

COMPLETION REPORT

Research Summary

The study applies a gravity model as a tool for measuring the impact of VJEPA on trade flows of Vietnam. Based on these estimates, enterprises can clearly identify opportunities and challenges to create an appropriate development strategy. At the same time, these quantitative estimates will help the Vietnamese Government to consider supporting policies for enterprises to take the opportunities and overcome challenges brought about by Vietnam's important FTAs.

By using Vietnam's bilateral trade data with 39 major trading partner- countries for the period 2004-2011 to estimate a gravity model, the study aimed at assessing the impacts of VJEPA Vietnam's trade. Two least squared regressions of the gravity models were performed. The first is an Export model, which includes the flows of goods from Vietnam to its trading partners. An Import model is the second model, performed with the import data of the flows of goods from partner countries to Vietnam. The study has found the main influential factors on Vietnam's exports and imports are GDP, Distance, the Real Exchange Rate and AFTA. These estimations follow closely the basic hypothesis of gravity model. The coefficient for VJEPA is found to be insignificant in the regressions. VJEPA coefficient is expected to be positive to illustrate its positive impacts on the export volumes of Vietnam to Japan. However, the VJEPA has come into effect only recently (three years), and the initial tariffs reductions/eliminations are not large enough. Those reasons may explain the unexpected result of VJEPA coefficient. If the time of implementation is long enough, the impacts of VJEPA may become more apparent. The coefficient of AFTA, on the other hand, is significant in the Export model. This confirms our expectation that AFTA, with its longer time in effect has had a big impact on Vietnam's export. One big difference of the Import model with Export model is the coefficient of AFTA. While reduction in tariffs under AFTA in partner countries increases exports of Vietnam, the reduction of Vietnam tariffs seems to have had unclear impacts on the flows of the goods from ASEAN into Vietnam's territory. The reason might be the longer roadmap and a smaller reduction of Vietnam's commitments under different free trade arrangements.

Although the dummy VJEPA has unclear impacts on trade flows of Vietnam, impacts are expected in the future as the tariffs will be significantly reduced along with the VJEPA roadmap. Further dynamic impacts of FTA will contribute to the overall impacts to Vietnam's economy in the future as well. The suggestions for further studies, therefore, are the evaluation of these dynamic impacts and impacts on specifics industries.

Publication of the Results of Research Project:

Verbal Presentation (Date, Venue, Name of Conference, Title of Presentation, Presenter, etc.)

Thesis (Name of Journal and its Date, Title and Author of Thesis, etc.)

Yokohama Journal of Social Sciences (Vol. 17, no. 2 to be published in August, 2012), "Assessing the impact of Vietnam's integration under AFTA and VJEPA on Vietnam's trade flows, Gravity model approach", author: Nguyen Anh Thu.

Book (Publisher and Date of the Book, Title and Author of the Book, etc.)