



ATTRACTING FOREIGN DIRECT INVESTMENT (FDI) IN HANOI AGRICULTURE

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Abstract:

This paper analyzed the current situation of attracting foreign direct investment (FDI) into the agriculture in Hanoi. We used the data set of the number of projects and the amount of investment capital in investment types, investment partners, and location, then applied strengths, weaknesses, opportunities and threats (SWOT) analysis. We found that Hanoi has favorable conditions to develop hi-tech agriculture and has many competitive advantages compared to other provinces. However, the capital investment in agriculture tends was downward. Based on our findings, we propose a new strategy for raising foreign investment capital into agriculture in Hanoi.



THU HÚT VỐN ĐẦU TƯ TRỰC TIẾP NƯỚC NGOÀI (FDI) VÀO LĨNH VỰC NÔNG NGHIỆP TRÊN ĐỊA BÀN THÀNH PHỐ HÀ NỘI

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Thông tin bài viết	Tóm tắt
<p>Ngày nhận bài: 12/7/2021</p> <p>Ngày duyệt đăng: 1/12/2021</p>	<p>Bài viết phân tích thực trạng thu hút vốn đầu tư trực tiếp nước ngoài (FDI) vào lĩnh vực nông nghiệp trên địa bàn thành phố Hà Nội trên các khía cạnh số lượng dự án và số vốn đầu tư theo hình thức đầu tư, theo đối tác đầu tư, theo địa bàn đầu tư, kết hợp với phân tích điểm mạnh, điểm yếu, cơ hội và thách thức của Hà Nội trong quá trình thu hút nguồn vốn. Trên cơ sở đó đề xuất các giải pháp nâng cao hiệu quả thu hút vốn FDI vào thành phố Hà Nội trong thời gian tới.</p>
<p>Từ khóa:</p> <p>đầu tư trực tiếp nước ngoài, lĩnh vực nông nghiệp, Hà Nội,</p>	

1. Introduction

Hanoi attracted about 11 billion USD of FDI from 2015 to 2019, 2.25 times higher than that from 2010 to 2014. The number of newly licensed projects in 2019 was 919; registered capital was 1,606 million USD. the number of projects increased by 49.2% but the capital decreased by 68.1% between 2018 and 2019. Foreign direct investment in 2019 reached 985 million USD, which declined 57.2% compared to 2018. Accumulated by the end of 2019, the number of licensed foreign direct investment projects is 5,960 with registered capital of 34.7 billion USD; implemented capital reached 21.9 billion USD (Hanoi Statistical Office, 2020) [2].

Although FDI into Hanoi increased, FDI into agriculture only accounted for a small percentage and the trend was downward. Foreign investors were not interested in investing in the agriculture sector because of high risks in terms of weather, input, and output markets. Besides, agricultural land is still

fragmented and mostly authorised by households, while foreign investors need large-scale “clean” land to develop intensive agriculture. By the end of 2019, the number of FDI projects in the agricultural sector in Hanoi was 22/5960 projects, with a capital of 82 million USD compared to Hanoi’s total FDI capital of 34,700 million USD (accounting for 0.23%). Therefore, it is necessary to evaluate the current situation of FDI and have solutions to attract foreign direct investment activities in the agricultural sector in Hanoi.

2. Research methodology

- Methods of collecting and aggregating data: The data set was provided by the Hanoi Authority for Planning and Investment. Other data was aggregated from previous studies. The collected data are systematized according to the research content to serve as a basis for evaluating and proposing solutions.

- Descriptive statistics method: Implemented through the use of Absolute figures, average figures,

maximum figures, minimum figures. This method focuses on exploiting, evaluating, and analyzing data on the index of FDI attraction in the agricultural sector in Hanoi.

- Graph method: This method uses the graph to show the results for different times.

- SWOT analysis: Analyze 4 factors: Strengths, Weaknesses, Opportunities, Threats to analyze FDI capital into the agricultural sector in Hanoi.

3. Study area

Hanoi is the capital of Vietnam, also the second-largest city with a population of 6.87 million people. Along with Ho Chi Minh City, Hanoi is one of the two economic centers of the country. In 2019, the city's GRDP increased by 7.63%; In which: The agriculture, forestry, and fishery sector decreased by 0.37%; industry - construction increased by 10.12%; service sector increased by 7.44%, product tax minus product subsidies increased by 5.67%. The total export value was over 15,695 million USD; the total budget revenue was about 264,700 billion VND (Hanoi Statistics Office, 2020) [2]. Hanoi is also a cultural and educational center with theatres, museums, traditional craft villages, national media agencies, and major universities.

