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Trade Efficiency, Free Trade Agreements and Rules of Origin**Thang N. Doan^{*} and Yuqing Xing^{**}****Abstract**

This study uses a stochastic gravity model to estimate efficiency levels of Vietnam's exports with its major trading partners. Export efficiency is defined as the ratio of actual exports to the maximum possible volume. In addition, the study investigates the impact of Free Trade Agreements (FTAs) and rules of origin on export efficiency, focusing on Vietnam's exports to its major trading partners during the period 1995–2013. The empirical results suggest that the volume of Vietnam's actual exports is far below the estimated efficient level, and that there is considerable room for increasing Vietnam's exports. Membership in ASEAN contributed positively to the country's trade efficiency while rules of origin and non-membership in EU and NAFTA had a negative impact. Those findings imply that Vietnam should enter more FTAs with trading partners and adopt lenient rules of origin in FTA negotiations; and that attracting export-oriented FDI and improving the mix of exports could enhance the country's trade efficiency substantially.

Key words: FTA, Rules of Origin, Trade Efficiency.

JEL: F10, F13, F14

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