. The local Government made significant investments in building infrastructure for investment environment as well as in marketing the area. However, the amount of FDI inflows has been slowing down in terms of value although the number of projects has increased.

It reveals from our study that investors are still faced with many problems and issues during project implementation. Land clearance is a particular issue, but customs and tax problems also exist. Many large projects have not been implemented due to various post licensing issues. Currently, many multinational companies have operations in the Southern region. The best way to attract more investment is to encourage existing investors to expand their current projects and make additional investments. In order to achieve this an emphasis must be placed on better investor services.

Thus, we believe that investor services should be the priority of the FDI promotion strategy for the Southern region. The focus should be assisting the existing investors in resolving their problems to facilitate project implementation. Investment generation towards more targeted promotion is also recommended

For the South, we believe that the priority order of the promotion strategy should be investor services – investment generation – image building.

#### **6.5 Some important guidelines for FDI promotion– Lessons learned from China**

*Too much emphasis on "planning" creates worries – Investors generally wish to operate in "market" economies. They understand they can be successful in market competition, but will lose money in a planned economy competing against state-owned enterprises. Thus, if the economy is mixed (in case of Vietnam), messages should stress the trend toward "marketisation."*

*Investors are influenced by their informal impressions* from things such as interactions with officials, which begin at the airport when they arrive and pass immigration and customs, the external appearance of certain basic facilities, and obvious signs of growth, prosperity and progress.

*Internal coordination is important* – the concept of a One-Stop shop is a powerful concept for investors who are confused and frustrated by bureaucracy. The IPA should act as the single contact point for investors. The relationship between various government agencies that are important to foreign investors should be easy to understand.

*“Reference” successful projects are very valuable* – Successful companies will promote investment opportunities in their country of origin in ways that IPAs cannot do themselves. Conversely, it can be very difficult to recover from a highly publicised foreign investment disaster. In China, foreign example, the early success of Unilever, P&G, Coca-Cola, Volkswagen and Boeing created a strong international impression of the good investment opportunities.

*The IPA should have a high position on the Government organisational chart* – The IPA being the key agency interfacing with foreign investors should be at the ministerial level and be independent of other agencies, especially planning agencies that look after State assets. This structure would convey an important message that “foreign investment is as important to the economy as any other activity”. Another message is that “the agency responsible for foreign investment will represent the investors’ interest towards the government, not the Government’s interest toward the investors”.

*Involving top political leaders in marketing FDI opportunities* - Investors want to see commitments from highest leaders toward a specific goal. A general speech or invitation to invest will not work. It should highlight an aspect of FDI such as “what action and efforts the Government will take to improve the environment”.

*Example* – The Prime Minister of Thailand made the following remark at a Dinner hosted by the former Vice President of the U.S in Washington, D.C on 13 December 2001.

“As you know, the economic crisis in Asia has dragged us down for the past few years. Just as things were starting to get better, the global economy was suddenly disrupted again by the shocking terrorist attacks on the U.S. However, I would like to assure you today with some goods news about our path to economic recovery.

• Thailand is once again a place in which you can be confident. We are doing a lot to improve our economic structure. Since coming to office, my government has wasted no time in tackling the country’s economic problems at all levels of the economic structure. We have implemented a dual tract policy that focused on strengthening our domestic economy at the grassroots while remaining open to foreign investment and exports. This is my Administration’s main policy.

In short, the Government has spared no effort in amend our rules and regulations to make them more investor-friendly. As good friends of Thailand, I hope you will not hesitate to tell me in a straightforward manner where our weaknesses lie and what steps the Government can take to deal with them”.

#### Specific examples of political leaders' involvement in FDI promotion

Since Deng Xiaoping initiated reforms in the late 1970s, China's top leaders have lined up behind the agenda to attract foreign investment. To the extent there was internal debate about foreign investment and its impact on the economy, that debate was kept internal and a uniform and unified commitment to attract and respect foreign investment was shown to the outside world.

Consensus was formed around key themes, expressed in formulae that all leaders with a role in communicating the message adopted. These were centered on the “Open Door Policy,” [*kaifang zhengci*] refined with the concept that the benefits of foreign involvement in China could be gained while potentially harmful cultural and spiritual influences [*jingshen wuran*] could be screened out. The Open Door Policy was part of the larger context of “Economic Reform,” [*jingji gaige*], which itself held as its objective building a “Socialist Market Economy” [*shehui zhuyi shichang jingji*].

These formulae became the core platform of the Party leadership. They were the underpinnings of the leadership communications and marketing strategy that communicated the points listed above that were important to foreign investors.

