

Received: 4 September 2023  
Accepted: 22 December 2023

## **The CPTPP and Vietnam: Impact, Covid-19 Pandemic and Causes of Resilience**

**Tran Van Hoa**

Professor, Victoria University  
Australia  
jimmy.tran@vu.edu.au

**Jo Vu**

Victoria University Business School  
Australia

**Pham Quang Thao**

Vietnam Union of Science and Technology Associations

## **ABSTRACT**

The paper assesses, using national accounting and UNCTAD data, the impact of the CPTPP on Vietnam since its ratification on 14 January 2019, through the Covid-19 pandemic and the country's surprising observed resilience. It first briefly summarises the main features of the CPTPP and then discusses the empirical evidence of the major effects on Vietnam through three main pillars of open-market growth (commodity trade, foreign direct investment, and service trade) that the country had experienced to 2023. It finally analyses useful lessons learned to enhance the agreement's major benefits or to mitigate the consequences of adverse crises. Importantly, it suggests the opportunities and challenges not only for Vietnam but also for potential new participating members.

**Keywords:** CPTPP, free trade agreements, revealed comparative advantages, economic and trade policy.

**JEL Classification:** F13, F15, F43, F62

## **1. Introduction**

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is a mega free trade agreement (FTA) for economies in the Pacific Rim. It is one of many other bilateral and plurilateral FTAs in the region to promote trade and growth in the context of regional economic integration and globalisation of the new international trade (WTO, 2023). The CPTPP commenced on 30 December 2018 initially with six members: Australia, Canada, Japan, Mexico, New Zealand and Singapore. It entered into force for Vietnam on 14 January 2019 and for Peru on 19 September 2021. The CPTPP also includes Malaysia (29 November 2022), Chile (21 February 2023), and the United Kingdom (31 March 2023) (DFAT, 2023). The CPTPP will enter into force for Brunei Darussalam 60 days after they complete their respective ratification processes. Prospective new members for ascension to the CPTPP include China, Indonesia, the Philippines, South Korea, and Taiwan (PIIE, 2022). Globally, the importance of the CPTPP as a trading bloc is significant. At the end of 2022, the CPTPP has a total population of 499 million or 6.7 per cent of the world population, a total GDP of USD10.6 trillion or 13.3 per cent of the global GDP, and its trade accounts for 14.4 per cent of the world trade (DFAT, 2023).

The paper will focus on the CPTPP and its impact on Vietnam, a major high-growth transition economy in Asia, since its membership and importantly during the global Covid-19 pandemic that started early in 2020. It will critically discuss the major lessons learned to enhance the CPTPP benefits and mitigate the consequence of adverse crises. It will also assess the opportunities and challenges for Vietnam and also possible use by other current and potential new CPTPP members for useful regional and global trade and economic

integration policy analysis even in the current context of emerging re-globalisation (WTO, 2023).

The plan of the paper is as follows. Section 2 briefly describes the CPTPP's origin and main objectives and member commitments. Section 3 looks at the impact of the CPTPP on Vietnam on three growth pillars of current economic integration or open-market, namely commodity trade, foreign direct investment (FDI) and services, and briefly institutional reforms. Section 4 briefly describes the major lessons learned and how Vietnam (and other current and interested CPTPP members) can make good use of them for strategic policy analysis. It also suggests opportunities and challenges for regional and global policy analysis and implementation consideration in the context of emerging re-globalisation amid the Covid-19 pandemic and global geopolitical crises. Section 5 concludes.

## **2. The CPTPP and its Major Features**

The CPTPP can be regarded as an off-shoot of the original Trans-Pacific Partnership (TPP or TPP12) in which the US was involved, in addition to the CPTPP's 11 members (TPP, 2022). After the withdrawal of the US from the TPP under US President Donald Trump in 2017, discussions on the continuation of the contracted TPP were led chiefly by Japan. The ratification of the contracted TPP, or CPTPP, was officially ratified by its six members on 30 December 2018 and then by other members as described earlier.

