



VIETNAM – COUNTRY OF *DOIMOI* & CHANGES

I nternational I ntegration & I mpacts

The 27th PECC General Meeting

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Outline of Presentation

- **Vietnam: Doi Moi & Integration**
- **Impacts of Economic Integration**
- **Some Recent Observations**
- **Concluding Remarks**



Vietnam: Doi Moi & Integration

- ***Nature of Doi Moi (since 1986)***: To enlarge both sets of choices by people and the country's (people's and institutional) capability

Pillars: Macro-stabilization + Market reforms + Inter. Integration

- ***International integration***

- A continuous process and became more comprehensive over time (ASEAN; APEC; VN-US BTA; WTO; FTAs...). Since 2013: the scope of integration has covered all areas, not just economic activities (economic integration is the center)
- VN strives to balance relations with partners & to be a proactive and responsible member of inter. institutions
 - Friend of all countries and territories for peace and development
 - Respectation & support of multilateral framework (UN, WTO, APEC, ASEAN: 3C - Community; Cooperation; Centrality)
 - Comprehensive/Comprehensive strategic partnership (key partners in FTAs)
- "Firm in Principles, Flexible in Response to the Multi-unexpected Changes"

Vietnam: Doi Moi & Integration

- 18 FTAs, including high quality TPP/CPTPP, EVFTA
 - CPTPP since Jan 2019; EVFTA since Aug 2020
 - RCEP: Official conclusion of negotiation on 15 Nov 2020
 - UKVFTA: the conclusion of negotiation on 11 Dec 2020

Share and Growth of Export to/Import from Major Markets

	Merch. Export 2011-18		Merch. Import 2011-18	
	share (%)	growth (%)	share (%)	growth (%)
ASEAN	11.69	11.49	15.03	8.61
CHINA	13.00	23.26	27.74	15.82
EU (28, incl UK)	18.15	17.68	6.39	10.24
JAPAN	9.05	11.79	8.66	9.77
KOREA	6.01	24.81	17.47	21.88
USA	19.39	16.25	4.61	16.42
Total	77.29		79.89	

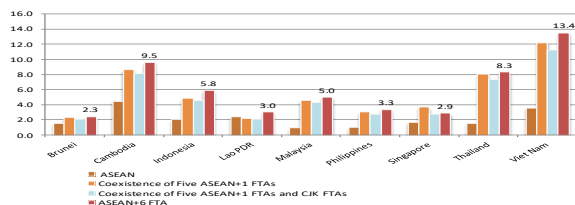
All they are also key investors in VN

Impacts of Economic Integration

Impacts on VN economy (a number of quantitative assessments)

- Impacts (GDP, exports) in general are very positive
- TPP >> EVFTA > RCEP; TPP >> CPTPP > RCEP

Economic Impacts of Development of ASEAN++ FTA (RCEP)



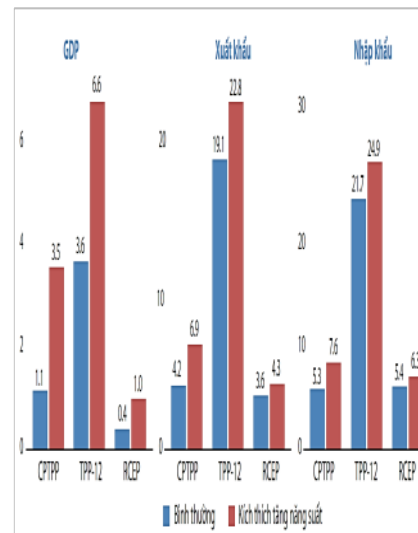
Note: Cumulative Percentage Point, deviation from baseline, 2011-15. Source: Itakura (2013)

Income gains in TPP, EVFTA, & RCEP

	Projected 2025 (\$b)	Change in 2025 (\$b)			Change in 2025 (%)		
		TPP	EVFTA	RCEP	TPP	EVFTA	RCEP
Real income							
United States	20,273	77	0	0	0.4	0.0	0.0
Vietnam	340	36	19	17	10.5	5.5	5.1
WORLD	103,223	223	26	644	0.2	0.0	0.6
Exports							
United States	2,813	123	0	-4	4.4	0.0	-0.1
Vietnam	239	68	37	30	28.4	15.6	12.5
WORLD	28,415	305	44	1,383	1.1	0.2	4.9

Source: Cited in Petri & Phuc (2015)

Impacts of TPP, CPTPP and RCEP on VN economy up to 2030 (World Bank, 2017)



	TPP	CPTPP
Members	12	11 (without US)
Share of world GDP	35.0%	13.4%
Share of global merchandise trade	26.5%	15.2%
Commitments	As signed on 4 Feb 2016	As TPP but: - Commitments of US and commitments with US - 22 "frozen" items
Effectiveness	At least ratified by 6 members, accounting for at least 85% of GDP of all members	At least ratified by 6 members

