

## The Economic Integration of Japan and Experience for Vietnam



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**ABSTRACT:** The article analyses the economic integration process of Japan since the second world war, especially the current period. The article also points out the basic achievements of Japan in integrating into the global economy. From the above research, the article proposes some lessons learned for Vietnam in the world economic integration. The most important lessons learned is that based on the circumstances of the country to choose the appropriate model. At the same time, Vietnam needs to take advantage of all favorable conditions to integrate and develop the country in the current period.

**KEYWORDS:** Japan, Vietnam, Economic intergration, internationalization, Japan government.

### I. INTRODUCTION

In the decades after the war, although Japan was known as one of the powerful leading countries in the economy in the world, it was a fact that the economy of the "Land of the rising sun" was still not internationalized completely. Since the mid-1980s, especially since the 1990s, to solve the crisis of the post-war economic model and adapt to the trend of globalization, the Japanese economy has taken decisive steps in the process of internationalization and integration into the world and region.

### II. RESULTS AND DISCUSSION

1. Regarding historical practice, the thought of opening and integrating with the outside world is not too strange for Japan, but on the contrary, has been formed quite early. The Meiji reform in 1868 marked the first time that Japan opened its economy, integrated with the West, and transformed from a closed and backward feudal economy to a capitalist market economy. The second was the post-war period after 1945, which witnessed Japan's transition from a militarized economy to a market economy and gradually opening to the outside world. Especially since the mid-80s of the twentieth century, Japan was conducting the third opening in the direction of internationalization of the economy. Each time of opening and integrating, Japan has its calculations and goals, contributing to the take-off of the economy. However, in Japan, there are many different arguments on international economic integration. There is a view that it is not necessary to quickly integrate into international economic organizations such as GATT/WTO, IMF, WB... but it takes time to increase the strength of the domestic economy. On the contrary, another view is that it is vital to take advantage of international economic integration and market openness, aiming to access development opportunities quickly.

Driving from the international context and the requirement of opening and integrating, the Japanese government has come up with a strategy of proactive integration slowly, not immediately integrating entirely into the world economy and the region; cleverly combine protectionism and foreign competition at an appropriate degree. The purpose of implementing this integration strategy is first to join international organizations, especially international economic organizations, because this is an opportunity for Japan to gain access to the market and compete equally with other countries. With a gradual and calculated integration strategy, Japan strictly implements the principle of combining protectionism with opening to the foreign competition. This principle is expressed in detail as follows:

*Firstly*, Japan has selective calculation when implementing liberalization, opening only sectors and industries that can compete, are competitive enough or less to social pressure. The primary tool to regulate this process is the policy of import quotas. The principle is to give priority to imports for the development of export production, or the development of industries associated with promoting exports and earning foreign currency is always emphasized.

*Secondly*, strict control of the technology market and import of technology must ensure the principle that does not inhibit domestic technology development, disrupt the economic structure, and harm small companies.

*Thirdly*, for the opening of capital markets, according to Japan's "Foreign Investment Law", foreign investment is only accepted if it contributes directly or indirectly to improving the international balance of payments, must be conducive to the

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development of essential industries or enhance industries serving the public interest and must not adversely affect the process of economic reconstruction.

*Fourthly*, integration openness but ensuring independent development, not being controlled or controlled by foreign companies. To ensure the above principle, the state intervenes in the process of business association between enterprises by conducting specific regulations on the field and the extent to which foreign presence is allowed with the apparent schedule and time.

2. During the integration process from the late 1980s to the present, Japan has formed four Councils of Reform promotion, focusing on issues of deregulation, privatization, decentralization and reform of structure and management. Notably, the Third Promotion Council (1990-1993) focused on deregulation to promote Japan's international integration via the reform program in 6 basic areas that overcome the limitations and inadequacies of the Japanese model to meet the new development needs of the country in the context of increasing regional and international integration. These are administrative reform, economic structure, monetary structure, budget, welfare, and education.

In the reform program of deregulation in 1998-2000, Japan removed 624 regulations in 15 areas such as competition policy, standards for importing telecommunications information, employment, and labour... In the reform program of former prime minister Koizumi for the period 2001-2006, seven areas were proposed, including accelerating privatization and structural reform.

In terms of finance and currency, since April 1997, Japan has amended the foreign exchange law that allows the complete liberalization of related transactions, since 1998, approving regulations allow financial legal entities to cross-business, open up business opportunities and improve the ability to meet customer needs.

Along with the market opening, Japan's international integration strategy in the current period focuses on creating regional economic cooperation relations. Specifically, in November 1989, Japan joined the founding of the Asia-Pacific Economic Cooperation (APEC), joined the WTO on January 1, 1995, and the Eurasian Economic Cooperation Forum (ASEM) in March 1996.