It should be noted that the CPTPP is a separate treaty that incorporates, by reference, the provisions of the original TPP signed by Ministers on 4 February 2016 in Auckland, New Zealand. Under the CPTPP, signatories have implemented the original TPP between them, with the exception of a limited number of provisions which will be suspended. Suspensions

will remain in place until the members agree to end them, by consensus (DFAT, 2023).

The objectives of the CPTPP are overarching and comprehensive and include: maintaining open markets, increasing world trade, creating new economic opportunities for people of all incomes and economic backgrounds, promoting further regional economic integration and cooperation between them, and enhancing opportunities for the acceleration of regional trade liberalisation and investment (CPTPP, 2023).

To cover all these objectives, the CPTPP text has 27 chapters, dealing with topics such as the liberalisation (or tariff reduction or free flows) of the three economic integration growth pillars: goods, investment and services. Related topics include the chapters on intellectual property, labour, government procurement, environment, competition policy, state-owned-enterprises (SOEs), small-and-medium-size-enterprises (SMEs), and e-commerce.

The CPTPP members' commitments are to implement all the provisions of these chapters with a few exceptions related to national interests (DFAT, 2023).

### **3. Impact of the CPTPP on Vietnam**

An analysis of the impact of the CPTPP on its members and especially Vietnam as our focus since 2019 is complicated by a number of factors. First, Vietnam and other CPTPP members have also ratified a number of other bilateral and plurilateral FTAs (16 in the case of Vietnam, USDA, 2022) which simultaneously have some significant impact. Second, due to the short time span since the ratification, national and international account data are not sufficiently available. For example, the latest IMF data available on trade at the time of writing is April 2020 for the IMF (2023) or December 2020 for the UNCTAD (2023). Third, the impact of the CPTPP was

also affected by the emergence of the Covid-19 pandemic starting in early 2020 that has generated serious global supply chain disruptions and demand shocks and declining GDP. With this caution, we can nevertheless present the following observations from relevant pre- and current Covid-19 data and analysis that cover the key specific areas of GDP, commodity trade (exports and imports), FDI, services, and institutional reforms. Due to the serious effects of the COVID-19 outbreak on these areas since 2020, mention of the CPTPP impact due to this outbreak is only minimal or not attempted.

First, on the strictly calibrated level of computable general equilibrium simulations for growth and trade under regular economic conditions, several studies have discussed this CPTPP impact (e.g., Lee and Bhattacharya, 2019; Nguyen and Truong, 2019). The World Bank more specifically projected that, in 2030, Vietnam under the CPTPP will potentially gain 1.1 per cent in GDP, 4.2 per cent in exports and 5.3 per cent in imports or, respectively, 3.5, 6.9 and 7.6 per cent with productivity kick in (Maliszewska et al, 2020). These outcomes are however much less than those under the original TPP,

Second, on the realistic level analysis based on available data however, Suominen (2021) for example has observed that, during 2017-2020, the fluctuations of CPTPP members' exports to the CPTPP region mirrored their global exports. Interestingly, while other CPTPP counties appeared to have been negatively affected by the Covid-19 pandemic, Vietnam scored new export gains of 264.3bn, 282.6bn and 335.9bn in 2019, 2020, and 2021 respectively, and import gains of 253.4bn, 262.7bn and 331.6bn for the same period (IMF, 2023). More specifically, in 2019, the first year of the CPTPP's implementation, members' trade in the CPTPP region dropped by 4.0 per cent, with the exception of Vietnam that posted a 7.0 per cent growth. Vietnam notably gained in

manufactured exports to the CPTPP, especially to Japan. In 2020, amid the Covid-19 outbreak, all CPTPP members' exports to the bloc declined, Vietnam benefited with increased exports especially from global demand for phones, electronics, and computers (Suominen, 2021). Vietnam has been growing its imports from within the CPTPP—but also from the rest of the world (IMF, 2023).

