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Attraction of Foreign Direct Investment in Development of Smart Cities in Hanoi

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Abstract

In recent years, the trend of building smart cities has become increasingly popular in the region and all over the world. Integrating into that general trend, Hanoi is aiming to build the Capital into a smart, modern city, on par with capitals and smart cities in the world. This is considered an inevitable trend that can help cities combat today's city development problems such as rapid population growth, pollution, environmental degradation, and global risks including There are also problems of crime, traffic congestion, ineffective services and stagnant economic development... Hanoi in particular has always focused on

developing smart cities in recent years. To accomplish this problem, investment capital is needed, of which foreign direct investment (FDI) in smart city development is necessary. The article focuses on researching the overview of foreign direct investment (FDI) in smart city development, the current situation of attracting foreign direct investment in smart city development in Hanoi, and then proposes Propose solutions to increase the attraction of foreign direct investment in smart city development in Hanoi in the coming time.

Keywords: Foreign Direct Investment, Hanoi, Smart City

1. Introduction

Resolution No. 15 NQ/TW dated December 15, 2000 of the Politburo affirmed the role and position of Hanoi Capital: "It is the heart of the whole country, the national political and administrative center, great interest in culture, science, education, economics and international transactions". Hanoi city economic and city renovation program for the period 2021-2025 No. 03-CTr/TU of the Hanoi City Party Committee, in clause 4.2 of the key task of developing a smart, modern city, specifically: Piloting the city government model to create momentum to accelerate sustainable city development. Prepare resources for Hanoi city to basically complete smart systems, attract people to participate in management, and form a digital economy. Implement comprehensive digital transformation according to the Government's policy to develop the digital economy and build a digital society. Thus, the need for Hanoi to attract foreign investment (FDI) into smart city development is urgent and meaningful. Foreign direct investment (FDI) in smart city development is a form of international investment in which foreign investors contribute a large enough amount of capital to build smart cities, increasing both in quantity and number. Quality, thereby allowing them to directly participate in operating the object in which they invest capital, along with partners in the receiving country to share risks and profits from those investment activities. Continue to implement the sustainable smart city development project for the period 2018-2025 and orientation to 2030 in Hanoi city. Focus on investing in developing the city towards a smart city on the basis of applying information and communication technology and modern technology to synchronize technical infrastructure and information and communication infrastructure to improve Improve the management efficiency of urban authorities, increase the efficiency of land use, capacity and development resources, improve and enhance the quality of urban living environment, stimulate growth and economic development. Social economy. This article focuses on researching the overview of foreign direct investment (FDI) in smart city development, and the current situation of attracting foreign direct investment in smart city development in Hanoi from then on. Propose solutions to increase the attraction of foreign direct investment in smart city development in Hanoi in the coming time.

2. Literature Review

The concept of smart cities began to be used in the 1960s and 1970s when the US Office of Community Analysis used databases, aerial photography and cluster analysis to collect data and publish reports. Report on resource orientation, service

development, natural disaster mitigation and poverty reduction.

Smart cities continued to be mentioned in the 1990s, when the role of information and communications technology in relation to modern infrastructure in the city was considered the most important factor in the construction process. A smart city. Up to now, there are many definitions of "smart city" given, such as "Smart City/Intelligent City", sometimes also referred to by the phrases: "city". knowledge" (Knowledge City), "connected city" (Wired City), "ubiquitous information city" (Ubiquitous City), "sustainable city" (Sustainable City), "digital city" (Digital City), "Modern City", "Inclusive City", "Learning City". Although the names are different, it can be seen that the elements the prerequisite for building a smart city is ensuring technology and internet connection. In other words, technology is one of the most important elements of the smart city development strategy. From the perspective of sustainable development, technology helps reduce environmental pollution, consume less and use fuel and resources more economically, and be smarter in circulation. Therefore, smart cities have can be understood as a smart balance between technology platform and sustainable development goals, improving urban living conditions. In a general sense, a smart city is a city that uses information and communications technology to provide and improve the quality and performance of urban services and solve city problems, such as energy. Transportation and utilities to reduce waste and resource consumption as well as overall costs. Thereby, ensuring and improving the quality of life for people through smart technology, contributing to the sustainable and effective development of the city.

