

Trade Liberalization and Industrial Policies in Vietnam

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Today's presentation

- ① The purpose of presentation
- ② Introduce Vietnam's process of trade liberalization
- ③ Trade liberalization and Vietnam's trade, FDI
- ④ Skyline analysis
- ⑤ IO analysis
- ⑥ Research results

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The purpose of presentation

- Introduce Vietnam's process of trade liberalization
- Introduce method of Skyline analysis
- Introduce method of IO analysis

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Related works

- Vo Tong Xuan (2000) , Uwe Schmidt(2003)
- Key Johnson(2005) , Le Dang Doanh (2006)

=> researches which use IO model are not popular in Vietnam

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Process of Vietnam's trade liberalization

1986	Doimoi	
1991	The collapse of the Soviet Union	
1994	Vietnam-America's relation was normalized	
1995	Join ASEAN Applicate to become WTO membership	
2000	Bilateral Trade Agreement (BTA) with America	
2007	Join WTO Negotiate FTA with Japan	
2010	ASEAN + 3 Free Trade Area	

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Vietnam's major trade agreement

- Multilateral agreements: AFTA, WTO
- Bilateral agreements: BTA

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Vietnam's WTO accession process

- Jan. 1995
- Apr. 2002
- May 2006
- Nov. 2006

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AFTA and Vietnam's obligations

- **AFTA=ASEAN FREE TRADE AREA**

- What is AFTA?
- Vietnam joins in 1995. CEPT starts from 1996 (See the table).
- Agreement On The Common Effective Preferential Tariff (CEPT)

=> Promote liberalization on trading goods (not included service)

=> It is Area Agreement

1995	1996	2002	2003	2005	2006	2015	
Joined	Maximize the list of less than 5%		Maximize the list of 0%		to 0%	0%	
	to 5%						

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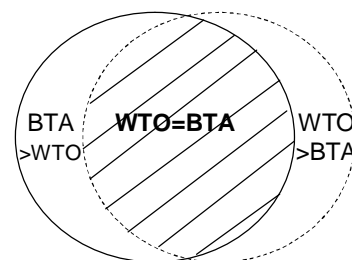
Bilateral Trade Agreement (BTA) with America

=> BTA is the preparing stage of
Joining WTO

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Compare WTO' obligations and BTA [1] BTA=WTO

- CVA (chapter 1)
- TRIMS (chapter 4)
- WTO's import permit (chapter 6)
- Trade in goods (chapter 1): duties of SPS, TBT, ...
- Intellectual property (chapter 2): used TRIPs
- Service (chapter 3): used GATS
- Investment (chapter 4): used WTO's the rule of clarification



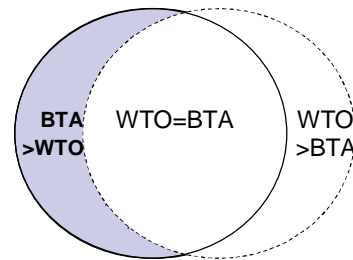
=> BTA is the preparing stage of Joining
WTO

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Compare WTO' obligations and BTA[2] BTA>WTO

- Intellectual property
- Investment
- Deregulation (chapter 5)
- clarification

=> **Effective in attracting FDI**

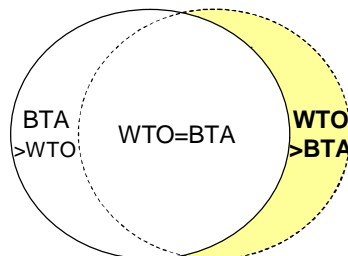


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Compare WTO' obligations and BTA[3] WTO>BTA

