

Policy Note

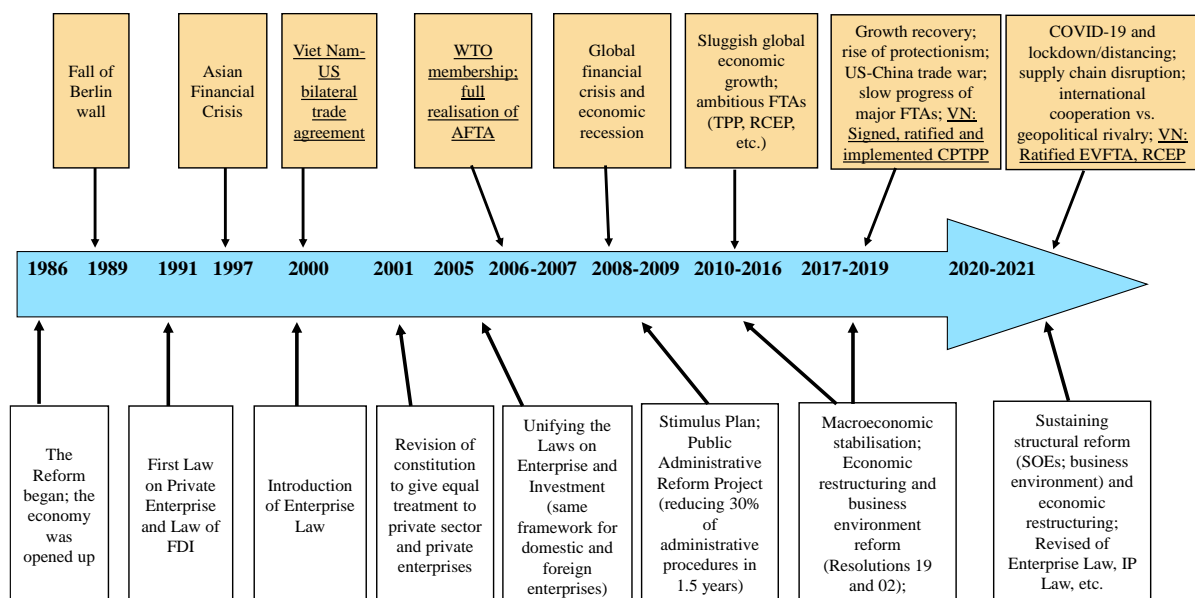
Experience and lesson learnt from Viet Nam's accession to the WTO

Prepared by Duong Anh Nguyen and Thanh Tri Vo¹

Introduction

Since the start of *Doi Moi* (Renovation) in 1986, Viet Nam has implemented comprehensive economic reforms, based on three major pillars: (1) market-oriented institutional reforms; (2) macroeconomic stabilization; and (3) a proactive open-door policy and international economic integration. Various studies (e.g., CIEM, 2013; Vo and others, 2021) have asserted that international economic integration closely interacted with domestic reforms in Viet Nam. The periods with more meaningful efforts on international economic integration (i.e., 1989-1996, 2000-2007 and 2014-2019) also witnessed more comprehensive reforms of domestic economic institutions as well as more significant socio-economic achievements. In particular, accession to the World Trade Organization (WTO) marked a major turning point for Viet Nam's economic integration and reform process.

Figure 1. Key milestones of economic reforms and integration in Viet Nam



Source: Authors' update from Vo, 2016.

This paper briefly discusses the Vietnamese experience with WTO accession. Apart from the introduction, the remainder of the paper is structured into four parts. Section 2 summarizes the key integration milestones of Viet Nam. Section 3 summarizes the WTO accession process of Viet Nam. Section 4 elaborates on selected Vietnamese experiences with WTO accession.

¹ Mr. Duong Anh Nguyen is Director, Department of General Economic Issues and Integration Studies, Central Institute for Economic Management (CIEM), Viet Nam. Dr. Thanh Tri Vo is President, Brand and Competitive Strategy Institute, Viet Nam. The views and opinions expressed in this paper are solely those of the authors.

Key integration milestones of Viet Nam

Since *Doi Moi* (Renovation), Viet Nam has gradually opened its economy to foreign trade and investment. The literature (CIEM 2020 and 2021) indicates four key milestones of economic integration in Viet Nam.

First, Viet Nam joined the Association of Southeast Asian Nations (ASEAN) in 1995 and the ASEAN Free Trade Area in 1996. At the end of 2015, Viet Nam joined the ASEAN Community. As of November 2021, Viet Nam was signatory to an array of FTAs under the ASEAN-plus framework, while having signed and ratified the Regional Comprehensive Economic Partnership (RCEP), between ASEAN and Australia, China, Japan, the Republic of Korea and New Zealand. ASEAN economic integration also provided Viet Nam with first-hand experience in trade and investment liberalization, which helped in preparing the country for subsequent negotiation for WTO accession.

