EXPLORING THE RELATIONSHIP BETWEEN TRADE OPENNESS AND ECONOMIC GROWTH IN VIETNAM

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ABSTRACT:

This study examines the relationship between trade openness and economic growth in Vietnam from 2014 to 2023. The analysis shows that both Vietnam's trade openness and gross domestic product (GDP) followed a steady upward trend throughout the period. Moreover, the results indicate a positive linear correlation between the two variables, suggesting that increased trade openness has contributed to Vietnam's economic expansion. Based on these findings, the study proposes several policy recommendations aimed at maximizing the benefits of trade openness to further promote sustainable economic development in Vietnam.

Keywords: trade openness, economic growth, Vietnam's GDP growth.

1. Introduction

The context of globalization and economic integration is deepening globally, with trade openness playing a crucial role in the development of nations as a whole and their economies in particular (Sabina Silajdzic and Eldin Mehic, 2018). Countries with liberal trade policies have greater opportunities for deeper integration into market economies, easier access to cutting-edge science and technology, broader engagement with international partners, expanded market reach, and enhanced production capacity (Nguyen Viet Hong Anh, 2023; Anh Tung Dao, 2014).

Furthermore, trade liberalization also drives the growth of businesses, particularly Vietnamese enterprises. However, in recent years, the relationship between trade openness, human capital, and economic growth in Vietnam has been increasingly complex, necessitating further rigorous research (Nguyen Dang Hien and Pham Thi Ngoc Suong, 2022).

Therefore, analyzing the relationship between trade openness and economic development provides a more objective assessment of the impact of trade liberalization on export-import growth, GDP expansion, and the ability to attract capital and other economic resources. Based on these insights, policymakers can formulate strategic policies to maximize the gains of economic integration.

2. Theoretical framework

2.1. Theories

The Comparative Advantage Theory (David Ricardo, 1817)

The Comparative Advantage Theory, developed by David Ricardo in 1817, is one of the fundamental principles of international trade. This theory states that:

● A country should specialize in producing goods in which it has a lower opportunity cost compared to other countries.

● Even if one country is more efficient in producing all goods, it can still benefit from trade by focusing on the good where it has a comparative advantage and importing other goods from trade partners.

The Economic Integration Theory (Balassa, 1961)

The Economic Integration Theory, introduced by Bla Balassa in 1961, explains the process and benefits of countries forming economic agreements to facilitate trade and investment flows such as:

● Economic integration occurs through various stages, ranging from preferential trade agreements (PTAs) to full economic and monetary unions.

● Trade liberalization reduces trade barriers, encouraging market expansion and economies of scale.

● As firms gain larger markets, they increase production efficiency, lower costs, and boost national income.

2.2. The relationship between trade openness and economic growth

Many economic theories worldwide have emphasized the importance of trade openness in positively influencing a country's economic growth.

First, the Comparative Advantage Theory (David Ricardo, 1817) highlights that nations should specialize in producing goods in which they have a comparative advantage and trade with other countries to maximize economic benefits. Therefore, international trade activities and trade openness contribute to economic development.

Second, the Economic Integration Theory (Balassa, 1961) asserts that free trade fosters economic growth through economies of scale. Increased export and import activities enhance firms' production capacity and expand their scale, thereby reducing transaction costs, improving production efficiency, and raising national income.

Overall, these theories suggest that international trade plays a crucial role in driving economic growth.

3. Method

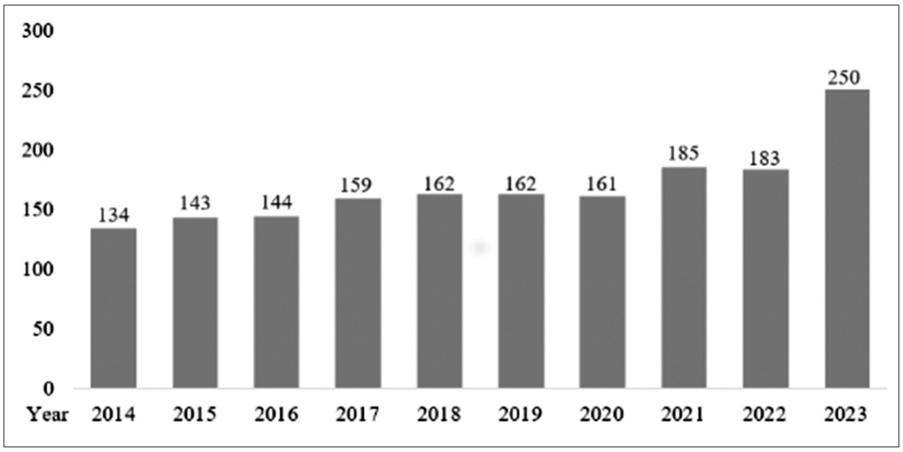
The study is conducted based on secondary data collected from the World Bank from 2014 to 2023, including Vietnam's export, import, and GDP values. Utilizing this dataset, the research calculates the trade openness index and performs descriptive statistics through graphical representations to analyze trends, fluctuations, and underlying causes of changes in these values. Furthermore, the study examines the relationship between trade openness and gross domestic product (GDP) using a scatter plot generated in the R statistical software, incorporating a linear regression line to illustrate the relationship between the two variables and highlight the overall trend in the data.