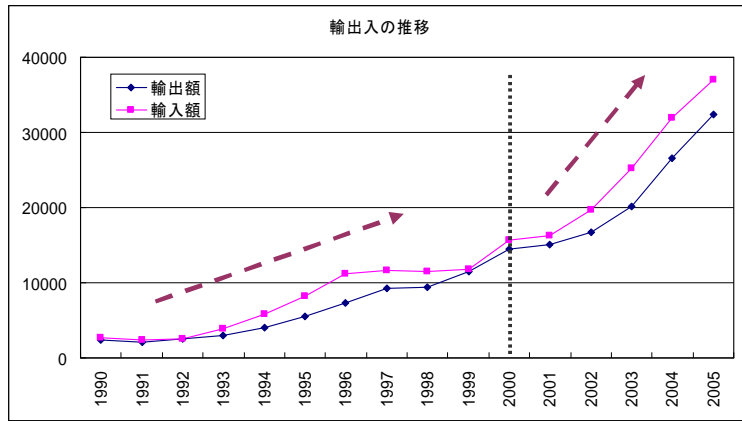
- Tariff
- Textile quotas
- Safe guard

=> **Effective in trade**



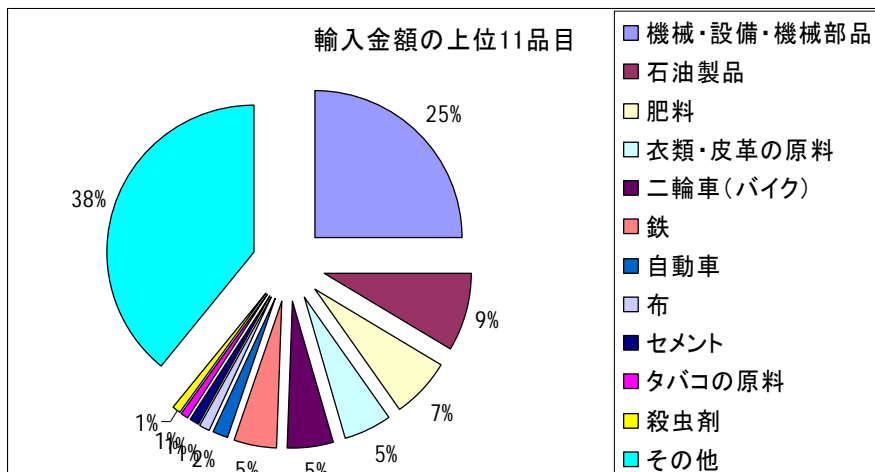
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Vietnam's trade



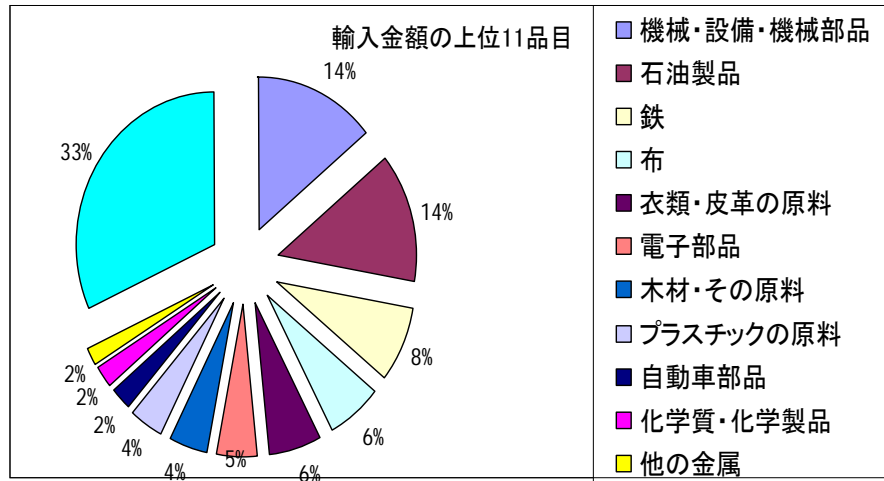
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Changes in the structure of imports (1995)