Table 1. Some socio-economic indicators of Hanoi from 2015 to 2019

Year	Unit	2015	2016	2017	2018	2019
Total product at current price	Billions dong	672.949	730.935	806.296	883.102	968.436
Population	Thousand people	7433,6	7590,8	7742,2	7914,5	8093,9
Current labor	Thousand people	3868	3900	3927	3987	4049

(Source: Hanoi Statistical Office, 2020)

Gross Regional Domestic Product in Hanoi from 2015 to 2019 averaged 9.52% per year. In particular, the services sector increased by 7.96%; the construction industry increased by 9.32%; agriculture increased by 0.4%. The scale of GRDP in 2019 reached 968,436 billion VND, 1.43 times higher than in 2015. The Per Capita Income in 2019 reached 119,650 thousand VND per person, 1.32 times higher than in 2015.

In 2019, the city continued to pay attention to promoting investment calling capital for new projects, closely urging specialized agencies to assist investors in removing difficulties during project implementation; creating a favorable and equal investment environment in accessing land and implementing projects. The Provincial Competitiveness Index (PCI) has continuously increased its rank in recent years: In 2016, Hanoi ranked 14th out of 63 provinces and cities under the central government; ranked 13th in 2017; ranked 9th in 2018; ranked 9th in 2019 (Ninh, 2018) [4].

The average population in 2019 was 8,093.9 thousand people; the average population density was 2,410 people per km², of which the population density in the districts is pretty high (the average population density of 12 districts is 11,811 people per km²), 4.9 times higher than the city's average population density.

The labor force in 2019 was 4,122 thousand people, accounting for 50.9% of the city's population. The percentage of trained workers was 67.5%, of which 79.6% are in urban areas and 54.8% in rural areas. Currently, the professional and technical qualifications of workers in Hanoi are always the top concern to meet the requirements for the city's socio-economic development. Being home to the highest number of universities and colleges in the country, Hanoi has had many projects on vocational training at different levels. As a result, the quantity and quality of technical expertise of workers are increasing day by day, and the number of workers without technical qualifications is decreasing day by day (Tung, 2020) [7].

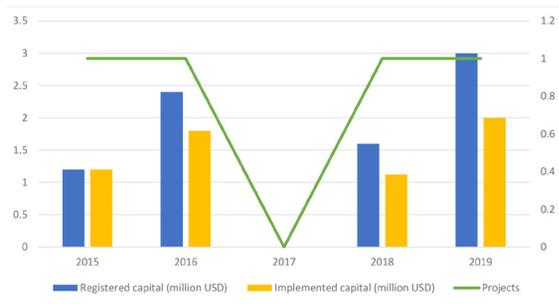
Regarding agricultural infrastructure: Hanoi has a developed infrastructure system that is pretty synchronous and more developed than many other localities in the Red River Delta, including about 150km National Highways, about 3,628km roads, and 237 bridges of all kinds managed by the city, convenient for production development and goods circulation; meet the needs of serving agriculture and contribute to changing the face of rural areas in suburban districts, improving and enhancing the lives of people in this area. Although the infrastructure has developed pretty synchronously, it has not yet met the foundation for the development of commodity agriculture (Tuan, 2018) [6].

Currently, Hanoi has considerable advantages with spaces, favorable development conditions from its natural conditions, and position as the capital, the national political-administrative center, a major center of culture, education, science and technology, economics, and international transactions. These are the advantages and opportunities for Hanoi to attract more foreign investment projects in the coming time.

4. The reality of attracting FDI into the agriculture sector in Hanoi

As the capital of Vietnam, Hanoi has achieved outstanding achievements in attracting investment in recent years. This city has great potential to become a center for providing high-level knowledge products and services. Hanoi has an abundant well-trained workforce, supplied by many universities and research institutes located in the area.

