

## **Analysis of Japan's international trade and investment activities in Vietnam**

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**Abstract:** This article analyzes the commercial relations between Japan and Viet Nam. After 45 years of establishing diplomatic relations, Viet Nam and Japan became important partners for each other. Today, Japan is the second largest foreign investor and the fourth largest trading partner of Viet Nam. The import and export activities and international investment projects of Japan contribute greatly to Vietnam's socio-economic development.

**Keywords:** The import and export activity, international investment, Japan, Viet Nam.

### **1. Introduction**

From 1974 to 2009, especially in the 1990s, Japan's economy fell into prolonged stagnation, but Japan continues to be a country with an industrial, commercial, financial, service and scientific economy. Studying the world's leading economies, Japan has a long-term trade balance surplus and the world's top foreign currency reserve. Japan is the largest lending, reconstruction and development aid country, possessing many leading financial and banking corporations in the world. Vietnam's commercial activities in recent years have progressed smoothly. Vietnam is a trading partner of most countries and territories in the world. Average growth of 20% / year, while GDP growth is only 6-7% / year (Nguyen Hoang Tien, 2018). Since Vietnam conducted the renovation process (1986), Japan has always been an important partner of Vietnam in all fields. Vietnam and Japan established diplomatic relations on September 21, 1973. A Japanese Foreign Ministry official evaluated Vietnam's role as follows: Vietnam will play an important political and economic role in the Asia-Pacific region in this twenty-first century. Japan and Vietnam are both countries that hold important positions together, so Japan will not hesitate to get along with Vietnam while Vietnam continues to try to build the country in a spirit of peace, stability and distribution. developing in the Asia-Pacific region because Vietnam is a country capable of playing an important role in this career (Duong Phu Hiep, 2002). Over the past years, Japan has always been among the four largest trading partners in more than 200 countries that import and export goods with Vietnam. One of the activities that bring about economic efficiency for the economy of the two countries is investment. International investment is a way to move capital from one country (often highly developed) to another (often developing or less developed) by multinational corporations to implement early projects. private benefits for all participants (Nguyen Hoang Tien, 2018). As of 2017, Japanese investors have invested in Vietnam 3,599 FDI projects with a total registered capital of 49.46 billion USD, ranking the second among investment partners in Vietnam, after Korea (Duong Thi Trang, 2018). The reason why Japanese investors are interested in the investment environment in Vietnam is that the economic growth of Vietnam in recent years has achieved impressive results, the labor force is abundant, human resources have not been considered important in the exploitation and natural landscapes but are favorable for the development of tourism and other services. It is easy for Vietnam to connect to the product and goods network with China thanks to closer proximity than other countries (Nguyen Hoang Tien, 2018). In 2018, Vietnam continues to be forecasted to achieve good growth, so many Japanese investors will continue to invest in Vietnam. Japan's economic and investment cooperation in Vietnam not only brings advantages to Vietnam but also Japan has many benefits, contributing to their economic - political goals.

## **2. Theoretical Framework**

International trade is the exchange of goods and services between countries, which is the focus and starting point of international economic relations. International trade helps the economy in terms of use value, towards a structure of goods and services. It is beneficial for consumers, stimulating entrepreneurship and innovation. In addition, international trade also improves the efficiency of participating economies, improving productivity in developing countries, reducing costs in developed countries. Characteristics of international trade: growth rate is 2-3 times higher than GDP growth, reflecting the openness of the economy; the growth rate of services (software, intellectual property, copyrights, trademarks, business know-how) goes far beyond physical goods and products; reduce crude growth in exports to maintain competitiveness and advance in the global value chain; competitive tools and methods are increasingly diverse, among them are the quality, price, design, packaging, service, payment, cross-selling, CSR (Corporate Social Responsibility); the role of monetary and financial instruments is increasing. Economic relations (trade, investment) and science and technology (R&D) are increasingly rich and complementary enhanced by technology transfer. The life cycle of products and technologies is getting shorter.

International trade policy is a system of appropriate views, guidelines, principles, tools and measures that the state uses to regulate international trade (import and export) activities of each country to achieve certain socio-economic development goals. The role of international trade policy is: to create conditions for domestic enterprises to penetrate foreign markets, to participate in international and labor trade assignment, and to fully exploit the advantages of the country's economy. Protecting the domestic market is needed so that domestic enterprises can stand firm and compete with foreign businesses right on their home turf. (Nguyen Hoang Tien, 2018).