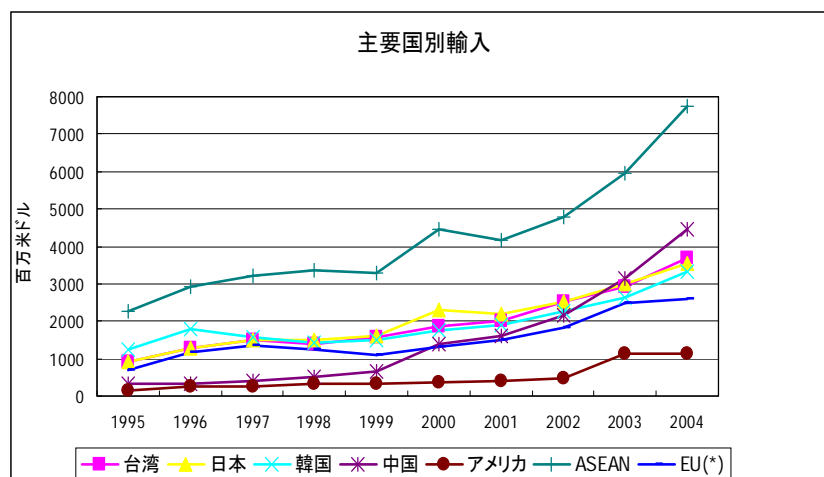
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Changes in the structure of imports (2005)



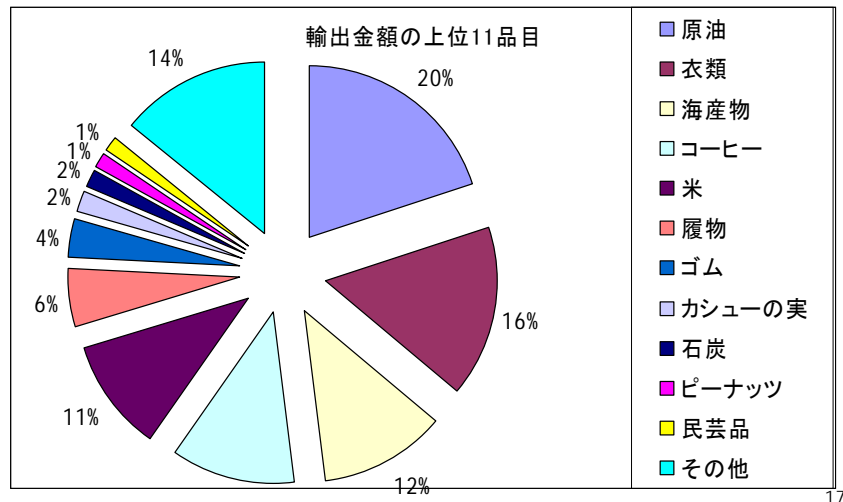
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Import markets