In terms of FDI, the CPTPP provides staunch protections and national treatment to foreign investors, which could help boost FDI inflows, especially in export-driven sectors in developing member states. FDI flows to Vietnam, in particular, have withstood the Covid-19-induced global slump in FDI. Vietnam scored a 7.0 per cent gain in FDI inflows in 2019, the highest growth in 10 years, led by South Korean and Chinese investors. Covid-19, however, slammed the region's FDI just as it undercut global FDI inflows in 2020, and Vietnam's flattened, though Vietnam did keep pulling in FDI nearly at 2019 rates, especially from China in its industrial zones (Suominen, 2021). More specifically, the FDI inflows into Vietnam were USD16,120m, USD15,800m and USD15,660m in 2019, 2020 and 2021 respectively indicating the resilience of Vietnam in attracting capital inflows to support its economy especially its trade-induced sectors even during the pandemic (UNCTAD, 2023a).

In services, the picture is somewhat different. Before the deal entered into effect, the largest CPTPP members grew their commercial services and particularly digitally deliverable services trade with each other, with Singapore and Japan leading the way (Souminen, 2021). It should be noted that the CPTPP liberalises trade in services and cements free cross-border data transfer and trade in digital goods, which could be expected to fuel trade in digitally deliverable services. This has been an area of robust growth for CPTPP members' bilateral flows (Souminen, 2021). From the more

recent available data (UNCTAD, 2023b), we note that Vietnam's export of services was recorded positively, in 2020 and 2021 respectively, at USD6735m and USD3673m, and import at USD18,325m and USD19,407m. These outcomes reflect likely the combined impact of the CPTPP and the Covid-19 emergence. They were attained nevertheless while the whole developing Asia and Oceania region posted a growth rate 21.9 and 16.6 per cent for service exports and imports respectively in 2021.

As it stands, the CPTPP with its commitments and perceived benefits, will help Vietnam to boost domestic institutional reform, operate a market economy in a comprehensive manner and create a transparent and open investment and business environment. Institutional regulatory reform will bring a lot of benefits to Vietnam so this is seen as a mandatory requirement when Vietnam agrees to join the common playing ground. The country needs therefore to keep up the quality and momentum of reform after its entry to the trade pact. These are long-term concerns. Joint efforts between the government and businesses are required (Vietnamnet, 2022). The vexed issue of state-owned-enterprises is however a suspended provision of the CPTPP as in the original TPP.

#### **4. Lessons Learned, Challenges and Opportunities**

The above data and discussion appear to indicate that an analysis of the impact of CPTPP on Vietnam in recent years is complex due to the short time span since its ratification and multiple FTAs, and, importantly, the simultaneous effects on supply and demand of the global outbreak of Covid-19. Based on the available statistics and detailed scholarly studies however, we note that Vietnam has particularly mitigated



reasonably well the consequences of the pandemic and nevertheless retained some of the perceived benefits of the CPTPP (and probably other on-going regional and global trade agreements such as the Indo Pacific Economic Framework) after its ratification. What are the likely contributing supports for this outcome and the resilience of Vietnam's economy during crises with relevance to other current and interested CPTPP members?

We understand that in its recent development history, Vietnam has benefitted enormously in enhanced trade, high growth, substantial poverty reduction, and remarkable institutional reforms. These are attributed to the country's Doi Moi policy introduced in 1987 after a long stagnant period after the prolonged war to create a free market with a socialist orientation (Tran and Harvie, 1997). As a member of the ASEAN FTA in 1995, the WTO in 2007, and many other FTAs (see above), the structure of Vietnam's economy has transformed significantly making good use of its abundant natural resources, plentiful young and educated labour force, capable public service and appropriate regulatory reforms. The end results from all these are high trade openness, increased capital inflows and a growing supporting service sector. These are the three principal growth components in the field of economic integration and globalisation (WTO, 2023). Crucially but less noticeably by many economic and trade researchers and analysts is the outcome of this policy in the improvement in competitiveness (productivity) of the country's exportable agricultural, manufacturing and service sectors.