Thus, a smart city is defined as a city that applies high technology in management, has links between information systems, and is synchronous in infrastructure planning and management systems. Focusing on economic growth and development, but at the same time focusing on protecting the environment, improving the quality of people's lives, creating all conditions for people to study and develop their creativity, aiming for sustainable development goals. This system consists of a digital telecommunications network (nerve), an intelligent embedded system (brain), sensors (senses) and software (mind and cognition). This entire system, when operating in the city, will help improve the quality of life, improve the quality of service of the city government, reduce energy consumption and help effectively manage natural resources.

According to OECD (1978): "Foreign direct investment in green city development is a form of international investment in which foreign investors contribute a large enough amount of capital to build smart cities that increase both quantity and quality, thereby allowing them to directly participate in operating the object in which they invest capital, along with partners in the receiving country to share risks and profits from those investment activities.

3. Results of Attracting Foreign Direct Investment in Development of Smartcities

Developing smart cities towards green growth in Vietnam is a necessary step to keep pace with the general international trend. Therefore, in recent years, the Government has issued many policies to promote the construction and development of smart cities and smart cities, such as Decision No. 950/QĐ-TTg, dated August 1, 2019. 2018, by the Prime

Minister on approving the "Project for sustainable smart city development in Vietnam for the period 2018 - 2025, orientation to 2030", aiming to develop sustainable smart cities in Vietnam. towards green growth, sustainable development, exploiting and promoting potentials and advantages, improving the efficiency of resource use; optimally exploit resources and people effectively, improve quality of life; Enhance the competitiveness of the economy and promote international integration. For Hanoi, this is an orientation for the Capital to have a specific plan and roadmap to develop a smart city. Resolution of the 17th Congress of Delegates, term 2020 - 2025 of the Hanoi City Party Committee determines that, by 2025, the capital will be rapidly and sustainably developed according to the orientation of a green city, a smart city, and a modern city. Modern, highly competitive domestically and regionally; basically, complete the goal of industrialization and modernization; By 2030, Hanoi will become a "green-smart-modern" city. On November 21, 2022, at the 10th Conference, the Executive Committee of the Hanoi City Party Committee, term XVII, considered many important issues, including the task of overall adjustment of the Hanoi Capital Construction Master Plan to 2030 and a vision to 2050. Hanoi's smart city construction roadmap includes three stages:

Phase 1 (2018-2020): Basic formation of core components of smart cities, such as infrastructure platforms, databases, e-government, smart systems in the following areas: Essential fields: Education, health, transportation, tourism, environment and security and order.

Phase 2 (2020-2025): Basic completion of smart systems, attracting people to participate in management, forming a digital economy.

Phase 3 (after 2025): Developing a high-level smart city, characterized by a knowledge economy.

In recent times, Hanoi has made efforts to gradually realize the goal of becoming a smart, modern city, worthy of being a capital with a position in the region and the world. The appearance of the capital has changed a lot, becoming more and more spacious, civilized, modern, social infrastructure and technical infrastructure have received investment attention, land management planning and urban management work has been focused on. Urbanization, order, traffic safety, and maintenance of social discipline have been strengthened, and the city's lifestyle and civilization have undergone relatively positive changes. The goal of building a green, clean and beautiful city is continuing to be concretized.

However, Hanoi also faces many barriers in building a smart city.