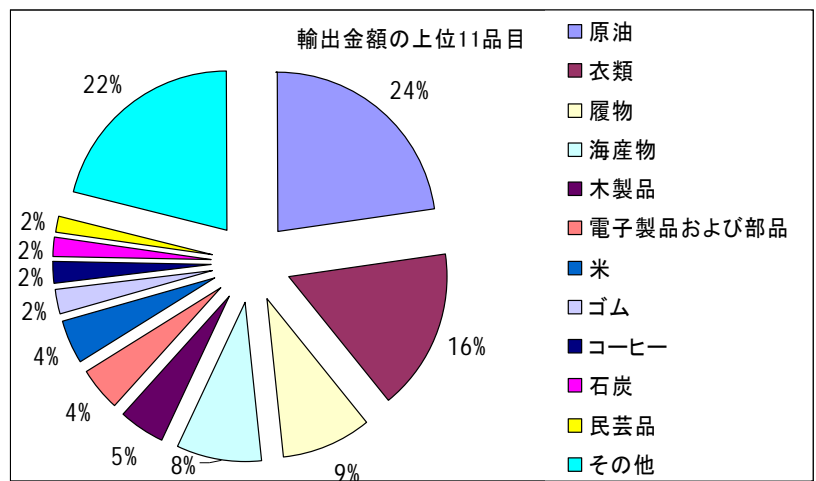


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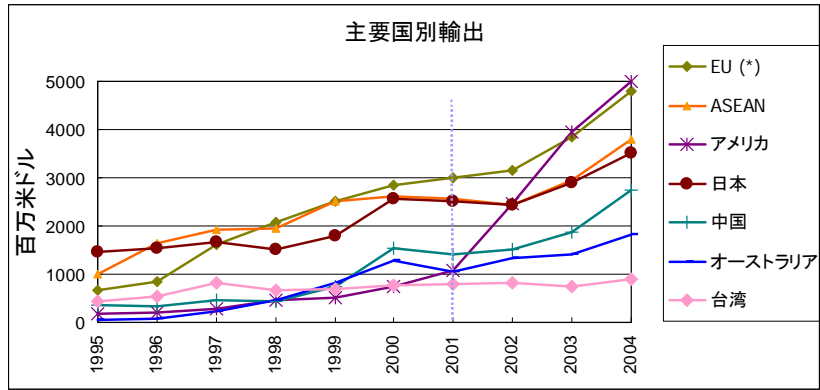
Changes in the structure of exports (1995)



Changes in the structure of exports (2005)

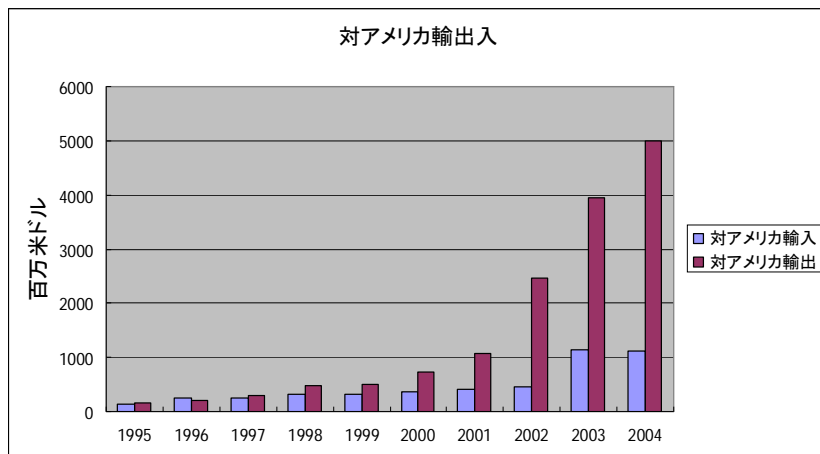


Export markets



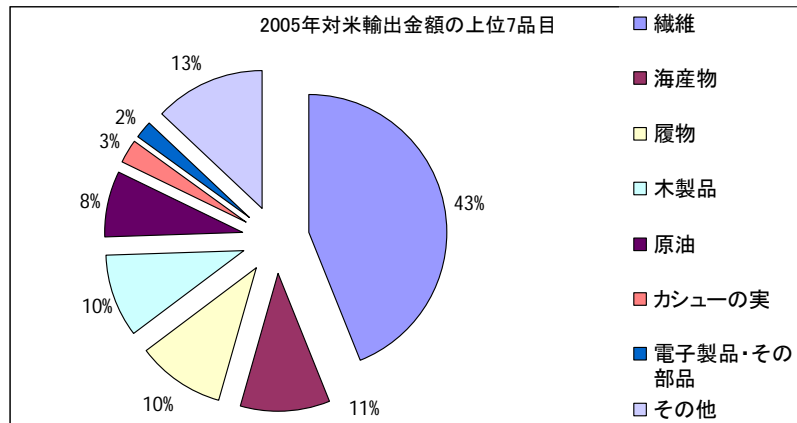
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BTA's impact (Trend in trade with the U.S)



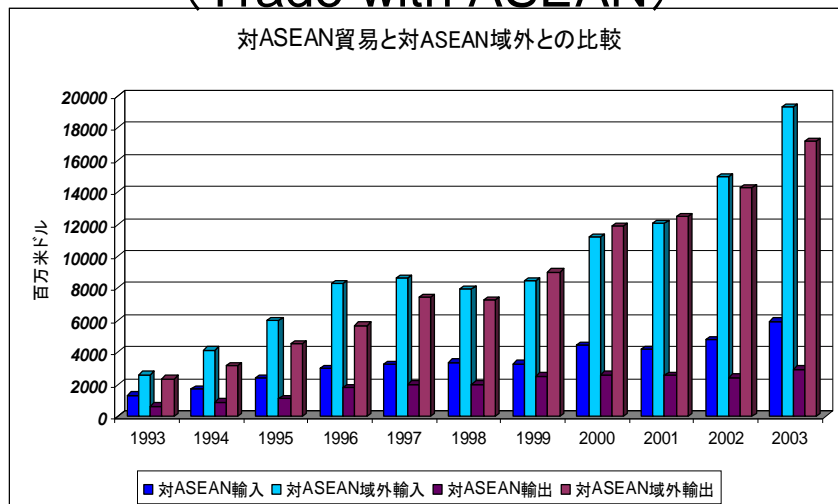
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BTA's impact (Export to the U.S)