International investment is a form of moving capital from one country to another to implement long-term investment projects that benefit the stakeholders. International investment includes direct investment (FDI) and indirect investment (FII). FII (Foreign Indirect Investment) is the most flexible form of capital transfer between countries through the stock market, in which owners do not directly manage the use of capital, instead they lend, buy stocks and bonds. FII includes private capital, individuals and companies can buy stocks, bonds, control them at regulated levels. Besides, Public fundings are provided by international government and non-governmental organizations. Large volume, preferential conditions on interest rates and time, political factors accompany ODA (Official Development Assistance) which has non-economic objective that is the development and cooperation between the state and a government with foreign government, intergovernmental or non-governmental organization. Forms of ODA are: non-refundable ODA, preferential loans for ODA and mixed ODA. FDI (Foreign Direct Investment) is the type of international investment, which the main owner directly manages and manages its use of capital. On the positive side of FDI we have a more attractive investment environment, indirectly competition with enterprises of other countries, overcoming trade barriers, promoting products, reputation, creating prestige on the market. On the negative side we have: loss of jobs and brain drain in the investor country, risks related to new investment projects. (Nguyen Hoang Tien, 2018).

## **3. Methodology**

This article uses the method of analyzing and synthesizing theory. Theoretical research usually starts from analyzing the literature to find out the structure and development trends of the theory. From theoretical analysis, it is necessary to synthesize them to build into a system of concepts and categories to form new scientific theories. Method of theoretical analysis is a method of analyzing theory into different aspects, parties, historical period, to discover and exploit different aspects of the theory from there and to select the necessary information for the research topic. In this article, we collect information from secondary data sources such as: scientific journals and reports, scientific works (both domestic and foreign), mass media about Japan's international import and export activities in Vietnam. Method of theoretical synthesis is a method of linking and arranging from theories collected into a whole to create a new and complete theoretical system of research topic. From the collected information, we investigate Japan's international import and export activities in Vietnam, opportunities and challenges in the commercial relations of the two countries, and finally we propose some making recommendations to make the two countries' import and export activities more effective.

#### **4. Research Results and Discussions**

Vietnam-Japan trade relations began at the end of the 16th century when Japanese traders came to Vietnam to trade. Vietnam officially established diplomatic relations with Japan on September 21, 1973. The two countries have given each other most-favored-nation tariffs since 1999. Currently, Japan is currently the most important economic partner of Japan. Vietnam considers both commercial and investment activities. In 2017, the total import-export turnover between Vietnam and Japan reached 33.84 billion USD, an increase of 13.8% compared to the performance in 2016. In which, the export of Vietnamese enterprises' goods to the market Japan reached 16.86 billion USD, up 14.9% compared to 2016, accounting for 7.8% of total export turnover of Vietnam to all trading partners in 2017. In the opposite direction, import exports of goods from Japan to Vietnam reached 16.98 billion USD, up 12.7% compared to 2016, accounting for 8% of the total import value of the country in 2017. In the 2011 period - 2014, Vietnam always surpluses in goods exchange with Japan; In the last 3 years (from 2015 to 2017), the balance of goods trade reversed to a state of deficit. The structure of Japanese and Vietnamese goods is complementary and non-competitive. Japan is a big importer of seafood, consumer industrial products such as textiles, leather shoes and processed food while Vietnam is a country with absolute competitive advantage in these products. In contrast, Vietnam imports from Japan machinery, equipment, technology and raw materials for production.