4. Results

4.1. Trade openness

From 2014 to 2023, Vietnam's trade openness expanded significantly, reflecting its deep

Figure 1: Vietnam's trade openness



Source: World Bank, 2024

integration into the global economy. During the 2014-2019 period, this ratio increased from 134% to 162%, driven by the signing of free trade agreements (FTAs), the development of export-oriented industrial zones, and the influx of foreign direct investment (FDI) into high-value-added manufacturing sectors. Despite the global impact of the COVID-19 pandemic, Vietnam maintained a high level of trade openness at 166% between 2020 and 2021, supported by the shift towards e-commerce, the resilience of supply chains, and government intervention to sustain economic activity. From 2022 to 2023, trade openness continued to rise, reaching 176%, fueled by the global economic recovery, surging demand for Vietnamese goods, and the expansion of key export-oriented industries. Vietnam's total trade turnover reached a record high of $1.075 trillion in 2023, accounting for 176% of GDP. However, the economy remains heavily reliant on imported raw materials, and external market shocks pose potential risks to economic stability. Overall, Vietnam experienced strong growth in trade openness from 2014 to 2023, significantly contributing to economic expansion.

4.2. Gross domestic product (GDP)

From 2014 to 2023, Vietnam's national economy exhibited a continuous growth trend, as reflected in the increase in GDP from $233 billion to $429 billion. During the first five years of the period, Vietnam's GDP grew rapidly, particularly between 2016 and 2018, with a 21% increase, driven by deeper economic integration and expansion. Between 2019 and 2020, GDP grew moderately from $334 billion to $346 billion, reflecting a 3.6% growth rate, indicating that the economy remained stable despite global uncertainties.

By 2021, GDP reached $366 billion, marking a 5.8% increase compared to the previous year, reflecting a gradual recovery following the economic downturn caused by the COVID-19 pandemic. Notably, the 2021–2022 period witnessed strong growth, as GDP surged 12%, from $366 billion to $410 billion, fueled by the reopening of the economy and the revival of business and production activities following pandemic-related disruptions.

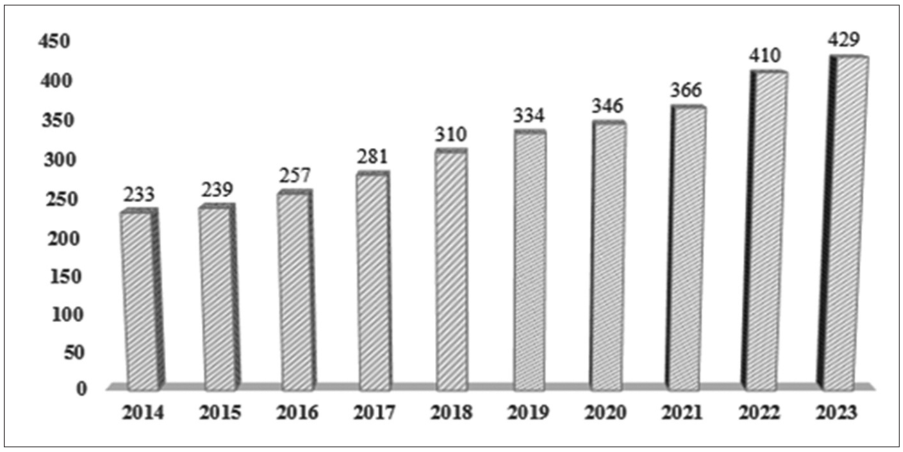
However, in 2023, the growth rate showed signs of slowing, with GDP rising by only 4.6% to $429 billion, due to global economic challenges such as inflation, trade tensions, and supply chain disruptions. Despite these headwinds, Vietnam's economy maintained its growth momentum. Overall, the country's economic trajectory from 2014 to 2023 reflects a strong post-pandemic recovery and continued stable expansion.

4.3 Relationship between trade openness and gross domestic product (GDP)

The chart illustrates the relationship between Gross Domestic Product (GDP) and Trade openness in Vietnam from 2014 to 2023. The scatter plot reveals an upward trend, indicating that as GDP increases, Vietnam's trade openness also tends to rise. This reflects the country's deep integration into global trade over the past decade.

