THE IMPACT OF WTO ACCESSION: A Case Study of Vietnam

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The Government of Vietnam made considerable efforts to enhance the integration of the economy into the World Trade Organization (WTO) in 2007. After just 5 years of WTO accession, the value of Vietnam’s total foreign trade was two times higher than that of in 2006. The country also attracted a large amount of foreign direct investment (FDI) capital from overseas investors. This raises the research question that what are the impacts of the WTO on Vietnam in the aspects of economic institutional changes, FDI attraction, and foreign trade expansion? From this perspective, the thesis will try to assess the possible impacts of the WTO on the aforesaid aspects of Vietnam. This doctoral thesis includes 5 main chapters. Chapter 1 serves as the introductory part of the thesis. Chapter 2 describes Vietnam’s accession process to the WTO and the main changes of the legal system in the economic field to qualify the commitments of the 5 main WTO agreements. Chapter 3 assesses the impact of the WTO on FDI inflows into Vietnam. Chapter 4 evaluates the impacts of the WTO on exports and imports of Vietnam. Chapter 5 outlines to some conclusions.

Vietnam offers a particularly interesting case study for several reasons. First, my surveys suggest that a large body of studies focused on the WTO trade effects on its entire country membership (e.g., Rose 2004; Subramanian et al. 2007; Chang and Lee 2011; Eicher and Henn 2011), and surprisingly, there are very few studies devoted to specific cases of developing countries (e.g., Qin 2007; Pham 2011; Shepotylo and Tarr 2012). Second, among many developing countries, Vietnam has maintained a high level of foreign trade growth. And, it has also attracted a considerable amount of FDI capital since the 1990s.

The methodologies used in this research include qualitative, quantitative research tools, descriptive analysis and empirical study. Accordingly, the author constructs three gravity models and a panel data of country pairs which involves 17 major trade and FDI partners of Vietnam in the period from 1995 to 2011. Eighteen country partners include: Australia, Belgium, Canada, China, France, German, Hong Kong, Japan, Malaysia, the Netherlands, the Philippines, Singapore, the Republic of Korea, Taiwan, Thailand, the United Kingdom, and the United States. The data have been collected from reliable sources such as Vietnamese authorities (GSO, MOIT, MPI), and international organizations (ADB, IMF, WB, WTO). The author employs the Hausman-Taylor estimator for the estimations of gravity models because it can incorporate the advantages of both Fixed-effects and Random-effects models. The followings are some main findings:

Firstly, regarding economic institutional reform, Vietnam has amended, supplemented, and issued numerous legal documents to set ceilings on thousands of tariff lines (average tariff rate has been reduced gradually from 17.2% to 15.4% up to 2018), remove the violated measures applying to foreign investors, abolish prohibited subsidies, ensure intellectual property rights, and open domestic markets of goods and services to implement the commitments of important WTO’s agreements (e.g., GATT, TRIMs, TRIPs, SCM, GATS). These have made Vietnam’s trade regime and investment environment more liberal, predictable, and transparent. Consequently, these could have impacts on FDI attraction and foreign trade expansion of Vietnam.

Secondly, concerning the FDI inflows into Vietnam, after just 5 years of WTO accession, a large amount of FDI capital flowed into the country, up to USD 143,950.3 million. Wherein, there was a switching of FDI capital from the manufacturing sector to the service one in tandem with a downward trend in the agriculture sector. Like the previous period, Vietnam’s FDI capital sources came mostly from the Asia-Pacific region and European economies. Geographical location of FDI was characterized by a concentration on the three key economic regions: the Red River Delta (surrounding Ha Noi, Hai Phong, and Quang Ninh), the Central region (surrounding Da Nang), and the Southeast of the country (surrounding Ho Chi Minh City) because of good infrastructure, abundance of skillful labor force, and large market size. The empirical results provide evidence broadly consistent with the prediction that the WTO has had a positive impact on FDI inflows into Vietnam. This strongly supports the author’s hypothesis.

Thirdly, with regard to Vietnam’s foreign trade after joining the WTO, the country has tried to increase the volume of foreign trade with its important partners in the Asia-Pacific region and the EU. At the “dawn” of WTO accession, there have not been any significant changes in the country’s export-import markets or export-import structures. The trade deficit has experienced an upward trend together with the expansion of overall foreign trade, especially with China. Vietnam’s foreign trade also revealed internal weaknesses such as slow change in export-import structures, and vulnerability to external shocks. The empirical results indicate that the WTO has increased Vietnam’s imports but has not expanded the country’s exports as expected. This is sufficient for the author’s hypothesis and consistent with theoretical models of the WTO.

In conclusion, my investigations can contribute to the existing literature on the impacts of the WTO regime on institutional reform, FDI attraction, and export-import trading of a developing country in terms of testable implications from gravity models. However, the research on the impacts of the WTO on the economic institution, FDI attraction and foreign trade of Vietnam is just the beginning of the study. Since, existing data is quite limited, evaluating the impacts of the WTO on a specific industry, commodity, industrial policy of Vietnam, or on Vietnam’s economic efficiency, competitiveness, the changing attitude of industrialists etc. merits further research to understand how this institution effects to its member country.

References