

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

Yothin Jinjarak, ERCD

September 21, 2020

FDI brings massive amount of capital to Vietnam over the past 30 years

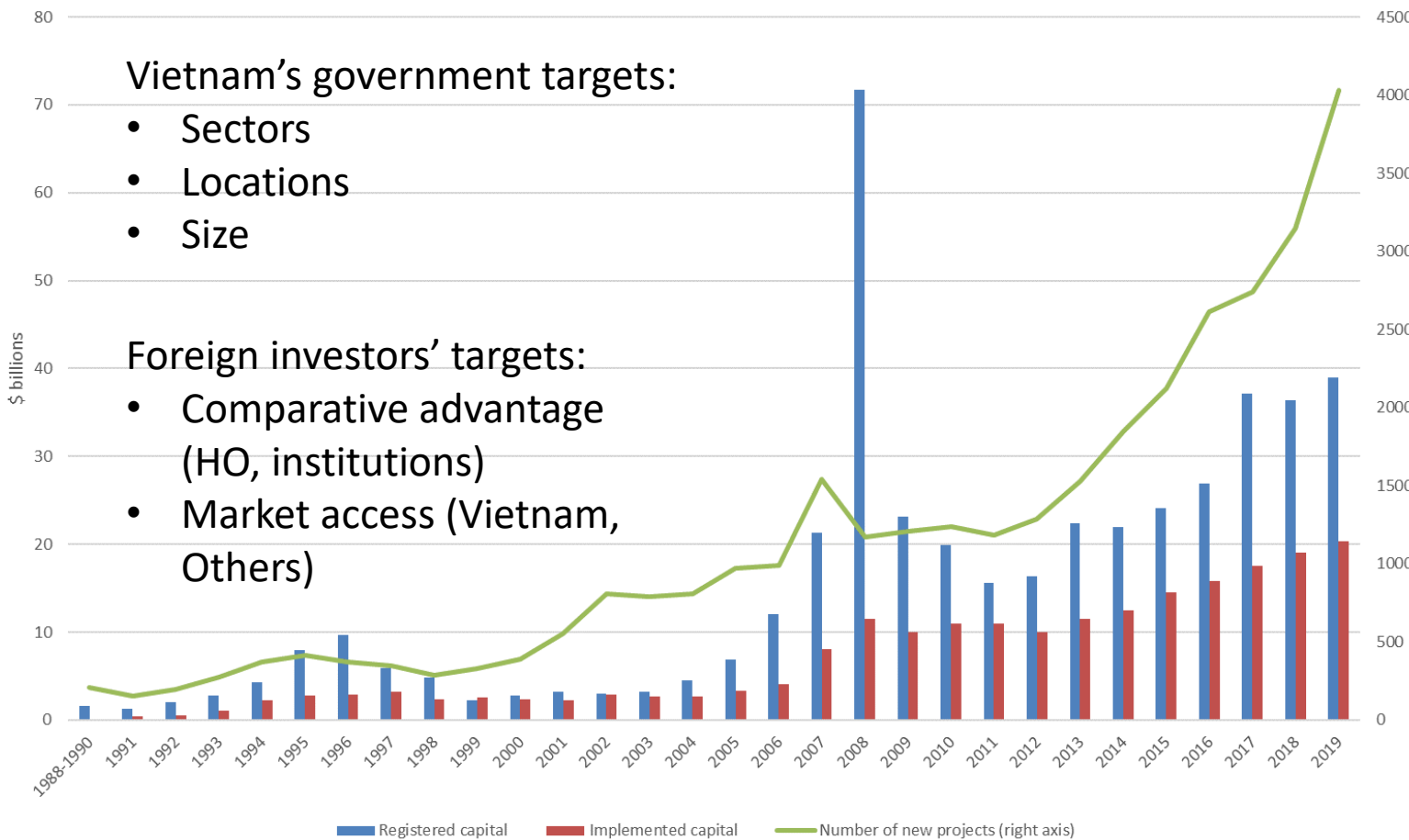
Source: General Statistics Office - 2019 data is preliminary

Vietnam's government targets:

- Sectors
- Locations
- Size

Foreign investors' targets:

- Comparative advantage (HO, institutions)
- Market access (Vietnam, Others)



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 correlated with omitted time-varying variables
- Falsification test*
 - Estimate ΔFDI_{02to05} on $\Delta BITs_{05to08}$

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

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*: $FDI_{i:t}$, $FDI_{i:t-1}$, $BIT_{i:t-1}$, $FDI_{k:t-1}$, $BIT_{k:t-1}$