Opportunities and Challenges to Vietnamese Accession to the WTO*

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Abstract

This paper evaluates opportunities and challenges that Vietnam faces after its accession to the World Trade Organization (WTO). Vietnam is expected to have various opportunities, including access to markets of all WTO members, consumers’ gains from trade liberalization, improvement of economic efficiency, economic development through trade liberalization, benefits from the rule-based multilateral trading system, good governance, etc. However, it faces several challenges as well, including adjustment costs, loss of some sovereignty to policies, problems related to a transition economy, loss of tariff revenue, competition from least-developed countries in textile/clothing industry, lack of high-level expertise, etc. Based on the evaluation on these opportunities and challenges, we provide some policy suggestions to Vietnam.

Key Words: Vietnam; World Trade Organization; Accession; Developing Countries; Economic Reform

1. Introduction

Accession to the WTO as a Corner Stone to Vietnam

According to the World Trade Organization (WTO), Vietnam ratified its membership agreement and hence it became the WTO’s 150th member on January 11, 2007. Year 2007 will be a corner stone for Vietnam’s engagement in international economy because of its accession to the WTO.

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The Vietnamese accession to the WTO implies that Vietnam not only enters to the multilateral trading system based on the WTO but also sends a signal to its trading partners about the direction of its future trade policy, showing that the new trade regime in Vietnam will be complied with multilateral trade rules.

**Functions of the WTO**

The WTO is an international institution that operates through a rule-based multilateral trading system. It was succeeded to the General Agreement on Tariffs and Trade (GATT), established in 1947 to encourage the reduction of trade barriers among its 23 member countries, and has grown in membership to a roster of 150 members. The expanding WTO membership reflects the success that this organization has had in facilitating multilateral trade liberalization.

The WTO embodies a rule-based approach to multilateral cooperation among sovereign countries in its system. This is quite different from what can be