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AFTA's impact (Trade with ASEAN)

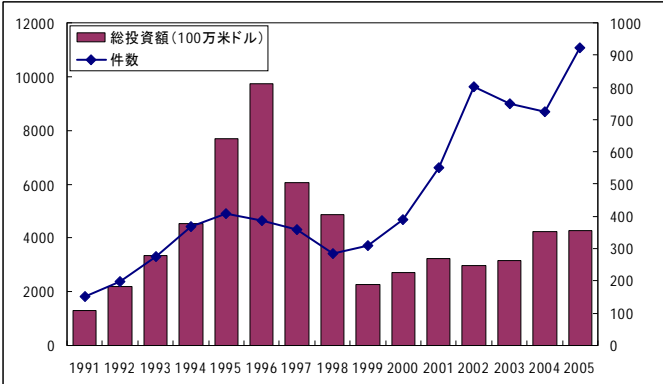


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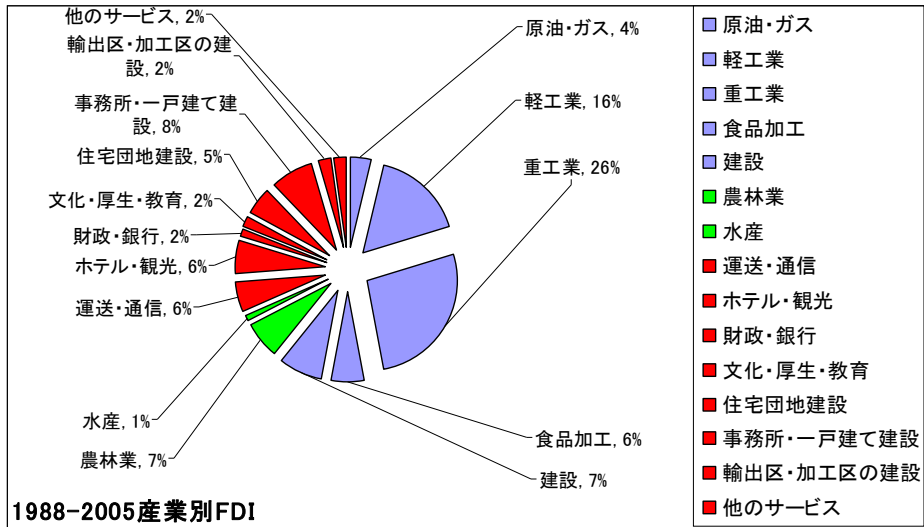
FDI's Benefits