4.1. FDI trends in the agriculture sector in Hanoi



(Source: Hanoi Statistical Office, 2020)

Figure 1. Total number of projects and FDI capital in the agriculture sector in Hanoi

The total number of projects and FDI capital invested in agriculture in Hanoi from 2015 to 2019

Table 2. Structure of FDI in the agricultural sector by the form of investment (Accumulated to December 2019)

Form	Number of projects	Registered capital (million USD)	Capital proportion (%)
100% foreign capital	14	55,04	67,12
Joint-venture	8	26,96	32,88
Business cooperation contract	0	0	0
Total	22	82	100,00

(Source: Hanoi Statistical Office, 2020)

Attracting FDI into the agriculture sector in Hanoi was carried out in two forms: 100% foreign capital investment and joint venture, in which 100% foreign capital is the main form, which was higher in terms of both project proportion and capital proportion. In

the world, some countries encourage foreign investors to choose the form of a joint venture to enhance the transfer of technology, science and management experience to domestic enterprises. Even Thailand only allows this form of investment in the agriculture sector.

- Structure of FDI by the partner of investment

Table 3. Structure of FDI in the agricultural sector by the partner of investment

Partner	Number of projects	Registered capital (million USD)	Capital proportion (%)
Japan	7	24,67	30,09
India	2	5,12	6,24
Belgium	1	4,63	5,65
Netherlands	1	3,92	4,78

USA	3	11,05	13,48
France	1	2,73	3,33
Singapore	1	3,88	4,73
Thailand	5	22,15	27,01
Mexico	1	3,85	4,70
Total	22	82	100

(Source: Hanoi Statistical Office, 2020)

Hanoi has only attracted 9/34 investment partners in Vietnam. Most of these partners are from Asian countries and do not have many strengths in technology. By December 31, 2019, Hanoi has attracted 24 FDI investment countries but the number of countries investing in the agriculture sector was only 9. Although Western partners such as the United States, Australia, the United Kingdom, Germany, and the Netherlands, invested in many FDI projects, only the United States, France, Belgium, and the

Netherlands invested in the agriculture sector but with very little capital. The above structure also partly reflects Hanoi’s limitations in mobilizing and calling for investment promotion in the agriculture sector from countries with advanced agriculture. If it attracts investment from developed agriculture countries the agriculture sector will receive great benefits, not only FDI capital but also take advantage of and absorb modern technology, advanced production processes, modern management experience, etc.

- Structure of FDI by the locality

Table 4. Structure of FDI in the agriculture sector by the locality

Locality	Number of projects	Registered capital (million USD)	Capital proportion (%)
Ba Đình	1	3,88	4,73
Hoàn Kiếm	1	2,52	3,07
Long Biên	2	6,65	8,11
Cầu Giấy	1	1,97	2,40
Đống Đa	1	3,62	4,41
Hai Bà Trưng	2	4,76	5,80
Hoàng Mai	2	4,36	5,32
Thanh Xuân	3	12,04	14,68
Gia Lâm	1	4,14	5,05
Nam Từ Liêm	2	4,51	5,50
Bắc Từ Liêm	1	3,85	4,70
Hà Đông	1	3,52	4,29
Chương Mỹ	2	16,38	19,98
Thường Tín	1	4,63	5,65
Mỹ Đức	1	5,17	6,30
Total	22	82	100,00

(Source: Hanoi Statistical Office, 2020)

Although up to 15/30 districts have FDI projects in the agricultural sector, most of these FDI projects focus on districts that have advantages in terms of infrastructure, human resources, raw material areas, favorable land conditions.

Currently, in Hanoi, there are 133 models of high-tech agricultural applications. In particular, localities have many models such as Me Linh with 18 models, Gia Lam with 17 models, Thuong Tin with 14 models, Thanh Oai with 10 models, Soc Son with 9 models, Dan Phuong with 9 models, Thanh Tri with 7

models, etc. (Huong, 2021) [3]. This is also a strength for the locality to introduce and call for investors, particularly foreign investors.

5. SWOT analysis on weaknesses, strengths, opportunities, and threats for increasing attraction FDI in the agriculture sector in Hanoi

*** Strengths**

Hanoi is the capital and the political, cultural and economic center of the country. Compared to many localities, Hanoi has the following advantages:

- Hanoi is a “great economic center” and an “economic impetus” for the Red River Delta region and the country.

- In the development process, Hanoi has formed several industrial zones to attract foreign investment as Lang Hoa Lac High-tech Park, Sai Dong Industrial Park, Dai Tu Industrial Park, etc.

- The labor workforce and the number of working-age people account for more than 60% of the population, and the educational level of Hanoi, compared to the whole country, is at a relatively high rank. These important on-site human resources are good conditions for exploitation and use in socio-economic activities.