Second, Viet Nam negotiated and signed the Viet Nam-United States bilateral trade agreement in 2000, which induced Viet Nam to prepare for regional FTA-based integration and the WTO process. The agreement gave Viet Nam better access to the United States, its largest export market, enabling improved competitiveness relative to other major exporters, while subjecting Viet Nam to issues of WTO standards, such as intellectual property protection.

Third, Viet Nam became a member of the WTO in January 2007. The greatest pressures under the WTO are related to institutional reforms and the service sector (CIEM, 2013). To fulfil its WTO commitments, Viet Nam had to amend or promulgate many laws, ordinances and decrees related to domestic institutional regulations.

Fourth, since 2008, Viet Nam has focused on bilateral and plurilateral FTAs. It negotiated and/or signed, among others, the Economic Partnership Agreement with Japan and FTAs with the European Union, Chile, the Republic of Korea, and the Eurasian Economic Union. While the Trans-Pacific Partnership Agreement (TPP) signed in 2016, could not proceed due to the withdrawal of the United States, Viet Nam signed the CPTPP in March 2018 and implemented it in January 2021. Viet Nam also implemented the FTA with the European Union in August 2020.

WTO accession process of Viet Nam

Viet Nam became an observer of the General Agreement on Tariffs and Trade (GATT) in 1994. The country formally lodged an application for WTO membership in 1995. While formal negotiations for WTO membership commenced in 1998, negotiations only intensified during 2002-2006. During 2002-2006, Viet Nam managed to conclude bilateral negotiations with 28 WTO members, and 14 rounds of multilateral negotiations. Viet Nam signed the Protocol of Accession on 15 November 2006, and became the 150th member of the WTO on 11 January 2007.

WTO accession: Selected experiences of Viet Nam

- **Experience 1: WTO accession as an integral part of the economic integration and reform process**

Viet Nam has envisaged a sufficiently long-term plan/strategy that consistently emphasizes the direction towards economic integration centred on WTO membership. As noted above, right after the normalization of relations with the United States in 1995, Viet Nam joined ASEAN and immediately began considering WTO membership. As part of the plan, Viet Nam undertook incremental steps and paid serious attention to each one of them. As noted above, economic integration under ASEAN also exposed Viet Nam to various important experiences of negotiating for, and undertaking liberalization of trade in goods, trade in services, investment etc. Likewise, the bilateral trade agreement with the United States that was signed in 2000 made way for Viet Nam to adapt to negotiating issues such as intellectual property protection, while facilitating efforts by Vietnamese firms to acquire more experience with garment and fishery exporting.

On the other hand, if Viet Nam had considered WTO accession as the end point of its economic integration process, the country would have found it hard to convince existing WTO members about its post-WTO reforms/liberalization efforts. This could have led to more difficulties in the negotiation process, such as more demanding requirements by members, less flexibility to allow regulatory reforms after WTO accession, among others.

By assigning importance to the WTO accession, Viet Nam also gained the momentum and a concrete plan for reforms of domestic economic laws/institutions in consistency with WTO standard. For example, Viet Nam amended the Law on Intellectual Property to prepare for incorporating Trade-Related Aspects of Intellectual Property Rights (TRIPS) provisions. Viet Nam also set up enquiry points on Sanitary and Phytosanitary (SPS) measures and Technical Barriers to Trade (TBT), which required institutional and capacity preparations before the WTO accession itself. In this process, Viet Nam was able to leverage the participation of the business community, in order to gather more support for domestic reforms (such as the unified Enterprise Law and common Investment Law), which provided a level playing field for business entities in all ownership forms).

- **Experience 2: Building capacity for related personnel**

Viet Nam attempted to build capacity for related personnel to support WTO accession negotiations. First, Viet Nam arranged intensive training for the negotiators, including skills in negotiating issues related to phasing out tariffs as well as services, investment etc. Sharing of negotiation skills was also frequently carried out. Training and experience sharing were also provided to support inter-agency coordination and cooperation, especially with regard to the roles of concerned agencies and institutions (the Government of Viet Nam, Ministry of Trade, National Committee on International Economic Cooperation etc.).

Second, Viet Nam built capacity for researchers and analysts to support consideration of the impacts of various offers and scenarios for WTO accession. Such *ex ante* impact assessments focused on impacts both at the economy and the sectoral levels. In this process, Viet Nam leveraged technical assistance from multilateral and bilateral donors. For example, CIEM worked with Danish experts to conduct various *ex ante* impact assessments of WTO on Viet Nam's economy, using a computable general equilibrium and social accounting matrix built for Viet Nam.

Third, Viet Nam sought to improve its capacity for lawmaking in order to meet WTO requirements. On the one hand, Viet Nam strengthened the capacity of legal experts on various topics, such as business laws, investment regulations, services etc. On the other hand, Viet Nam strengthened its capacity for adopting good regulatory practices. For example, Viet Nam improved the capacity of legal officials and consultants to conduct *ex ante* and *ex post* regulatory impact assessments, public consultations, international regulatory cooperation etc. On that basis, the good regulatory practices were then made compulsory in the Law on Legal Normative Documents in 2008 (after WTO accession).