Firstly, the area after expanding the administrative boundaries to more than 3,300 km² and the rapid rate of urbanization and population growth cause Hanoi to face many planning problems and traffic congestion, security, health, education, energy, housing development, environmental pollution treatment... Therefore, the problem facing Hanoi today is to ensure sustainable development, creating a green city, adapting to globalization trends and changes in the environment and climate. Hanoi's traffic system is like a dense network of vehicles, making Hanoi cramped and "hard to breathe". This is a "bottleneck" that needs to be resolved before the need for sustainable development;

Secondly, according to expert assessments, currently the construction and development of satellite cities is still not really clear and synchronous, and does not have much attraction for people, causing the inner-city population to still increase. In fact, most current projects just stop at building single smart apartments. As for a smart city, the control, operation and application of technology must be conducted throughout the entire space of that city area. Therefore, city planning needs to have a long-term vision, suitable to the conditions and context of the situation so that there is a specific roadmap, development in the right direction, creating synchronization in urban development. After a period of decline due to the impact of the Covid-19 epidemic, foreign investment capital has been "flowing" strongly to the Capital, bringing Hanoi back to the leading position in the country in attracting FDI in 6 years. The first month of 2023. At the end of June 2023, N&G Group (Vietnam) and SEIN I&D Group (Korea) signed an investment cooperation contract to build the "Vietnam-Korea Techno Park Complex" in the Park Area. Supporting industry in South Hanoi. The two sides and other major partners will invest in building infrastructure and specialized works for the invention, invention, production and application of micro-chip products according to global high-tech standards.

According to the Hanoi Department of Planning and Investment, in recent times, the city has always been an attractive address for foreign investors. To date, the city has attracted 62.274 billion USD of FDI capital (ranking second in the country). Particularly in the two years 2018-2019, Hanoi's FDI attraction always led the country with 7.5 billion USD and 8.67 billion USD respectively. Many large investment projects have been granted investment certificates by the city such as the Smart City Urban Area project (with total investment capital of 4.1 billion USD); two projects of Nidec Group in Hoa Lac Hi-Tech Park (400 million USD); Xuan Son waste treatment plant project (90 million USD); Lotte Mall Hanoi project increased capital by 300 million USD; R&D Research Center project of Samsung Group (210 million USD)... Particularly in the period 2021-2022, due to the impact of the Covid-19 epidemic and implementation of disease prevention measures, FDI attraction of the city has suffered a sharp decline.

In 2023, foreign direct investment flows into Vietnam will prosper again thanks to attractive investment attraction policies and the policy of reopening the economy after the Covid-19 epidemic. Hanoi city has returned to the leading position in the country with more than 2.26 billion USD of FDI capital in the first six months of 2023, an increase of more than three times compared to the same period in 2022. Including 196 new projects with Total newly registered investment capital reached 75.33 million USD; 89 times of capital increase with total additional registered capital reaching 209 million USD. Investors from Japan, Singapore, Korea, America, European Union (EU) countries. Continue to have projects Large project in Hanoi, focusing on areas such as real estate business; manufacturing and processing industry; build; entertainment, accommodation and food services; health and education.

Besides the achievements in Hanoi's business investment environment, there are still shortcomings that need to be resolved to attract more effective FDI capital. Regarding planning, the city changed its administrative boundaries in

2008, and is currently adjusting some planning, leading to slow implementation of some licensed projects due to having to adjust to suit the planning. In addition, legal regulations on investment, land, construction, real estate business have changes, overlap, and are inconsistent, leading to time consuming investment preparations and long-term project implementation. Regarding land, Hanoi city has a limited land fund, land rental prices are 1.5 to 2 times higher than neighboring localities, not creating a competitive advantage. Factory facilities that meet the conditions for new investment activities and production expansion are few. Besides, there are still discrepancies in the structure of fields attracting FDI investment. According to data from the Hanoi Department of Planning and Investment, the proportion of FDI investment mainly focuses on the fields of real estate business, construction (accounting for 38.7%), and manufacturing and processing industries. (31.1%); other industries (30.2%); Investment in high technology and supporting industries is still very limited. The city has not attracted large-scale FDI projects in the fields of high technology, source technology, and high added value.