- Socio-economic infrastructure in the area is developed. Industrial production facilities, service, commerce, tourism, transport infrastructure, electricity and water, public welfare, and administrative works are invested in modern construction.

- The socio-economic policies of Hanoi promulgated as investment attraction policies, policies to support tourism development, support for trade promotion, etc are implemented consistently, synchronously, and effectively by Hanoi, creating strength in socio-economic development. Investors in Hanoi are entitled to corporate income tax incentives, exempt and reduce resource tax, land rent, etc.

- Hanoi’s leadership and management team from senior to grassroots levels are trained in both politics and expertise, work responsibly with knowledge, innovation, and creativity. In addition, central agencies, universities, etc, are located in the area, with leading scientists and managers who can consult these experts.

- Political security, safety, and order of society in Hanoi are maintained, contributing to creating a safe investment and living environment.

- In terms of geographical location, Hanoi is located in the development triangle of Hanoi - Hai Phong - Quang Ninh with advantages in traffic and economic development.

- Regarding socio-economic, Hanoi is the political, cultural, scientific, and technical center, the major economic center of the country. The city has a GDP growth rate quite higher than the national average. Economic indicators saw a Stable and good growth in recent years have created a dynamic economy, creating a large purchasing power to promote production and investment activities. In addition, Hanoi focuses on many spearhead technology industries of the country

(information technology, informatics technology, software technology, etc.), creating the “gray matter” strength of the capital.

- Regarding infrastructure, Hanoi is a city with relatively complete infrastructure. The transport network system is upgraded and repaired continuously. In addition to the great incentives of the Government, the city has also invested in building an increasingly convenient and modern network of providing technical services.

** Weaknesses*

Besides the Strengths, Hanoi also has several issues that need to be resolved to attract investment for improving development.

- Hanoi’s economic development speed has reached a high level but not uniform, not fully exploiting strengths and potential since entering Ha Tay province to Hanoi. Compared to 2 big cities in Vietnam as Ho Chi Minh City and Da Nang, several indicators such as economic growth, total development investment capital, per capita income, State budget revenue, etc, are still not suitable for the capital’s position.

- Hanoi’s economic restructuring towards Commerce, services, tourism, industrial development, and information technology development is in the right direction but not yet effective.

- Industrial production has not developed sustainably: The production scale is still small, the technology is not advanced, the proportion of the refine processing industry is still low, the efficiency and competitiveness of industrial products are still low.

- The completion of legislation related to FDI is still slow compared to the actual requirements of the integration and development process. There is a lack of synchronization, even conflicts between relevant laws in the business field, investment with specialized laws, etc. Lack of synchronization, ambiguity about scope, subjects, order and procedures, dossiers, handling competence, and responsibility for handling in some investment procedures cause difficulties for both enterprises and state management agencies, leading to inconsistent implementation due to awareness and application of legal regulations.

- As the capital, foreign investment in Hanoi has distinct characteristics. That is increasingly shifting investment structure towards Services - Industry - Agriculture. The number of investment projects in the commerce and services field is rapidly increasing; specifically, there are more and more chains of business locations, commercial centers, supermarkets,

fast food restaurants, etc. At that time, the provisions of the law on this issue were not obvious, causing difficulties for Hanoi's implementation.

- Lack specific coordination regulations between ministries, central authority, and local agencies in attracting investment and carrying out procedures for granting, adjusting, revoking investment certificates. Carry out inspection, examination, and supervision after granting investment certificates for FDI enterprises.

- The reality of state management of investment activities revealed several limitations as large-scale projects in high technology, source technology, and high added value are still limited. The lack of sanctions binding the investors' responsibility in the project implementation and the mechanism to handle violations are the main reasons leading to the situation that several projects have been granted investment certificates but have not been deployed on schedule. That leads to waste of land and natural resources, affecting the investment environment and reducing society's trust in the effectiveness of foreign investment attraction activities.

- In addition, the coordination mechanism between state management agencies in the inspection and supervision of granted investment certificates projects has not been completed in time in the context of implementing a comprehensive decentralization regime for localities. It also causes many difficulties in investment management activities.

- Regarding the labor force, although Hanoi's labor is abundant after expanding the administrative boundaries, the city still lacks highly qualified workers. The quality of professional and technical qualifications workers are unevenly distributed, concentrated in urban areas and inner-city districts. Moreover, the labor cost of Hanoi is higher than that of other regions.