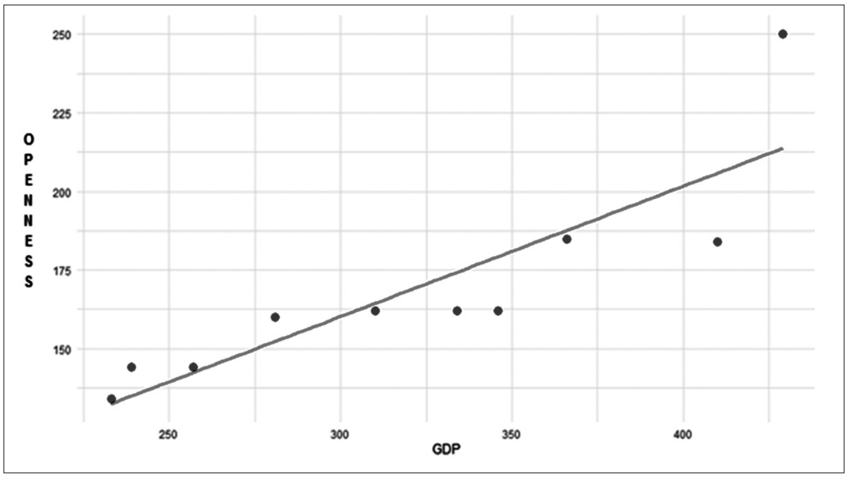
From 2014 to 2019, GDP grew steadily, accompanied by a

Figure 2: Vietnam's gross domestic product (GDP)



Source: World Bank, 2024

Figure 3: Scatter plot of GDP and OPENNESS



Source: World Bank, 2024

moderate increase in trade openness. However, in 2020, there was a noticeable disruption due to the COVID-19 pandemic, which temporarily hindered trade liberalization compared to the overall trend. From 2021 to 2023, as the economy rebounded, trade openness resumed its strong upward trajectory, aligning with GDP growth.

Moreover, the red regression line confirms a positive correlation between GDP and trade openness. This suggests that from 2014 to 2023, both indicators have increased in parallel, highlighting Vietnam’s economic growth and strong global integration. Therefore, it is crucial to implement flexible trade policies to sustain long-term economic expansion and resilience.

This result is consistent with the findings of Anh Tung Dao (2014), Nguyễn Việt Hồng Anh (2023), and Sabina Silajdzic and Eldin Mehic (2018). Sabina Silajdzic and Eldin Mehic (2018) identified a positive relationship between trade openness and economic growth in CEE countries. Their study suggests that an increase in trade, particularly in both exports and imports-especially imports from technologically advanced EU countries-has contributed to economic growth in these economies.

5. Conclusion and recommendations

The objective of this study is to analyze the relationship between trade openness and Vietnam's economic development during the period 2014–2023. The research data were collected from the World Bank and analyzed using descriptive statistics and scatter plot analysis with R software. The empirical findings indicate that both trade openness and Vietnam's GDP have exhibited a positive growth trend over the years, contributing to economic expansion. Furthermore, data analysis confirms the existence of a positive linear relationship between these two factors. This suggests that trade liberalization has played and continues to play a significant role in Vietnam's economic growth, as evidenced by the increase in GDP.

Based on these findings, the study proposes the following implications:

First, the implementation of market liberalization policies and the reduction of trade barriers, particularly tariff elimination, should be prioritized to create a conducive environment for Vietnam's export-import activities.

Second, Vietnam should actively negotiate and sign bilateral and multilateral free trade agreements (FTAs) with various regions and countries worldwide. Simultaneously, the government should provide support mechanisms to help Vietnamese export-import enterprises leverage the advantages offered by these agreements.

Finaly, market diversification is essential for stimulating economic growth. Countries should not only focus on market liberalization but also prioritize enhancing product quality and diversifying export products (Marilyne Huchet et al., 2019). This strategy helps reduce overreliance on a single market and mitigates risks associated with market fluctuations ■

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MỐI QUAN HỆ GIỮA ĐỘ MỞ THƯƠNG MẠI VÀ TĂNG TRƯỞNG KINH TẾ CỦA VIỆT NAM TRONG GIAI ĐOẠN TỪ NĂM 2014 ĐẾN NĂM 2023

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TÓM TẮT:

Nghiên cứu này phân tích mối quan hệ giữa độ mở thương mại và tăng trưởng kinh tế của Việt Nam trong giai đoạn từ năm 2014 đến năm 2023. Phân tích cho thấy cả độ mở thương mại và tổng sản phẩm quốc nội (GDP) của Việt Nam đều theo xu hướng tăng đều đặn trong suốt giai đoạn này. Hơn nữa, kết quả cho thấy mối tương quan tuyến tính tích cực giữa hai biến, cho thấy độ mở thương mại tăng góp phần vào sự mở rộng kinh tế của Việt Nam. Dựa trên những kết quả này, nghiên cứu đề xuất một số khuyến nghị chính sách nhằm tối đa hóa lợi ích của độ mở thương mại để thúc đẩy hơn nữa sự phát triển kinh tế bền vững ở Việt Nam.

Từ khoá: độ mở thương mại, tăng trưởng kinh tế, tăng trươnrg GDP của Việt Nam.