In addition, Japan has also promoted a "multi-way FTA strategy", negotiating and signing economic partnership agreements (EPA) and free trade agreements (FTAs) with key trading partners as well as emerging economies. Since Japan signed its first trade agreement with Singapore (in 2002), by 2019, Japan has signed FTA/EPA with 17 countries and regions, which are: Mexico, Malaysia, Chile, Thailand, Indonesia, Brunei, ASEAN, Philippines, Switzerland, Viet Nam, India, Peru, Australia, Mongolia, TPP12, TPP11, EU (Ministry of Foreign Affairs of Japan, 2019). In the context that China has further promoted its priority agendas, such as RCEP (Regional Comprehensive Economic Partnership Agreement), FTAAP (Free Trade Area of Asia-Pacific), AIIB (Asian Infrastructure Investment Bank) and the Belt and Road Initiative (BRI), Japan has been very clever in taking advantage of its pioneering position in leading the CPTPP after the US leaves (Ngo, 2018). Currently, Japan is the most powerful economic country in Asia-Pacific, participating in the framework of both major economic agreements, RCEP and CPTPP at the same time. The framework is critical in the context that the world is witnessing a resurgence of protectionism. By participating in the negotiation of many other vital trade agreements such as the Japan-EU FTA and the China-Japan-Korea trilateral FTA (CJK-FTA), Japan is expected to undertake the mission of "bridge" between major economic regions of the world such as Southeast Asia, Europe, Asia-Pacific and the United States.

By joining international economic organizations and signing bilateral trade agreements, Japan's economy has made substantial progress, recovering from a prolonged crisis. More importantly, Japan is not left on the margin of economic integration in the region, affirming its leadership position in the region.

3. The practice of Japan's international economic integration in the past decades has emerged some critical issues as follows:

*Firstly, the role of the State in adjusting the structure of industries in the direction of promoting comparative advantages and increasing competitiveness.* After the economic recovery period, Japan issued the "physical and chemical industrial policy" to adjust the industrial structure towards focusing on heavy and chemical industries. In fact, these are industries that have contributed to fundamentally changing the face of the Japanese economy during the post-war industrialization process. During the oil crisis in the 1970s, the competitive advantage of industries altered due to the change in the international business environment. Thus, Japan has adjusted the structure of industries to focus on industries that use a lot of gray matter, less pollution, and clean the environment. These are the high-tech industries, the advanced assembly industry, the fashion design industry and the information processing distribution industry. From the 90s to the present, the remarkable development of science and technology and the sharp increase of the process of economic globalization have attracted countries to join the regional and global business network. Japan has adjusted its economic structure to focus on information technology, biotechnology and service industries, thereby promoting further integration into the regional and world economy.

*Secondly, institutional reform plays a vital role in integrating effectively into the world and regional economies.* The legal regulations related to the production and business processes of the industries are assigned priority in each period that must create a compatible institutional framework for their development. For example, since the 1990s, a large number of economic programs and policies have been adopted annually to promote economic transition. The Law on Foreign Exchange in April 1997, the revised Law on Small and Medium Industries in March 2000, and the Information Technology Development Program 2001-2005

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contributed significantly to the economic restructuring in the direction of intellectualization and deeper integration into the global economy.

*Thirdly, methods to support export improvement*, Japan has used priority policies for export through taxes and interest rates. Notably, the policy of "special depreciation based on exports", which dates back to 1961, has boosted exports, increasing the trade surplus (however, due to trade conflicts, by 1972, the policy was repealed). Since the 1990s, direct interventions from the government on exports have also been reduced, and the government focused on internal structural reforms with large support programs. Interventions to adjust the exchange rate, allow the liberalization of foreign currency conversion, are the policies that contribute to the promotion of import and export. Besides implementing these policies, Japan also created organizations to enhance corporate strength and support export promotion, such as the Export Bank, the Supreme Council for Exports, the Export Promotion Organization, and the Export Promotion Organization. Japan Trade Promotion (JETRO). For decades, trade promotion, especially export promotion, has been an important key to Japan's success during integration at both the government and corporate levels (Luu, 2003). Currently, JETRO's activities and the provision of ODA aid serve as the critical tools of the Japanese Government's foreign economic policy to join new and potential markets, such as Vietnam and Southeast Asian countries.

*Fourthly, the issue of human resource development and science and technology*, because of the increasing globalization process, Japan has adjusted in training resources with concentration, qualifications, and high adaptability. Specifically, in the high school curriculum, the goal is to provide the skills needed for life, create opportunities for independent learning; using a new mode in recruiting human resources, based not only on the ability to loyalty or brand of universities but also mainly on an actual professional capacity. Moreover, Japan has issued tax incentives to encourage investment in R&D, such as reducing tax for experimental research expenditures, granting subsidies for technological development and completion, ordering research contracts, establishing research institutes and budget support for these activities. With the above policies, Japan has acquired a high-quality labour force with significant scientific and technological potential, which are factors that directly contribute to improving competitiveness, creating a basis for Japan's deep integration position in the global value production chains.