- **Experience 3: Working with WTO members**

WTO accession relied crucially and mainly on Viet Nam's own efforts, but the country devised a strategy for working effectively with WTO members. It should be noted that some existing WTO members with a good bilateral relationship (such as Cuba) may still be Working Party members. Quick completion of bilateral negotiations with such members could be encouraging to the Vietnamese negotiators. In addition, some Working Party members were ASEAN member States, so Viet Nam had various opportunities to discuss issues related to trade and investment cooperation, both bilaterally and under the framework of ASEAN.

On the other hand, Viet Nam sought to share experience from existing members regarding their WTO access process. The areas of shared experience included the negotiation process, making concrete promises to fulfill various commitments after, rather than before WTO accession itself, domestic regulatory reforms etc. Even after WTO accession, Viet Nam maintained communication in order to seek related experience of other member economies. For example, on the issue of non-market economy status, Viet Nam also sought the experience of China regarding the recognition of certain WTO members (the United States, European Union) of market economy status in China related to provisions previously made during China's accession process.

Finally, Viet Nam developed an understanding of the members that could be demanding during the negotiation. The United States was apparently the most demanding. Due to the Most Favoured Nation (MFN) principle, Viet Nam could not rest even after completing negotiations with all WTO members other than the United States. Even though Viet Nam had a bilateral trade agreement with the United States in 2000, negotiations between the two continued with further concessions by Viet Nam before getting approval from the United States on a bilateral basis.

- **Experience 4: Progressing after WTO accession**

In viewing the WTO accession as part of economic integration and reform, Viet Nam emphasized the need for further economic and reform progress after the WTO accession. The Communist Party and the Government of Viet Nam issued various documents to actualize Viet Nam's economic action plan to support rapid and sustainable development after the WTO accession. In this process, Viet Nam sought further support from multilateral/bilateral donors to implement its WTO commitment. For example, the Beyond WTO project was developed and implemented during 2007-2013 with support from various WTO members. The support was made in the areas of lawmaking and building capacity (legal, economic, technical as well as impact assessment). In particular, in line with WTO

commitments, Viet Nam needed to issue various laws (such as the Law on Telecommunications in 2009), and various guiding documents for pre-WTO laws, such as the Enterprise Law, Investment Law, Bidding Law, and technical and financial support from donors contributed effectively to this process. The support also targeted domestic reforms, i.e., the changes in regulations that were not compulsory under WTO, but were of essence, such as regulatory guillotine, public administrative reform etc.

In addition, Viet Nam had to comply with the trade policy review under the WTO. At the present, Viet Nam had completed two reviews already. Each review was highly intensive, with queries and comments by a number of members. Accordingly, without concrete actions to implement WTO commitments, including momentum built up from before the WTO accession, Viet Nam might have had difficulties with the trade policy reviews thus far.

- **Experience 5: Building domestic consensus**

While acknowledging the importance of WTO membership, various stakeholders within Viet Nam could have held different views with regard to actual commitments, especially those that would directly affect them. Therefore, it was imperative to build domestic consensus during the WTO accession negotiations, and even in implementing WTO commitments after the accession itself. Consensus should not only be sought at a high level regarding whether to apply for WTO membership or not, but also on what should be expected, e.g., trade-offs during negotiations. For example, a practical question was how to expedite accession negotiations while preserving domestic policy space, as a delay in accession might well be associated with possibly higher legal/economic costs as well as even more demanding requirements from existing WTO members.

In addition, Viet Nam attempted to build domestic consensus on effective implementation of WTO commitments. One focus area was mitigation of adverse impacts after WTO accession (e.g., capital flows and trade deficit). Another area concerned complementary reforms, as it may not be understood clearly by domestic stakeholders as to why such reforms were needed in the absence of explicit WTO commitments. The Vietnamese experience shows that *ex ante* assessments underestimated the impacts of WTO accession on GDP growth and exports in Viet Nam, as models could not capture the impacts of institutional reforms and capital flows. Even if they could understand the need for such reforms, how swiftly the reforms should take place might also need a common understanding among Vietnamese stakeholders. Indeed, upon reviewing the institutions for international economic integration in the post-WTO period, CIEM (2013) argued that among the reasons for Viet Nam's failure to take full advantage of, and mitigate, negative impacts via channels of international economic integration was the lack of inadequate preparation for management and cooperation of international economic integration activities.

Concluding remarks

This paper elaborates on the selected experiences of Viet Nam in its WTO accession process. The paper shows that WTO accession was neither the beginning nor the end of economic integration in Viet Nam. The key experiences of Viet Nam that are of relevance to existing

applicants for WTO membership include: (a) consistently viewing WTO accession as an integral part of economic integration and reform process; (b) building capacity for related personnel; (c) working effectively with WTO members; (d) deepening progress after WTO accession; and (e) building domestic consensus.

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