- Regarding infrastructure, the quality of the road system is still limited, lacking a ring road system, and the poorly inner-city traffic, causing difficulties for enterprises.

- The competitiveness and attractiveness in attracting FDI, especially for European and American investors spearhead industries, are not high compared to Ho Chi Minh City and some other provinces. There are still many shortcomings in administrative management, urban management, and solving social problems.

- Regarding geographical location, position, Hanoi is located deep inland, so when exporting

goods, enterprises have to bear the transportation costs to Hai Phong port, and foreign investors often choose provinces adjacent to Hanoi.

** Opportunities*

Opportunities to attract FDI of Hanoi are expressed in some contents:

- High political and social stability, no potential conflicts over religion and ethnicity.

- The policies mechanisms of the Government have a positive impact on Vietnam's socio-economy to raise the production level of many developed economic sectors and adapt to the international market.

- Vietnam has abundant and quality natural resources and human resources. Vietnam's participation in WTO brings great opportunities, but there are also challenges for the national economy and localities like Hanoi in terms of the ability to attract FDI.

- The negative effects of the market economy such as degradation of morals, lifestyle, fine customs, the increasing division between rich and poor, social evils, and environmental pollution may increase.

- The decentralization of management from the central to the local is still illogical, and there is also the expression of centralized bureaucracy and subsidies in the arrangement of investment, in the revenue and expenditure of the state budget, the management of mineral resources, and the regulation of industry planning, etc.

- The competition among localities in attracting FDI is increasing rapidly; even there is a phenomenon of competition to attract FDI at all costs.

- The legal provisions on several services and commercial sectors, projects that invest heavily in Hanoi, are ambiguous, making implementation difficult.

** Threats*

- Competition among countries to attract FDI is increasing when Vietnam joins WTO

- Provinces in the capital region constantly improve their competitiveness.

- Attracting high-quality labor resources is difficult.

- Pressure on improving Vietnam's investment environment (policies, processes) increases.

Table 5: SWOT matrix

	Strengths	Weaknesses
	<ul style="list-style-type: none"> - Hanoi is the capital and the political, cultural and economic center of the country. - The large natural area, good ecological environment. - The labor force is abundant; the educational level is quite high compared to other provinces in the country. - Consistent and synchronous development policies. - The socio-economic system is relatively developed. - The leadership team has professional qualifications and practical experience. - Good political security, safety, and order of society. - Good service infrastructure (telecommunications, hospitals, schools, etc.) 	<ul style="list-style-type: none"> - Low economic growth rate is not commensurate with the target and potential. - The competitiveness and attractiveness level (image) in attracting FDI is still lower than Ho Chi Minh City and some provinces. - Exploiting resources (human resources, knowledge, geographical location, etc.) is still inefficient. - Infrastructure, especially transport infrastructure, is limited. - Competition in the labor market is not high.
Opportunities	SO strategy - Develop strengths	ST strategy - Improve weakness
<ul style="list-style-type: none"> - Vietnam is politically and socially stable; the economy has made strong development steps. - Vietnam has officially participated in the WTO. - The Government has issued many priority guidelines and policies to attract FDI - Expanding access to world markets - Abundant workforce. 	<p>Strategies to increase the internal force of absorption of the economy: Strongly innovate to canalize, maximum release, mobilize and effectively use all resources, creating a new motivation to increase the absorption of FDI capital of the economy.</p> <p>Strategies to attract investment partners: Attracting FDI from potential markets and partners, focusing on the world's leading developed countries, transnational corporations holding source technology, advanced technology, and modern management level.</p>	<p>Strategies to improve the investment environment: Strongly improve the investment environment to create a favorable business environment for foreign investors to trust and choose to invest.</p> <p>Strategies to develop Agricultural product: Developing smart agricultural products, applying high technology, adapting to climate change, being environmentally friendly.</p>
Threats	WO strategy - Take advantage of opportunities	WT strategy - Limit risk
<ul style="list-style-type: none"> - Competition among countries to attract FDI is increasing when Vietnam joins WTO - Provinces in the capital region constantly improve their competitiveness. - Attracting high-quality labor resources is difficult. - Pressure on improving Vietnam's investment environment (policies, processes) increases. 	<p>Strategies to participate in the global supply chain: creating new methods in goods distribution, consumption, stimulating trade activities, raising the value of agricultural products, improving competitiveness, expanding market share</p>	<p>Strategy to improve agricultural development policy: strengthening agricultural insurance policies, land policies, incentives, attractiveness, creating breakthroughs, encouraging investors to invest in the agriculture sector.</p>