4. The successes of Japan's international economic integration in recent decades can be good suggestions for the development of many developing countries, including Vietnam. Specifically, as follows:

*Firstly, Vietnam needs to continue to reform the system of mechanisms and policies to be more consistent with international law and the reality of integrated institutions. In which, the most notable thing is to reduce direct interventions from the State on the business sector, to focus on creating a policy, legal and macroeconomic environment that ensures smooth and efficient production and business.* It is important to accelerate this process to catch up with the world trend and integrate effectively. The reform of the system of policy mechanisms requires agreement and consensus from the whole society. Thereby, it is necessary to regularly organize a thorough study of all aspects of the problem and make it a topic of public discussion in the whole society, and at the same time build the unity of thought, will and organization of action in the Party and Parliament in policies and measures to support the adjustment in the process of international economic integration.

On the other hand, limitation and elimination of tariff and non-tariff barriers have been implemented by countries according to the committed progress when integrating into the international economy. In addition, for industries greatly affected by the opening and liberalization process, Vietnam can provide temporary subsidy or support measures, including provision of preferential credit to support continued production and business (similar to the case of Japan with the agricultural industry).

*Secondly, build an economic structure that is as appropriate, dynamic, and efficient as possible, with high adaptability and standing in the global competition.* Experiences from other countries show that international economic integration requires an appropriate transformation of economic structure to bring into play the advantages of the country. In fact, this is also a critical issue that Vietnam must strive for and achieve in the integration process.

Vietnam needs to further promote the share of industries and services, targeting to bring in higher income and accumulation. This is also a condition for reinvesting and applying modern advanced production methods and technologies to the production that consists of agricultural production.

Establishing economic zones is based on the region's potentials and advantages, in association with the market's demands; eliminating the market division between regions; removing the situation of self-sufficiency, especially food self-sufficiency in each region and locality. Each locality needs to put itself in a unified market, not only the national market but also the international market; on that basis, determine its capabilities and strengths to focus on developing, participating in the process of effective division and cooperation of labour.

Moreover, to hasten the integration process, it is necessary to equitize inefficient state-owned enterprises, impulse the development of the private economy, or strengthen the internal strength and competitiveness of state-based enterprises. The state should only operate in industries where private individuals cannot invest due to large capital and slow recovery. Those are also experiencing that Vietnam can learn from the process of reform and economic restructuring of Japan and other countries.

*Thirdly, in order to expand and develop foreign trade and expand markets for goods and services of other countries, Vietnam needs to supplement policies, strengthen measures to attract investment capital, approve the reform of the legal system, establish organizations to support foreign and local enterprises in investment promotion.* From the experience of Japan, supporting and

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promoting exports through the development of programs to promote the expansion of export markets for goods and services has proved quite effective

*Fourthly, training human resources with sufficient quantity and capacity, reasonably arranged at economic management agencies, domestic enterprises as well as participating in negotiation delegations is an urgent requirement for all countries, especially developing countries like Vietnam.* This comes from the content of countries' participation in the integration institutions is very rich, extensive, and sophisticated. In these contents, some contents have been negotiated or implemented by countries for decades and many issues raised for negotiation at the next time. In training cadres, it is necessary to take advantage of the technical support of countries and international organizations such as UNCTAD, ESCAP, the secretariat of the integrated institutions, especially WTO, ASEAN, APEC. Vietnam can immediately learn from the case of Japan that is one of the leading countries in human resource development. With specific conditions for development, Japan can only depend on the Japanese people themselves. Accordingly, the Government has paid substantial attention to education - training, really considers this as a leading national policy, and the fact that Japan has become one of the powerful countries in education in the world.

The experience from the Japanese case indicates that the importance and determination to implement appropriate education and training policies is a decisive factor in creating high-quality human resources for rapid and sustainable development. Therefore, it is necessary to determine human resources as the most valuable resource of Vietnam in the process of renewal and development of the country. So, it is vital to make the whole society aware of the role and responsibility of training and using human resources, turning challenges and quality of human resources into competitive advantages on a global scale.

Furthermore, it is required to develop a system of legal documents on human resources, employment, salary policy, promotion, reward, worthy treatment, social protection policy, etc., and implement these policies effectively. At the same time, international cooperation should be promoted to develop human resources and transfer modern technology to Vietnam; renovate training and vocational training in the direction of modernity, suitable to the circumstances of Vietnam and meet the country's development needs and international integration.

### III. CONCLUSION

In summary, the learning experience of economic integration from developed countries in general and Japan in particular needs to be considered, calculated carefully, specifically, and especially from the level of development and circumstances of Vietnam, a country is transitioning to a market economy mechanism and integrating initially. Based on the requirements and operation contents of the institutions of international economic integration, Vietnam needs to take advantage of all the privileges given by the integration institutions for a country with such a level of development and conditions that aims to promote further advantages, overcome challenges and difficulties, towards sustainable development./.

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