4. Some Solutions to Increase the Attraction of Foreign Direct Investment in Development of Smartcities

To gradually overcome these limitations and obstacles, Hanoi continues to set the task of improving the business investment environment more effectively and substantially.

- **Solution Group for Upgrading and Synchronizing Infrastructure**

Increase investment in infrastructure development for urban areas, especially smart cities, especially infrastructure for electrical energy, transportation, telecommunications networks, and social service facilities. Infrastructure is an area that requires large investment capital and is difficult to recover. If it can be recovered, the recovery time will be long. Therefore, the immediate solution is to increase investment in infrastructure development, creating conditions for infrastructure to be one step ahead in welcoming foreign investors towards the urban sector, with a focus on succes smart city.

- **Solution Group on Natural Environment Protection**

Developing smart cities in a sustainable direction, enhancing greenhouse gas absorption, preserving biodiversity, focusing on protecting and developing ecosystems. Incentives for investors when clearing land for foreign investors in smart city development. Use land for the right purpose, in accordance with approved planning associated with protecting the ecological environment, without disrupting the general city architectural landscape of Hanoi. Simplify procedures for granting land use rights certificates to investors developing smart city areas.

- **Solution Group on Macroeconomic Stability**

It is necessary to continue to ensure and maintain political stability as well as macroeconomic stability, thereby controlling inflation and creating motivation to promote economic growth recovery in the coming time. Under the impact of the global economic crisis and political crisis in some countries such as Russia and Ukraine; France, the regional political crisis has caused global FDI flows to tend to shift to countries with higher economic growth potential

as well as ensuring political stability. Therefore, it greatly affects investment capital for smart city development in Hanoi.

The Vietnamese government maintains a floating exchange rate regime with state control in accordance with the country's development situation. The fact that the devaluation of the local currency compared to the USD has tended to increase over the years has stimulated exported goods, thereby attracting many foreign investors to Vietnam in general and Hanoi in general in particular.

▪ **Solution Group on Improving the Social Environment**

Focus on developing human resources, gradually forming a skilled, disciplined, highly competitive workforce to meet the needs of investors, with priority given to labor resources. Labor and human resources are provided for industries with high technology content and high added value in key sub-sectors with high advantages. Do a good job of forecasting labor needs to guide training. Forecasts need to indicate specific needs in terms of quantity and level. Closely combine economic, cultural and social development with consolidating and strengthening national defense and security in each territory, in key areas and economic zones to develop smart cities both physically and mentally. quantity and quality.

▪ **Solution Group on Policy and Institutional Innovation**

Review policy implementation so that there is no overlap between later documents and previous documents that are still in effect; Propose recommendations to competent authorities to develop and complete synchronous and unified investment policies and continue to improve administrative procedures in the direction of creating conditions for foreign investors to develop into Smart cities of the country in general, especially Hanoi.

Implement publicly and transparently regulations on administrative procedures in terms of procedural order, settlement authority, prescribed time, and fee levels. Continue to deploy and improve the effectiveness of the "one-stop shop" mechanism to simplify administrative procedures and create a clear and favorable legal corridor for foreign investors when investing in city development. Smart in Hanoi.

5. Conclusion

In the coming time, Hanoi will focus on attracting foreign investment in depth associated with sustainable development goals; Prioritize quality projects, products with added value and high competitiveness focusing on the fields of: urban infrastructure development, smart city construction; Supporting industries use modern, environmentally friendly technology; information technology field projects; Research and Development; tourism, financial services, banking; human resource training; High-tech agriculture, clean and safe food. Investment in smart city development is one of the important issues with many development potentials and advantages, but FDI capital flows into this field are still limited. While the country's FDI tends to increase, this capital flow into smart city development is too small and the proportion of investment capital compared to the country's total FDI capital. This is requiring the construction industry

to have a strategy and orientation with new thinking to attract FDI in general and Hanoi city in particular.

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