Impacts of Economic Integration

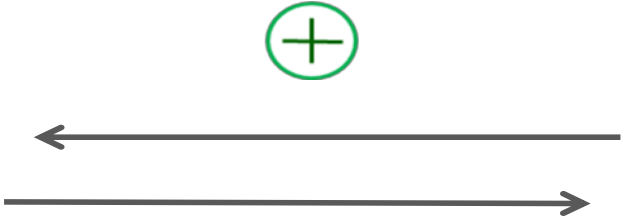

- Expansion of exports/trade & other economic activities
- Expansion of investment, especially FDI
 - VN becomes a "hub" for investments & doing business
 - Shift in attracting FDI: From maximizing quantity to optimizing quality in terms of backward and forward linkages, technology and innovative skill transfers, and sustainable development
- A pressure/catalyst for institutional reforms & improvement of business environment Market diversification and risk minimization



Impacts of Economic Integration

■ But with costs and risks (?)

- Adjustment costs for some uncompetitive sectors/firms
- Compliance cost (time; efforts; investments)
- Risk for macroeconomic instability (e.g. coping with a surge in capital inflows)
- Vulnerability to various kinds of shocks (such as financial shock; commodity price shock; trade war; covid-19...)

Trade in GVCs		FTAs
Upgrading in GVCs		FTAs

Some Recent Observations

- Meaningful improvement of legal framework & business environment
 - Law of Enterprises; Law of Investment; Law of Public Investment; Law of Gov't Procurement; Law on PPP; Law of IPRs, Code of Labor,...
 - Resolutions 19/2014 - 2018, called Resolution 02 since 2019
- CPTPP:
 - Jan 2019 PM's Decision on Plan for implementation of CPTPP
 - June 2019 NA ratified ILO Convention 98
 - Gov't is for amendment of Law of Insurance; Law of Food Safety...



Some Recent Observations

■ Foreign investment

- 2019: USD 38 bill (new projects; expansion; M&As; manufacturing: 72.2%; real estate 10.8%), increased by 7.2%. Disbursement USD 20.4 bill; by 6.7%. Key investors: South Korea; Hongkong; China; Singapore; Japan; Chinese Taipei; Thailand...
- 10 months 2020: USD 23.5 bill (manufacturing: 71.0%; real estate 14.5%); decreased by 19.4%. Disbursement USD 15.8 bill; by -2.5%. Key investors: Singapore; China; South Korea, Chinese Taipei; Hongkong; Japan.
- Currently a number of TNCs interested in possibility of investment in VN



Some Recent Observations

■ Trade and export

	2019		10 months 2020	
	<i>Value (\$ bill)</i>	<i>growth (%)</i>	<i>Value (\$ bill)</i>	<i>growth (%)</i>
Total trade	517.0	7.7	439.8	2.6
Total Merch. Export	263.5	8.1	229.3	4.7
Export to CPTPP	39.5	7.2		
- <i>to Canada</i>	3.9	29.0	3.6	12.8
- <i>to Mexico</i>	2.8	26.2	2.3 (9 months)	7.9
Export to EU, incl. UK (EVFTA effective since 1 Aug 2020)	<ul style="list-style-type: none"> - 2019: USD 41.7 bill; - 0.7%; 6 month 2020: USD 16.1 bill; - 8.8%. - Aug 2020: USD 3.8 bill; 2.0%. - Sep 2020: USD 3.5 bill; 7.9% (aquaculture; rice; cafe; vegetables) - Up to 12 Oct 2020: 23,800 CO Certificates (EUR.1 form); Increased from a ratio of 8.64% in Aug to 14.65% in Sep (aquaculture; footwear; T&G;...) 			

Some Recent Observations

■ Economic growth

	2020 (estimation)	2021	
		<i>Plan</i>	<i>Forecast</i>
GDP growth (%)	2.0 - 2.7	6.0 - 6.5	6.7 - 7.5

- Lowest in process of Doimoi (Renovation),
- But relatively resilient to the shock of Covid-19. Only among few economies having positive growth in the world

■ *Reasons behind*

- The first is to successfully control Covid-19 (as a most important factor)
- The second is to have policies supporting business (The social, monetary and fiscal measures, and measures for accelerating public investments issued in March and April 2020. But the implementation has been much slower than expected)
- The third is to focus on domestic market while taking advantages of deeper and wider integration such as CPTPP, EVFTA...

Concluding Remarks

- VN is proactive and responsible member of inter. community and strongly supports rule-based, open, and transparent inter. economic integration
- ASEAN Vision beyond 2025, APEC Vision 2040 and open regionalism affirm again the important role of ASEAN and Asia-Pacific as leading regions for integration and global recovery. TPP/CPTPP và RCEP are complementary & important steps towards FTAAP in long run
- VN is at a decisive point of time for transforming the paradigm/pattern of development. Interaction between domestic reforms and international integration becomes much more profound.
- VN means also business. VN can be seen as a “hub” for investments and doing business. VN needs to develop local firms and to attract quality foreign investments