

The Japan-Vietnam Joint Initiative Action Plan

The action plan for the Japan-Vietnam Joint Initiative to Improve the Business Environment was compiled and submitted to the leaders of both countries in December of 2003.

It is now in a follow-up and implementation stage. Through its implementation, it is hoped that the Japan-Vietnam Joint Initiative will contribute to economic growth in Vietnam by improving the investment environment, creating a level playing field, and accelerate private sector development.

The Initiative was triggered when Japanese Ambassador to Vietnam Norio Hattori proposed work with a view to dramatically improve the investment environment in Vietnam. Then, in April 2003, Vietnamese Prime Minister Phan Van Khai agreed, in his talk with Japanese Prime Minister Junichiro Koizumi, to establish the Japan-Vietnam Joint Initiative during his visit to Japan. Based on this agreement, a Joint Committee was formed of representatives of the Vietnamese and Japanese governments and Japanese business community. Then, the work began to prepare a report and action plan for the Initiative. After concentrated activity over eight months, a report containing an action plan with 44 items of concrete action was approved at the third meeting of the Joint Committee, held on December 4 in Hanoi.

The action plan clarifies current problems in the business environment in Vietnam (which were identified through interviews with investors), and presents altogether 44 items as specific responses to these problems (see Box of page 3). Thus, it is expected that, if actions on these 44 items proceed according to the plan, problems in Vietnam's investment environment will be largely improved and a better business environment will be created.

Many of the 44 items are related to the international business community. Business people from various countries showed considerable interest when the action plan was presented by Japan and Vietnam at the Vietnam Business Forum in December 2003. These processes have resulted in shared and wide-ranging understanding that the Initiative benefits FDI not only from Japan but also from all countries, and that it will have a comprehensively positive effect on development in the private sector.

ACHIEVEMENTS ALREADY MADE

The following are examples of recent policymaking in Vietnam that is in line with the Japan-Vietnam Joint Initiative's action plan. The examples show that actual and specific results are already being generated by the Initiative.

• Reform of the land law

The National Assembly passed a land law reform bill in November last year. This bill allows transfer of land use rights and assets that are attached to the land, provision of collateral to financial institutions, etc., through lump-sum payment of loan-term land rental fees.

Although the decision to take this step was made prior to adoption of the action plan on December 4, 2003, it was incorporated into the plan because the Japanese side had been pressing the Vietnamese government to make improvements in this area in discussions leading up to the Japan-Vietnam Joint Initiative. The follow-up on the steady implementation of reformed law is expected to take place within the framework of the Initiative.

• Lower Personal Income Tax

In March 2004, the Vietnamese government lowered the maximum individual income tax rate from 50% to 40%. This will improve the business environment for representatives of overseas companies doing business in Vietnam.

• Abolition of restrictions on overseas asset management by financial institutions

In March 2004, the Vietnamese government decided to allow foreign banks and joint venture banks to

freely manage their funds in overseas financial institutions. Through this, foreign banks can engage in wide-ranging fund management using their own assets, without limitation on activity in Vietnam.

FOLLOW - UP MEASURES

Follow-up for the Japan-Vietnam Joint Initiative's action plan will occur in the following four areas.

• **First**, a framework will be set up whereby a Monitoring Committee will meet once every six months, and an Evaluation and Facilitation Committee will meet once a year to see if the Vietnamese side has made proper progress under its commitments in the action plan.

• **Second**, information related to the efforts made by Vietnam will be disseminated both inside and outside the country. In March 2004, a workshop on the Japan-Vietnam Joint Initiative was held in Osaka, Japan. At this workshop, which was attended by Vietnamese Deputy Prime Minister Pham Gia Khiem, Vietnam explained that it is serious in its effort in improving the country's investment environment. Furthermore, Japanese Ambassador Norio Hattori explained to the audience of Japanese companies how the Initiative is improving the investment environment and how investment is expected to grow considerably.

• **Third**, proactive study will be made with a view to make use of Japan's ODA to support the action plan. The application of Japanese ODA to support Vietnam's efforts to improve the investment environment is one of the pillars on which the Japan-Vietnam Joint Initiative is built.

• **Fourth**, appropriate items will be incorporated into the policy action program of the World Bank's PRSC3. The World Bank has supported Vietnamese government reform through PRSC 1 and 2, and Japan is currently examining co-financing with other donors for PRSC3. The idea here is to support economic reform in Vietnam by incorporating related items of the Initiative into PRSC action items.

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The monitoring Committee meeting for Japan-Vietnam Joint Initiative

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