In the eyes of Japanese investors, Vietnam is the market with the fourth largest prospect after China, Thailand and India. Currently Japan is the second largest investor out of 126 countries and territories with investment activities in Vietnam with 3,725 projects worth about 50.5 billion USD. According to the Foreign Investment Agency (MPI), according to investment partners in the first half of 2018, Japan ranked first with a total investment of US \$ 6.47 billion, accounting for 31.8% of the total investment. Vietnam and Japan also coordinate their views at multilateral forums and international organizations. While Japan supports positive diplomatic activity and Vietnam's growing role in regional issues, Vietnam also supports Japan as an important member of the international community. For example, Vietnam supports the strong involvement of Japan with ASEAN and the Mekong subregion, as well as its support to become a permanent member of the UN Security Council. Vietnam, a country with favorable economic prospects, with steady GDP growth of up to 6.8% in 2017 and when inflation is controlled (under 3.5% in 2017), is a home Japanese investment. Strategically located in the heart of Southeast Asia (ASEAN), along the main route Singapore-Hong Kong, Vietnam with continued strong economic growth and reforms, and a large population of 93 million with half of which under thirty years of age, competitive, cheap labor costs, legal institutions increasingly transparent, is gradually conforming to the international standards; Vietnam has signed 12 free trade agreements, and is an active member of ASEAN, APEC and has relationships with many countries and regions, especially G7 and G20 countries to create a dynamic investment and fast commercial hub in the region. Selling equipment, technology and consulting and management services associated with growth in the industrial and export sectors and implementing large infrastructure projects continues to be a major source of activity in Vietnam's economic scene. Trade dynamics and benefits for Japanese companies are related with real estate sector, environmental management projects, education services are to bring the most promising opportunities for Japanese companies in the short term because the demand for infrastructure continues to expand. The Vietnamese government is creating a favorable environment for development, determined to act on the spirit of service, taking the satisfaction of businesses, and citizens as a measure of efficiency.

Besides, Japanese investors and businesses face many difficulties in corruption, laws and regulations, legal systems, tax structure and infrastructure in Vietnam market. The developmental nature of legal regimes and commercial laws in Vietnam, combined with overlapping authority among government ministries, often leads to a lack of transparency, uniformity and consistency in policies and government decisions on commercial projects. Project timelines often exceed initial projections, especially when funded using official development assistance (ODA). Corruption and governance in government are a major challenge to the consistency and productivity of government and for foreign companies doing business in Vietnam. Vietnam ranked 107 (out of 180) on the 2017 Corruption Perceptions Index of Transparency International. According to FTAs in the period of 2018-2022, the tariff roadmap will be brought down and move towards 0% for many commodities, creating new opportunities to increase Japan-Vietnam import-export turnover. In 2018, trade between the two countries as well as in the region continued to be promoted. Firstly, Japan-Vietnam agrees on the importance of supporting industries, which are typically automobile manufacturing. Vietnam-Japan cooperation plays an important role, not only in the development of Vietnam and Japan, but also for the whole region. Japan will continue to provide aid to Vietnam in the field of infrastructure, as well as human resources, that is, both

hardware and software. Japan supported Vietnam in human resource development, and the two sides also had very effective personnel exchange programs. In the coming time, Japan will continue to support to boost Vietnam's economic and trade growth. In the coming time, Japan will share experiences with Vietnam in the process of equitizing enterprises. State to promote the process of economic reform.

### **5. Conclusion and Recommendation**

Vietnam and Japan have many similarities in terms of benefits, which will be the driving force and foundation for the two countries to further strengthen cooperative relations in all fields. This relationship not only brings benefits to Japan and Vietnam, but it also has positive impacts on the bilateral and multilateral relations network in the region. Mr. Hironobu Kitagawa - Chief Representative of Japan Trade Promotion Organization (JETRO) in Hanoi once said: "Vietnam's socio-economic conditions are changing in a positive direction, economic growth in the year 2018 continues to be forecasted to achieve good and stable growth, so many Japanese enterprises will step up investment in Vietnam". In order to strengthen Japan's import-export and investment activities in Vietnam, the two countries should continue to strengthen their political reliability through regular visits and contacts at all levels, especially high-level; enhance the effectiveness of dialogue mechanisms between ministries, sectors and localities of the two countries. Special encouragement is given to private sector investment in supporting industries, with special support for capital and special tax incentives (exemption of import taxes on equipment and technology, exemption from business taxes). On the basis of the current good economic cooperation momentum, the two sides should strive to bring into full play the advantages of each country to complement each other on the principle of mutual benefit, promoting links between the two economies. through strengthening cooperation on ODA, trade and investment. Besides, Vietnam needs to improve the investment environment and create the best conditions for investors to implement licensed projects, trying to attract Japanese investment with many methods, including trade promotion and investment promotion conferences, businesses must actively strengthen management capacity, renew human resource quality, link global supply chains, create competitive capacity to take advantage of all opportunities Good development of Vietnam - Japan friendship relations, with the efforts, consensus and proper policies of both sides, Vietnam and Japan will deepen mutual strategic partnership that continues to be promote and developed comprehensively, for the benefit of people of the two countries, as well as of the peoples in the world.

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