



Việt Nam to lead the way attracting Japanese investments

by Mai Hương

HÀ NỘI Foreign Direct Investment (FDI) is anticipated to continue to be a crucial driver of economic development across ASEAN nations in the years to come, with Việt Nam emerging as a frontrunner in the race to attract high-quality FDI from Japan.

The ASEAN region remains Japanese companies' preference for investing abroad, especially amid a slowdown in the domestic economy and challenges such as a declining population, impacting economic prospects and domestic investment aspiration.

In the past, Japanese companies heavily poured investments into China. However, their attention has now shifted towards Southeast Asian nations such as Indonesia, Thailand and Việt Nam, with the latter poised to lead the pack in attracting Japanese investments.

In 2022, Japan ranked as the second-largest foreign investor in the ASEAN bloc, with total investments reaching US\$26.7 billion. In Việt Nam, Japan consistently held the position of the top three largest FDI investors, with nearly 5,200 valid FDI projects amounting to over \$71 billion as of September 2023.

Strategic advantages

FDI has been pivotal to Việt Nam's economic triumph and stands as a symbol of its achievements in reforms and economic openness, contributing to lift the country into the ranks of the world's top 40 economies and among five fastest-growing economies after nearly four decades of reforms. Among investors, Japan's investments have contributed significantly to Việt Nam's economic development.

Việt Nam's strategic location in Southeast Asia, actively participating in bilateral and regional free trade agreements, positions it as a gateway to key markets like ASEAN, Northeast Asia and the Pacific. Combined with a favourable business environment and incentives, along with steady economic growth, low inflation and currency stability, Việt Nam offers a solid foundation for investment across sectors. Ongoing infrastructure development, including transportation, energy supply and industrial zones, further solidifies Việt Nam's status as a regional business hub.

Takuto Iwanaka, General Director of OMRON Healthcare Manufacturing Vietnam Co Ltd, commended the Vietnamese Government's commitment to economic reforms and pro-investment policies, which enhances Việt Nam's attractiveness. Moreover, Việt Nam benefits from a young and skilled workforce, leading to cost-effective labour without compromising productivity.

OMRON has established a manufacturing facility in Việt Nam,



Workers in OMRON Healthcare Manufacturing's facility in Vietnam-Singapore Industrial Park II in Binh Dương Province. Photo courtesy of OMRON Vietnam

focusing on delivering high-quality healthcare devices to meet the growing demand in Việt Nam's healthcare market and contribute to the local and global supply of medical equipment. Its presence in the industrial automation sector further contributes to Việt Nam's attractiveness as a destination for Japanese investments, especially amid the "China+1" strategy.

"Since Vietnam has emerged as a top contender in the China+1 strategy, it is driving significant demand for factory automation, serving as a new growth engine for OMRON in the APAC region," Iwanaka told *Việt Nam News*.

2024 challenges

The latest data from the Foreign Investment Agency under the Ministry of Planning and Investment showed the country successfully garnered approximately US\$2.4 billion in FDI in January, representing a notable surge of 40.2 per cent compared to the same period in 2023.

Last year also witnessed a significant surge in FDI inflows into Việt Nam, with registered investments totaling \$36.6 billion and disbursements reaching \$23.3 billion, marking the highest figures on record.

However, Việt Nam is anticipated to confront significant challenges in attracting FDI in 2024. Minister of Planning and Investment Nguyễn Chí Dũng recently highlighted several key obstacles, including geopolitical conflicts, high global inflation rates, and shifts in investment preferences towards neighbouring countries to streamline supply chains.

Currency depreciation in South Korea and Japan is also affecting outward investment, while global



NGK Insulators' representative introduces the company's products to ASEAN reporters in its headquarters in Tokyo. VNS Photo

growth prospects and rising costs are prompting corporations to restructure and limit new investments.

Competition for investment is increasing, with countries like Thailand, Indonesia and Malaysia offering better incentives. Meanwhile, challenges persist in Việt Nam's business environment, including post-investment administrative procedures and shortages in labour and materials, particularly in high-tech sectors. Despite incentive policies, sectors like technology and energy lack mechanisms to attract investment, risking disruption in the supply chain.

A recent survey conducted by the Japan External Trade Organisation (JETRO) revealed that nearly 57 per cent of Japanese businesses express a desire to continue expanding their operations in Việt Nam. Although expansion ambitions remain high, Việt Nam is the only country among the six key ASEAN

countries to have a decrease compared to the previous year.

To maintain Việt Nam's competitive edge and attract more Japanese investments, Phùng Duy Hân, General Director of OMRON Vietnam Co Ltd, stressed the importance of enhancing investment promotion efforts, improve the business environment, invest in infrastructure, and foster collaboration between Vietnamese and Japanese businesses.

Hân suggested streamlining administrative procedures, leveraging its geographical advantage, promoting collaboration through joint ventures and industry forums, and prioritising talent development are essential strategies for Việt Nam's long-term economic growth.

Meanwhile, representative of NGK Insulators pointed out when considering investment opportunities in the ASEAN market, especially in Việt Nam, the company follows a basic policy of estab-

lishing production facilities where demand for its products is high. For automotive ceramic products, a key focus for NGK, production plants are typically set up in countries with significant automobile manufacturing bases. Factors such as tax incentives and opportunities for intra-regional exports are also taken into account.

In ASEAN nations, NGK Insulators have built manufacturing bases in Thailand, Malaysia and Indonesia, not any in Việt Nam. To effectively attract investment, they have suggested Việt Nam should prioritise attracting production bases of end-product manufacturers, enhance supply chain convenience both within and outside the region and offering preferential tax treatment to remain competitive with other ASEAN nations.

New approaches

Despite challenges, Việt Nam's proactive approach in enhancing cooperation, evident through the establishment of strategic partnerships with major economies and recent high-profile visits, signals its readiness to welcome large investors.

Last year, the country upgraded its relationships with both the United States and Japan to the highest level, establishing strategic comprehensive partnerships. These advancements were expected to facilitate increased investment from these two countries. Nonetheless, the effectiveness of these partnerships will rely on the development and implementation of detailed and specific plans.

FDI is poised to maintain its crucial role in driving Việt Nam's economic growth in the years ahead, particularly as the country pursues new development objectives, focusing on sustainable and inclusive development, innovation, and aiming for high growth while ensuring environmental sustainability. These ambitious goals need new approach in FDI attraction.

Last month, Minister of Planning and Investment Nguyễn Chí Dũng announced Việt Nam is committed to continually reviewing and adjusting its FDI policies to align with global trends. This includes a focus on industries such as renewable energy, waste management and innovation. Additionally, the country will continue its efforts to reform administrative procedures, particularly those related to post-investment processes, in order to streamline operations.

Particularly, priority will be given to breakthrough sectors like high technology, innovation, digital transformation, and renewable energy.

The country will also align human resource training with industry needs, focusing on high-tech sectors, as well as provide comprehensive support for key sectors such as high technology and semiconductor production. VNS