

STRATEGIC ECONOMIC PARTNERSHIP BETWEEN VIETNAM AND JAPAN: Current State, Challenges and Measures to Promote Trade and Investment Relations

Nguyen Thi Bich Ha

Abstract

Recognition and enhancement of the role of ASEAN nations is one of the Japan's export and investment based policies for economic growth and development. Over the last two decades, the economic relationship between Japan and Vietnam has been continuously improving and shows enormous potential for development. The Vietnam-Japan Economic Partnership Agreement (VJEPA) signed in 2008 has opened up new opportunities for the two countries to take advantage of that potential.

In its economic growth process, Vietnam has attached importance to foreign direct investment (FDI) and export. FDI contributes to supplementing the shortage in capital, technology, management skill, etc. while still boosting export and expanding the market for domestic goods. Thus, Vietnam places importance to developing the economic cooperation with developed partners.

Among them, Japan has been always a strategic partner. Vivid manifestations of this importance are Vietnam's provision of Most-Favored-Nation privileges for Japanese goods although by 2008 the two countries did not have any official bilateral trade agreement, and active negotiations and compliance of the two countries with the Vietnam-Japan Economic Partnership Agreement. With the improvement of the quality management processes, management skills and production technologies to meet the requirements of Japanese customers, Vietnamese businesses have been gradually gaining experience to improve their competitiveness. The increasing international competition with China and other ASEAN countries is an extremely enormous pressure on Vietnam. Vietnam should promote further reform and improve the business-investment environment to raise its business competitiveness, and attract external resources for its development, particularly through Japanese investors.

This paper consists of four parts. Part 1 explains the Vietnam-Japan strategic economic partnership. Part 2 examines bilateral trade between Vietnam and Japan from 1990 to 2009, and briefly reviews some remaining issues. Part 3 investigates FDI from Japan in Vietnam over about the last 10 years, and identifies remaining issues. Part 4 mentions the prospects for economic cooperation, as well as makes policy recommendations to enhance Vietnam - Japan trade relations, and proposes policies to promote Japan's FDI into Vietnam in the forthcoming years.

Key words: 'China + One', Foreign Direct Investment (FDI), Measures for promoting trade relations, Policy solutions, Supporting industries, Strategic Economic Partnership, Vietnam-Japan Economic Partnership Agreement (VJEPA), Vietnam-Japan trade cooperation