RCI-POD Series
Discussion on BILATERAL INVESTMENT TREATIES AND FOREIGN DIRECT INVESTMENT IN ASIA - R. Avendano and F. Khan

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Vietnam BITs
• Investment laws: late 1980s, mid 2000s
• WTO accession in 2007
• UNCTAD data
  - Cross-verified with Vietnam Chamber of Commerce and Industry (VCCI)
  - BTA with the US in 2000 has “Chapter IV: Development of Investment Relations” – BIT?

FDI trends and BITs
• Countries with different comp. adv. were on different FDI paths
• BITs effects corelated with omitted time-varying variables
• Falsification test*
  Estimate $\Delta$FDI$_{02\text{to}05}$ on $\Delta$BIT$_{05\text{to}08}$

Other considerations
• Local sales and GVCs (horizontal/vertical)
  - Significant ISDS cases in Oil, gas, mining, power, construction
• Bundling
  - Inbound FDI and capital inflows with exports of processed materials

Vietnam’s government targets:
• Sectors
• Locations
• Size

Foreign investors’ targets:
• Comparative advantage (HO, institutions)
• Market access (Vietnam, Others)

FDI brings massive amount of capital to Vietnam over the past 30 years
Source: General Statistics Office - 2019 data is preliminary

Trade creation and diversion: BITs, Comp. Adv., Intl. Taxes
• Vietnam CIT: 20%, 32-50% for oil and gas; preferential: 10%, 15%, 17%
• Tobler (1969): “everything is related to everything else, but near things are more related than distant things”.
• Spatial framework*: FDI$_{i:t}$, FDI$_{i:t-1}$, BIT$_{i:t-1}$, FDI$_{k:t-1}$, BIT$_{k:t-1$