Source: Compiled from the author's analysis results

6. Some solutions to enhance the attraction of foreign direct investment capital in the agricultural sector in Hanoi

- Completing synchronous and consistent mechanisms and policies, creating a legal corridor for managing the foreign direct investment of Hanoi, complying with Resolution No. 50-NQ/TW dated 20 August 2019 (Government, 2019) [1]. In particular, it is necessary to focus on establishing a common and equal legal ground between all economic sectors, to create a stable business environment. Set up a system of policies related to FDI in the follow of consistency, publicity, transparency, and predictability. Continue to improve the management system, complete the decentralization mechanism in FDI inspection

and control based on clear principles and views. Strengthening inspection and control FDI activities follow the direction of expanding the right to take the initiative of departments, agencies, and localities. Simultaneously, ensure united focus, especially projects under the decision-making authority of the National Assembly and the Prime Minister.

- Reform administrative procedures in the direction of simplicity and compactness, and promote foreign investment. Hanoi should focus on promoting the reforming administrative procedures in the FDI management of the state in the direction of completing regulations, building standard procedures, and operating principles. Clearly define the powers and responsibilities of the relevant agencies in handling

administrative procedures according to the orientation of the Government. Publicly and widely announce specific regulations on procedures for submission and receipt of dossiers for FDI projects. The content of regulations must include assessment of investment projects in terms of legal status, financial viability, the suitability of the project with the long-term plan, environmental protection, socio-economic benefits, technological level, and rationality in land use. Simplify investment procedures, reduce unnecessary and unimportant requirements, waste time in investment appraisal, and create favorable conditions for investors to implement the projects quickly.

- Improve the efficiency and quality of creating planning and development planning of each industry, product in the direction of alignment with the development targets, missions, and solutions set out in the Hanoi development plan in the period from 2021 to 2030, as well as Strategies to attract and use foreign investment until 2025 and the following years. Based on the above plannings, departments and localities have to build categories of projects prioritized to call for foreign investment capital with specific information on objectives, locations, capacity, and Vietnamese partners as a basis for the organization of investment advocacy programs.

- Perfect mechanisms and policies about encouraging foreign investment, including Policy on incentives, support investment, Policy on Capital market development and investment credits, Policy on trade and market, Policy on land, Policy on development of raw materials sources, Policy on development of agricultural and rural infrastructure, Policy on human resource development.

- Strengthen and improve the effectiveness of foreign investment mobilization and promotion in the following directions:

+ Supporting and creating favorable conditions for the effective implementation of foreign investment projects that have been granted investment licenses are the best measure to build the image and improve the understanding of foreign investors about the attractiveness and competitiveness of foreign investment in Hanoi;

+ Quickly develop specific domestic and foreign investment campaigning plans and programs, focusing on crucial industries, projects, and investment partners that need to attract foreign investment;

+ Allocate enough budget for investment promotion activities as a separate expenditure in the annual recurrent expenditure budget of Hanoi;

+ Build and effectively use the Investment Promotion Fund based on the City budget (extracted from the revenue of the foreign investment sector), in combination with mobilizing contributions from

organizations and enterprises;

+ Deploy conduct research on the investment potential of countries/territories investing in this field to have appropriate policies and advocacy mechanisms;

+ Renovate and improve the quality of publications promoting foreign investment in general and investment in each field in particular (including Investment guidebook, Category of projects calling for foreign investment capital, etc.) to create attractiveness for initial foreign investors.

7. Conclusions

Hanoi is a city with many favorable conditions to develop agricultural production, especially hi-tech application agriculture, to promote this industry into a spearhead economic sector with many competitive advantages compared to other regions. However, the reality shows that investment in agriculture compared to other industries is quite limited, and even the investment trend is less stable and decline in some capital flows. While State budget capital, credit capital tends to increase, the FDI capital has almost not grown but tends to decrease and is often unstable. Therefore, this study has assessed the current situation of attracting foreign direct investment capital into the agricultural sector in Hanoi and proposed some solutions to mobilize this capital for agricultural development in Hanoi that will have more advantages and efficiency in the coming time.

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