Trend in FDI

- 91-96 →
- 96-99 →
- 99-05 →

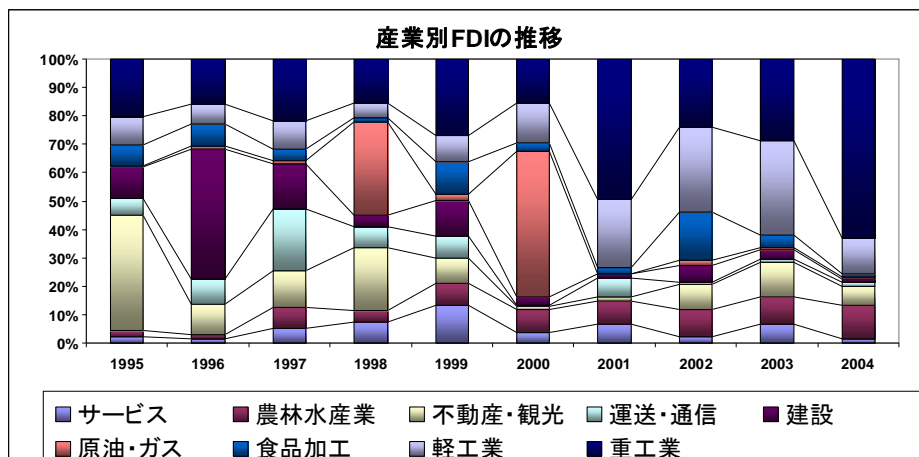


FDI by sectors



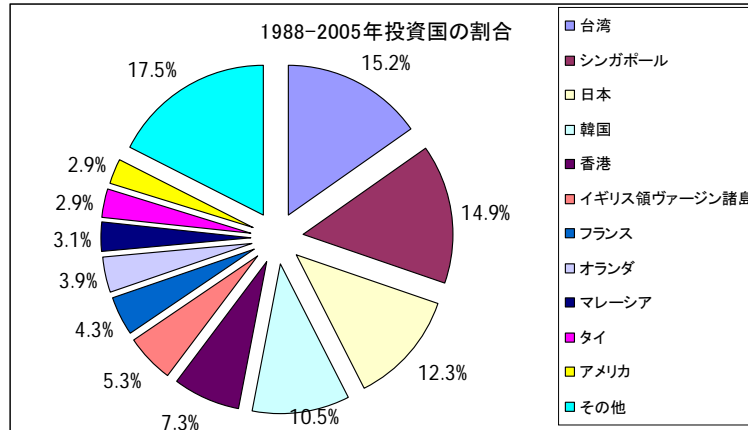
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FDI's change in sectors



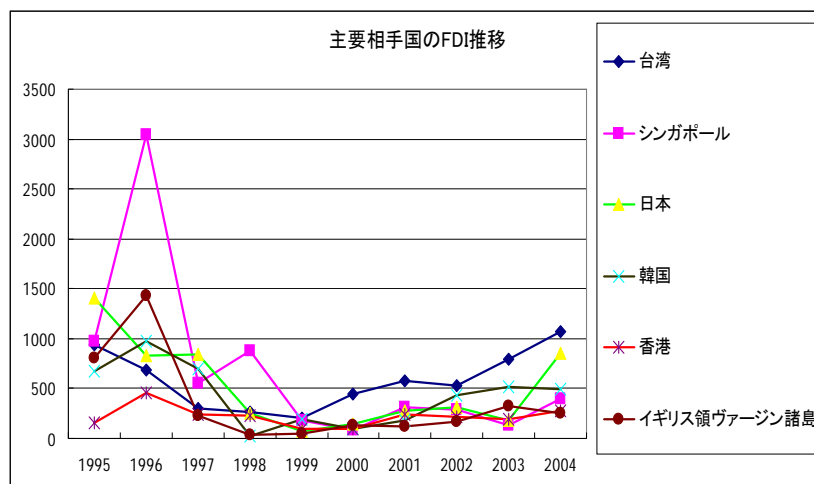
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FDI's Nationality



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Trend in FDI's nationality



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Input-Output Table

		Demand		Final demand	Import	Total Output
		Industry A	Industry B			
Inputs	Industry A	x_{11}	x_{12}	F_1	M_1	X_1
	Industry B	x_{21}	x_{22}	F_2	M_2	X_2
Added value		V_1	V_2			
Total out put		X_1	X_2			

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IO Table of Vietnam

- 1989's IO table and 2000's IO table
- 1989 and 2000's table of 24 industries
- Limits of the data

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Skyline analysis [1]

- How to develop?

$$X=AX+F_d+E-M \quad (1)$$

In which X: vector of GNP, A:Input coefficient matrix, F_d : Domestic final demand, E:vector of export, M:vector of import

$$X=(I-A)^{-1}(F_d+E-M) \quad (2)$$

$$=(I-A)^{-1}F_d+(I-A)^{-1}E-(I-A)^{-1}M=X_{F_d}+X_E-X_M \quad (3)$$

$$(X/X_{F_d}) * 100 = \{ (X_{F_d}/X_{F_d}) + (X_E/X_{F_d}) - (X_M/X_{F_d}) \} * 100$$

