

THE IMPACTS OF NEW GENERATION OF FREE TRADE AGREEMENTS ON INTERNATIONAL TRADE AND FOREIGN DIRECT INVESTMENT (FDI) ATTRACTION IN VIETNAM

Hoang Chi Cuong, Ngo Vo Minh Chau, Le Nhat Anh,
Tran Thi Da An, Nguyen Thu Ha
Faculty of Commerce, Van Lang University
Email: cuong.hc@vlu.edu.vn, chau.2273401200032@vanlanguni.vn

Received: 07/8/2025

Revised: 23/8/2025

Accepted: 24/10/2025

Abstract: This study employs the gravity model, panel data set between Vietnam and its main trading partners who are members of CPTPP and EVFTA in the 2010 - 2023 period, OLS estimation technique, STATA software and the stationarity consideration of the panel data, heteroscedasticity, and eliminating multicollinearity using VIF to examine the possible impacts of the CPTPP and EVFTA on international trade and FDI attraction in Vietnam. The estimation results show that CPTPP has an impact on increasing Vietnam's imports from member countries, but it has no influence on increasing exports and FDI attraction into the country. The estimation results also indicate that EVFTA has no impact on exports, imports, and FDI attraction of Vietnam during the research times as the authors expected. Several policy implications for Vietnam in the coming years are also proposed.

Keywords: CPTPP, EVFTA, Gravity model, OLS, Vietnam.

TÁC ĐỘNG CỦA CÁC HIỆP ĐỊNH THƯƠNG MẠI TỰ DO THẾ HỆ MỚI ĐẾN THƯƠNG MẠI QUỐC TẾ VÀ THU HÚT ĐẦU TƯ TRỰC TIẾP NƯỚC NGOÀI (FDI) VÀO VIỆT NAM

Tóm tắt: Nghiên cứu này sử dụng mô hình trọng lực, bộ dữ liệu bảng giữa Việt Nam và các đối tác thương mại chính là thành viên CPTPP và EVFTA trong giai đoạn 2010-2023, kỹ thuật ước lượng OLS, phần mềm STATA cùng với việc xem xét tính dừng của dữ liệu bảng, hiện tượng phương sai thay đổi và loại trừ đa cộng tuyến bằng phương pháp VIF để xem xét những tác động tiềm tàng của CPTPP và EVFTA đến thương mại quốc tế và thu hút FDI vào Việt Nam. Kết quả ước lượng cho thấy CPTPP có tác động

làm tăng nhập khẩu của Việt Nam từ các nước thành viên, nhưng không có tác động làm tăng xuất khẩu và thu hút FDI vào Việt Nam. Kết quả ước lượng cho thấy EVFTA không có tác động đến xuất khẩu, nhập khẩu và thu hút FDI của Việt Nam trong thời gian nghiên cứu như kỳ vọng của tác giả. Một số hàm ý chính sách cho Việt Nam thời gian tới cũng được đề cập trong nghiên cứu này.

Từ khóa: CPTPP, EVFTA, Mô hình trọng lực, OLS, Việt Nam.

1. Introduction

Vietnam implemented the so-called Doi Moi, innovation, in 1986 and the country has been integrating into global economy since 1990. The country has signed 16 free trade agreements (FTAs) and joined the WTO in 2007. Recently, Vietnam has participated in a number of new-generation of free trade agreements such as CPTPP and EVFTA. New generation of free trade agreements is a term referring to FTAs with deeper and more comprehensive commitments of country members, including free trade in goods and services, tariff cuts to almost 0%, strict enforcement mechanisms, and covering “non-traditional” areas such as labor, environment, and state-owned enterprises. This concept reflects the increasingly strong and diverse development of trade liberalization and production linkages worldwide.

After more than three decades of economic integration with the world economy, Vietnam’s international trade has increased rapidly, reaching 786.29 billion USD in 2024, entering the top 20-

30 economies with the largest international trade scale in the world. The average growth rate is 17% per year. Regarding FDI attraction, by the end of 2024, Vietnam has attracted 38,349 FDI projects with a total registered capital of 523.919 billion USD, and implemented capital is about 251.193 billion USD (GSO, 2025).

International trade and FDI are two of many factors (cheap and abundant labor, social investment capital, etc.) that have contributed to Vietnam’s economic growth in recent years. From a country devastated by war and superinflation, Vietnam’s current GDP in 2024 has reached 476.3 billion USD, ranking among the top 34 largest economies in the world.

Theoretically, new generation of FTAs will have a stronger impact on international trade and FDI attraction due to more extensive and comprehensive commitments. The impact of FTAs on member countries is divided into two main groups. One is Static Effect: including trade creation and trade diversion. The

other is Dynamic Effect: including trade expansion, FDI attraction and increased domestic competitive pressure.

