

VIETNAM'S ACCESSION TO THE WTO: EX-POST EVALUATION IN A DYNAMIC PERSPECTIVE

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NON-TECHNICAL SUMMARY

Vietnam's accession to the World Trade Organisation (WTO) on January 11, 2007 has symbolized the recognition by the international community of decades of efforts to modernise its economy. As the country relies strongly on trade, most observers anticipate benefits from this new step of Vietnam's opening up, with commitments on bound tariffs, investment measures, barriers to trade in services. However, assessing more quantitatively the effect of this broad agreement remains a delicate task.

This paper intends to prolong the works on effects of Vietnam's integration to the world economy by focusing on WTO trade commitments, using a quantitative computable general equilibrium (CGE) assessment, with enhanced features. We bring new elements to the debate by a more precise implementation of final tariff commitments at the 6-digits level of Harmonised System (HS6) and by the comparison with the alternative effect of regional agreements involving Vietnam. The modeling notably accounts for duty drawbacks applied by Vietnam, which limits trade liberalisation benefits for exporting firms.

We show that the commitments signed in late 2006 by Vietnam for trade in merchandise should be positive for this economy, mainly through the benefits of the end of textile quotas from the USA. Welfare gains should represent around 1% of gross domestic product by 2015. These gains will be the results of the tariff cuts on imports (for 39% of it) and of the new market access for textile and garment (for 61% of it). The success of Vietnam economic development however appears dependent on the capacity of the country to diversify both its exporting goods and export markets. Moreover, we show that the dynamics of the labour market will be critical to allow a full development of the economic potential, which implies managing internal rural migrants and sustain education efforts.

From a more methodological perspective, the case of Vietnam and WTO is interesting because the country is developing at a high pace. Significant structural changes occur making necessary to look closely at the dynamic of the agreement implementation. This exercise also shows us how some technical specifications can be critical for results in a trade CGE analysis. Choices on labour market or current account closure are important, as well as features describing the details of the trade policy implementation, like duty drawback mechanisms, can significantly influence the results and have to be carefully considered for this type of works.

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