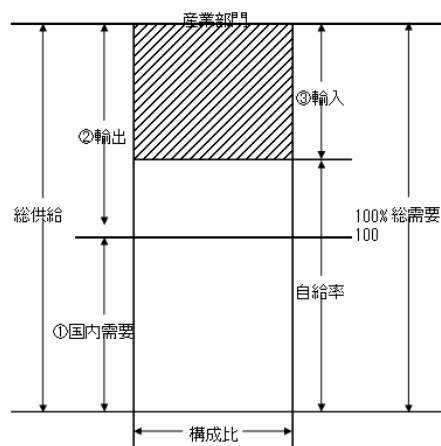
$$S=100+S_E-S_M \quad (4)$$

In which $S_E=$, $S_M=$; S=

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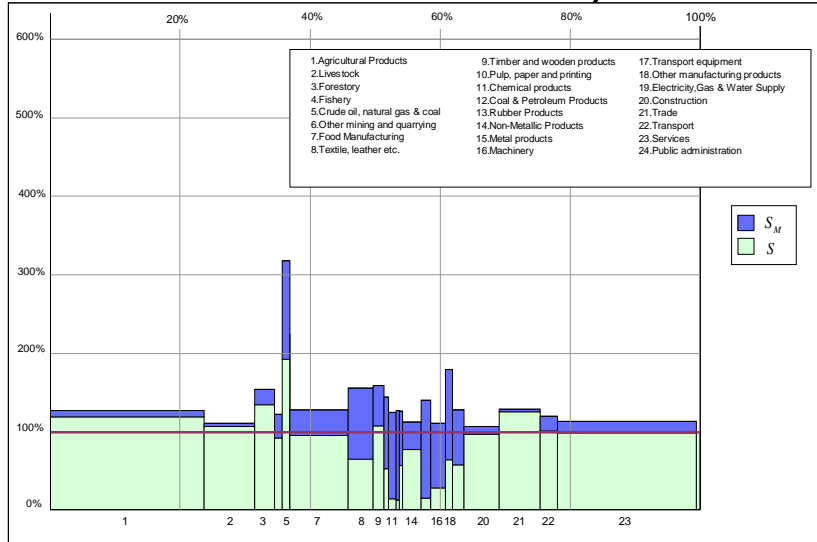
Skyline analysis [2]

- How to read Skyline figure?



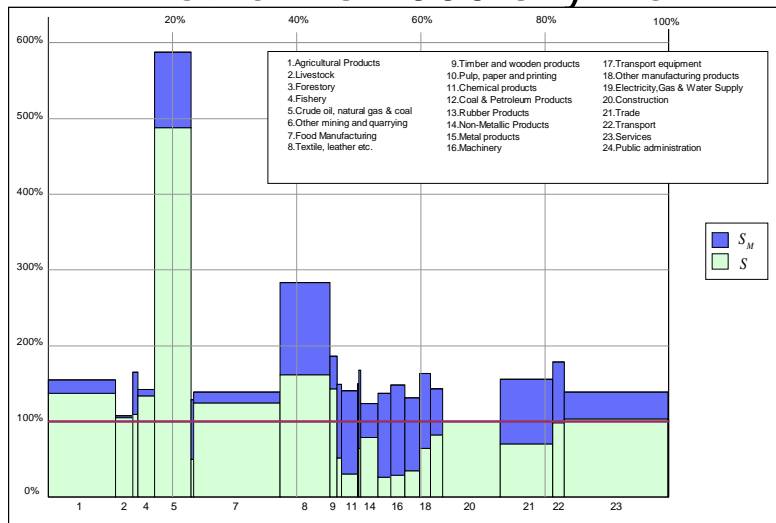
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Skyline analysis [3] -Vietnam's 1989 skyline-



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Skyline analysis [4] -Vietnam's 2000 skyline-



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Compare with Thailand and Malaysia's skyline

