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The Effects of Mega-Regional Trade Agreements on Vietnam¹

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ABSTRACT. While most studies conclude that Vietnam would have benefited greatly from the now suspended Trans-Pacific Partnership, the country nevertheless stands to gain from participation in other still promising regional frameworks, including the EU-Vietnam Free Trade Agreement, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, the Regional Comprehensive Economic Partnership, and the Free Trade Area of the Asia-Pacific. This paper analyzes how Vietnam's economy is likely to be affected by these regional frameworks. We apply a static CGE model, incorporating the effects of capital accumulation, labor supply changes, and productivity growth stemming from trade liberalization. We also analyze "middle income trap" scenarios, in which Vietnam's growth factors fall below the full-potential level and draw policy implications.

JEL Classifications: C68; D58; F13; F17; O24

Keywords: Vietnam's economy; mega-regional trade agreement; computable general equilibrium model; structural change; middle income trap

1. INTRODUCTION

Since the Doi Moi policy reform in 1986, Vietnam has made a remarkable transition to a market economy. Reforms took place in various areas such as State Owned Enterprises (SOEs) restructuring, private and financial sector development, public expenditure management, and trade liberalization. Doi Moi facilitated the accession of Vietnam to the World Trade Organization (WTO) in 2007 and created a momentum for joining Free Trade Agreements (FTAs). Table 1 shows the 16 FTAs that Vietnam has signed or is currently

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