A good level of competitiveness is the foundation of a country's beneficial trade in goods, capital and services. It also embodies the resilience of Vietnam's globalised economy in the face of the volatility of supply and demand conditions, and the disruptive impact of regional and global crises. In

other words, the gains from trade and the country's resilience can be arguably attributable to Vietnam's high level of competitiveness for exportable goods, capital flows and service that have been achieved during its development process and reforms in the past three and half decades. As productivity is a complex measurable concept, supporting evidence for this beneficial competitiveness can be found from the UNCTAD 2023 databases in the form of revealed comparative advantage indexes for Vietnam's representative products. These indexes for 2021 are given in the table below. The attractiveness of the country's FDI and services which is important to Vietnam's trade sector arises from its economic reforms and sustained high and stable growth (Tran and Harvie, 1997), appropriate legal investment reforms and education and training policies (Tran, 2020).

Table 1. Vietnam's International Competitiveness:  
Representative Revealed Comparative Advantage Index,  
2021

<b>Product</b>	<b>Index</b>
[752] Automatic data processing machines, n.e.s.	1.19036519
[759] Parts, accessories for machines of groups 751, 752	4.78411207
[761] Television receivers, whether or not combined	2.7288572
[763] Sound recorders or reproducers	3.46846769
[764] Telecommunication equipment, n.e.s.; & parts, n.e.s.	5.75833227
[771] Electric power machinery, and parts thereof	1.10911524
[773] Equipment for distributing electricity, n.e.s.	2.36271252
[776] Cathode valves & tubes	1.10204947
[821] Furniture & parts	3.72483029
[831] Travel goods, handbags & similar containers	3.43241307
[841] Men's clothing of textile fabrics, not knitted	6.40909414

Product	Index
<b>[842] Women's clothing, of textile fabrics</b>	4.64316383
<b>[843] Men's or boy's clothing, of textile, knitted, croche.</b>	6.07749134
<b>[844] Women's clothing, of textile, knitted or crocheted</b>	5.3952472
<b>[845] Articles of apparel, of textile fabrics, n.e.s.</b>	4.91363383
<b>[846] Clothing accessories, of textile fabrics</b>	1.57934524
<b>[848] Articles of apparel, clothing access., excluding textile</b>	1.31268112
<b>[851] Footwear</b>	10.2550188
<b>[871] Optical instruments &amp; apparatus, n.e.s.</b>	1.64126689
<b>[881] Photographic apparatus &amp; equipment, n.e.s.</b>	21.0222218

Source: UNCTAD (2023).

From the table, all of these indexes far exceed unity or the world's ratio. These indicate the dominance of Vietnam's commodity trade in free trade agreements such as CPTPP and, fundamentally, the country's resilience amid damaging crises such as Covid-19.

## 5. Conclusion

The paper has discussed the main issues of CPTPP in the context of regional economic integration (WTO, 2023) and how its impact on Vietnam as measured by the three globalisation pillars of growth after its ratification in 2019. Supported by relevant data and studies, the paper shows that the impact had been beneficial after the ratification in 2019 and the country has shown resilience during the Covid-19 crisis. It also argued that these achievements and characteristics of the Vietnamese economy are attributable essentially to its successful development processes that include openness policy and legal and institutional reforms since the landmark Doi Moi. As a result, the country has achieved desirable high global competitiveness in the form of

high revealed comparative advantages. These characteristics are critical for trade and subsequently and necessarily for sustainable growth, development, poverty reduction, income distribution, political stability and common prosperity,

As trade and its gains exist whenever comparative advantages (or national differences in productivity) are present and relevant economic-theoretic conditions such as free flows of trade, FDI and services are satisfied, globalisation and FTAs such as CPTPP still retains its attractiveness as major national economic policy. The current discussions and conversations (e.g., WEF, 2022; WTO as reported in *The Economist*, 2022; Kimura, 2022; Krugman, 2022) on de-globalisation or re-globalisation refer usefully and primarily to the potential reduction of violation of these necessary conditions to increase comprehensive trade and supply chains that may lead to improvement in common prosperity, inclusiveness, and climate change issues especially for the current emerging global focus on digital trade amid the lingering Covid-19 pandemic and regional conflict in Europe.