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Develop the expression for IO analysis

$$x_1 + x_2 + \dots + x_n + F_i = X_i, \quad i=1, 2, \dots, n \quad (4)$$

$$a_{ij} = \frac{x_{ij}}{X_j} \quad (5)$$

$$(a_{i1}x_1) + (a_{i2}x_2) + \dots + (a_{in}x_n) = X_i \quad (6)$$

$$AX + F = X \quad (7)$$

$$[I - A]X = F \quad (8)$$

$$X = [I - A]^{-1}F \quad (9)$$

$$X = [I - A]^{-1}[F - M] \quad (11)$$

$$X = AX + F(D) + E - M \quad (12)$$

$$m_i = \frac{M_i}{\left(\sum_{j=1}^n x_{ij} + F_{(D)i} \right)} \quad (13)$$

$$X = AX + F(D) + E - M \quad (14)$$

$$X = [I - (I - A)]^{-1}[(I - F(D)) + E] \quad (15)$$

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IO analysis (1)

Index of Power of Dispersion

- What does it mean?

- $$\text{IPD} = \frac{\sum_{i=1}^n b_{ij}}{\frac{1}{n} \sum_{j=1}^n \sum_{i=1}^n b_{ij}}$$

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IO analysis (2)

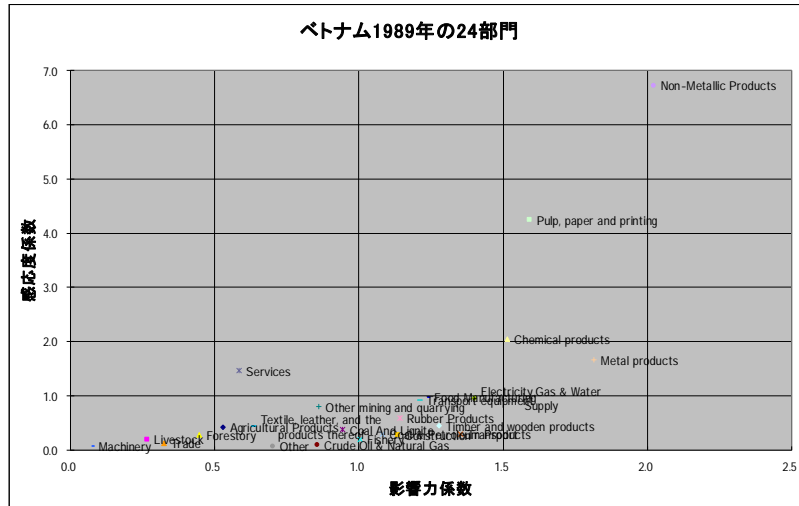
Index of Sensitivity of Dispersion

- What does it mean?

- $$\text{ISD} = \frac{\sum_{j=1}^n b_{ij}}{\frac{1}{n} \sum_{j=1}^n \sum_{i=1}^n b_{ij}}$$

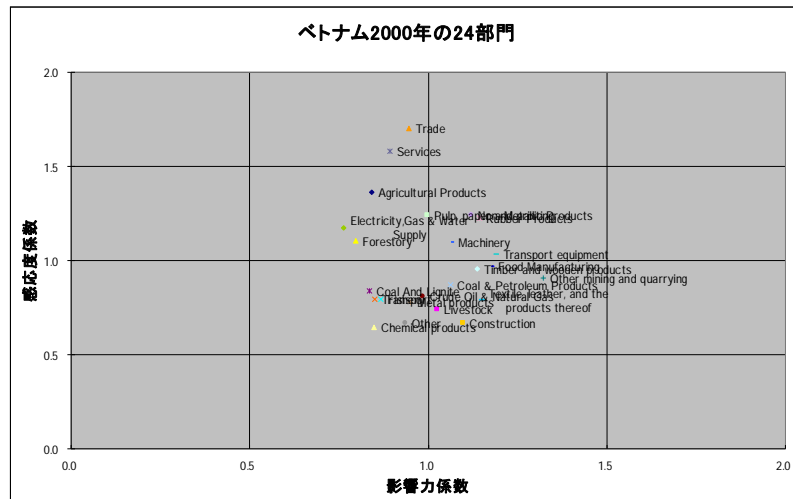
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Figure of 1989



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Figure of 2000



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IO analysis (3) Compensation of employment and Industry surplus

(See annex)

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Research results

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Reference