To strengthen the message and investor confidence, Chinese leaders promoted individuals from their ranks as strong champions of foreign investment. Deng Xiaoping took the world stage as the first of these, followed by Zhu Rongji. By the 1990s, outside of government, key figures emerged as models representing China's reformed economy, modelled on famous executives outside of China, CEOs like Zhang Ruiming of Hai'er, who was often described as a Chinese Jack Welch, of GE. A key part of the communication strategy was to put specific, strong, and familiar “faces” on China's economic reform initiatives.

Trade missions both from China overseas and from Overseas countries to China are perhaps the most obvious area of political involvement in the attraction of FDI to China. Since reforms began, and especially since the mid 1980s, hundreds and hundreds of such delegations were carried out, organized at the central and provincial level, with broad participation or industry-specific participation. Specific Chinese politician's involvement in outward delegations include:

- Li Peng's visit to Italy in January 1992 and Germany in July 1994 (this visit was closely associated with a US\$4 billion Siemens power plant and industrial equipment contract);
- Wu Yi's (Minister of MOFTEC at the time) visit to the USA in April 1994 was a very large delegation introducing 800 prospective sale and investment projects to the USA;

- Jiang Zemin visited France in September 1995 and this visit reportedly resulted in the signing of a contract for the creation of a US\$2 billion Elf Equitaine petrochemicals plant; and
- Jiang Zemin visited Germany in July 1995 and this visit reportedly resulted in amongst other things the signing of a US\$1 billion contract for a Daimler-Benz minivan plant.

Finally during his days as the mayor of Shanghai and when he was tasked with securing FDI for the development of FDI, Zhu Rongji earned the significant nickname "One chop Zhu".

In China the chop is a seal of approval – personal, corporate and government. As many activities are highly regulated there are often many seals that need to be applied and perhaps none more so than for the approval of FDI.

Zhu Rongji, in his capacity as Shanghai mayor, was able to fast track investment approvals for large projects and in the process earned this nickname.

#### 6.6 Proposed Action Plan

Set out below is the proposed action plan for the setting up of the national IPA (VNIPA) with the aim to have an established and fully functioned IPA by the end of 2004. The proposal is based on the assumption that the national IPA is first established as a unit under the current MPI.

##### *Immediate actions*

While the VNIPA is being considered and set up, immediate action could be taken by the MPI in improving Vietnam's profile. This includes the development of a national long - term promotion strategy and carrying out investment promotion activities. The proposed key tasks are:

- Improve the quality and effectiveness of the current MPI web sites, brochures, publications by hiring a professional marketing consultant and providing a dedicated team to support the person, on a national basis – this could have immediate results (e.g. by the middle of 2003) plus longer term results. The marketing consultant would also advise on seminars, media skills. Hiring an experienced image and presentation skills trainer to work with senior public-facing officials would also have immediate results in boosting image and consistent messages.
- Define the marketing theme and develop a comprehensive national marketing strategy – a timeframe of 6-12 months will be required and also the advice of a professional marketing consultant,
- Commence with the design of the investor database. The aim is to have a template by the end of 2003.

*From now to June 2003 – Preparation phase*

The proposed tasks and outcomes for the preparation phase are:

- Preparation and submission of a proposal to the Government for the setting up of the national IPA and secure the approval thereof,
- Define the legal framework governing the operation, organisation, power and functions/responsibilities of the national IPA. The aim is to secure a decision issued by the Prime Minister stipulating these areas.
- Develop and obtain approval for the IPA's Charter
- Carrying out necessary preparation work.

*From June to December 2003 – Setting up phase*

The proposed tasks and outcome of the setting up phase are:

- Appointment of the Advisory Board,
- Appointment of the Director,
- Define the internal structure of the IPA including staff requirements, detailed job description, responsibilities and key selection criteria
- Recruiting key staff (from the current staff at the MPI or new staff)
- Develop the initial framework for human resource policies

*From January to December 2004 – Completion Phase*

As discussed above, the aim is to have a fully functioning IPA by the end of 2004. T, the main task during 2004 is to continue and complete the work initiated in the setting up phase, including such as:

- Develop a comprehensive human resource policies including performance management criteria for personnel,
- Carrying out training need assessments, develop and implement a training program. This is an on-going process and needs to be reviewed on an annual basis.
- Define the performance measurement criteria for the IPA,
- Building up the network and partnership with other organisations (Vietnamese and foreign) – e.g. IPAs of other countries, business groups in Vietnam such as VCCI, foreign business groups.
- Setting up the branches of the national IPA including detailing powers, responsibilities, and appointment of key personnel.