## References

- CPTPP (2023), <https://www.dfat.gov.au/trade/agreements/in-force/cptpp/comprehensive-and-progressive-agreement-for-trans-pacific-partnership>
- DFAT (2023), CPTPP outcomes at a glance | Australian Government Department of Foreign Affairs and Trade, CPTPP outcomes at a glance (dfat.gov.au).?>?
- IMF (2023), <https://data.imf.org/regular.aspx?key=61545859>
- Kimura, F. (2022), Toward Agreement on IPEF: Asian Countries' Appetite for Engagement Is Critical, Research Institute of Economy, Trade and Industry, Japan, 12 Sept 2022.
- Krugman, P. (2022), World is Flat on Future of Globalisation, The New York Times, reprinted in The Age, Saturday 10 Sept 2022.
- Lee, C, and Bhattacharya, P, (eds) (2021), The Comprehensive and Progressive Agreement for Trans-Pacific Partnership: Implications for Southeast Asia, Institute of South East Asia Studies, Singapore. <https://doi.org/10.1355/9789814818889>
- Maliszewska, M. Pereira, M., Osorio-Rodarte, I., and Zoryana, O., (2020), Economic and distributional Impacts of the EVFTA and CPTPP in Vietnam, The World Bank.
- Nguyen. H. H. and Truong, Q. H. (2019), Vietnam and the CPTPP: Achievements and Challenges, Perspectives, ISEAS, Singapore, Issue No. 41.
- PIIE (Peterson Institute for International Economics) (2022), <https://www.piie.com/research/piie-charts/which->

countries-are-cptpp-and-rcep-trade-agreements-and-which-want.

Suominen, K. (2021), Two Years into CPTPP, Center for Strategic and International Studies, 9 August 2022.

TPP (2023), <https://www.dfat.gov.au/trade/agreements/not-yet-in-force/tpp/2016-tpp-outcomes-and-background-documents>.

Tran, V. H. (2020), Performance of Foreign Investment Enterprises in Developing Economies: the Case of Vietnam Redux, Thammasat Review of Economic and Social Policy Volume 6, Number 2, July – December 2020.

Tran, V H and Harvie, C (1997), Vietnam's Reforms and Economic Growth, Macmillan (London, UK).

The Economist (2022), Is the Era of Globalisation Over?, [https://www.economist.com/podcasts/2021/07/01/is-the-era-of-globalisation-over?gclid=CjwKCAiAheacBhB8EiwAltVO22TqT3kYDRkrIZe-4qb1xk7PK50ckxjyV8JZk7hIK3IDZTobw8roeRoCtAoQAvD\\_BwE&gclsrc=aw.ds](https://www.economist.com/podcasts/2021/07/01/is-the-era-of-globalisation-over?gclid=CjwKCAiAheacBhB8EiwAltVO22TqT3kYDRkrIZe-4qb1xk7PK50ckxjyV8JZk7hIK3IDZTobw8roeRoCtAoQAvD_BwE&gclsrc=aw.ds)

UNCTAD (2023), [https://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx?sCS\\_ChosenLang=en](https://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx?sCS_ChosenLang=en)

UNCTAD (2023a) <https://hbs.unctad.org/total-trade-in-services/>

UNCTAD (2023b), <https://unctadstat.unctad.org/wds/TableView/tableView.aspx>

USDA (2022), FTA Competition in Vietnam, Report No. VM2022-0038;

[https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=FTA%20Competition%20in%20Vietnam\\_Hanoi\\_Vietnam\\_VM2022-0038#:~:text=Vietnam%20FTA%20summary&text=Vietnam%20is%20party%20to%2C%20or,Comprehensive%20Economic%20Partnership%20\(RCEP\).](https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=FTA%20Competition%20in%20Vietnam_Hanoi_Vietnam_VM2022-0038#:~:text=Vietnam%20FTA%20summary&text=Vietnam%20is%20party%20to%2C%20or,Comprehensive%20Economic%20Partnership%20(RCEP).)

Vietnamnet (2022), CPTPP creates high pressure for institutional reform in Vietnam, <https://vietnamnet.vn/en/cptpp-creates-high-pressure-for-institutional-reform-in-vietnam-E211442.html>.

WEF (2022), <https://www.weforum.org/videos/reglobalization-can-fix-supply-chain-issues-says-world-trade-organization-chief>.

WTO (2023), <http://rtais.wto.org/UI/PublicMaintainRTAHome.aspx>