FTAs reduce or eliminate tariffs, quotas, and other trade barriers such as TBT - Technical barriers, between member countries. According to comparative advantage theory, by D. Ricardo, countries can specialize in producing goods where they are most efficient, leading to increased trade flows. Lower transaction costs and improved market access stimulate exports and imports, enhancing economic welfare. FTAs expand market size for domestic producers, allowing firms to achieve economies of scale. Larger markets encourage firms to invest in productivity and innovation, boosting competitiveness in global trade. Countries within FTAs become strategic hubs for export-oriented production due to preferential access to partner markets.

FTAs often include investment protection clauses, dispute resolution mechanisms, and regulatory transparency. These provisions reduce political and legal risks making member countries more attractive to foreign investors. The eclectic paradigm (OLI model) by Dunning explains that FTAs enhance the 'Location' advantage, encouraging multinational enterprises to invest. Investors may establish subsidiaries in FTA member

countries to benefit from reduced tariffs and trade facilitation. FTAs often promote harmonization of standards, intellectual property rights, and labor/environmental regulations. This reduces compliance costs and uncertainty for foreign firms, fostering cross-border investment. FTAs can lead to technology transfer, skill development, and productivity spillovers from foreign firms to domestic industries. Over time, this strengthens the host country's industrial base and export capacity.

The research question is 'Do CPTPP and EVFTA impact on international trade and FDI attraction of Vietnam?' This study will provide the answers to the above research question by employing the Gravity models, using OLS estimation method, STATA software and updated panel data set for the period 2010-2023. The research paper is structured as follows: section 1 is the introduction, section 2 is about the literature review, section 3 is about the research methodology and data, section 4 is the analysis of the research results and discussion, section 5 is the conclusion and the references.

2. Literature Review

The studies by Ngo Van Vu, Nguyen Thuy Duong, Pham Van Nghia (2019), Nguyen Viet Hung, Le Thi Kim Chung (2020) and Phan Thanh Hoan (2020) only discussed about the

opportunities and challenges for Vietnam after joining CPTPP. Nguyen Tien Hoang, Pham Van Phuc Tan (2020) and Nguyen Tien Hoang, Nguyen Thi Bich Hanh (2021) found the positive impacts of EVFTA on Vietnam's exports of sea products and footwear using SMART model. However, this model primarily assesses tariff impacts and does not fully capture non-tariff factors such as technical barriers, environmental regulations, or non-tariff barriers imposed by the EU members. Thus, those studies lack of post-EVFTA empirical data as the studies were conducted shortly after the agreement came into effect so there was insufficient data to evaluate its long-term impact.

Ha Van Su and Nguyen Thu Thuy (2021) assessed the impact of the CPTPP on the shift of foreign direct investment (FDI) inflows into Vietnam. These authors used the extended econometric model, Knowledge-Capital, to forecast FDI trends under the impact of CPTPP. This study also lacks of actual data because it was conducted in the early stages after CPTPP came into effect.

Nguyen Thu Trang (2022) aimed at legality aspect of Vietnam. Accordingly, the country should improve its legal system to comply with international commitments. This requires Vietnam to

implement multilateral treaties such as the United Nations Framework Convention on Climate Change (UNFCCC), the Kyoto Protocol and the Paris Agreement.

Trinh Van Thao (2022) found that EVFTA opens up great opportunities for Vietnamese agricultural products. With a commitment to eliminate import taxes on up to 99% of tax lines within 7-10 years, EVFTA will help increase the competitiveness of Vietnamese agricultural products in the EU market.

Overall, those above studies have assessed the impact of the CPTPP on various sectors, products, legal frameworks, competition, public procurement, legal system, and FDI attraction. However, these studies were conducted in 1-2 years after Vietnam's new-generation of FTAs came into effect with insufficient data. The EVFTA took into effect on August 1st, 2020, and the CPTPP came into force on January 14th, 2019. Moreover, few studies employ empirical econometric models.

Meanwhile, some research has indicated that the effects of FTAs typically become most evident after about 4–5 years of implementation. Therefore, the current period offers a more suitable and accurate window for data collection and impact assessment. Besides, many earlier studies relied solely on secondary data for specific product and they mostly

did not use economic modeling, or used models that failed to comprehensively evaluate the impact of these new generation of FTAs. The number of recent studies assessing these impacts of those FTAs also remains limited.

A comprehensive evaluation of the current impact of the CPTPP and EVFTA on Vietnam's international trade and FDI attraction would be highly meaningful for shaping future policies aimed at attracting investment from partner countries and promoting Vietnam's trade with member states of these agreements. The research findings could also serve as valuable reference materials for teaching, learning and academic researching among economics faculty and students at universities.

3. Methodology and Data

This study will apply the Gravity Model in international trade and foreign investment. The model is based on the Law of Universal Gravitation proposed by English physicist Isaac Newton (1642-1726).¹ The pioneers who applied this physical law to international trade to explain the factors influencing trade flows

between countries were Isard (1954) and Tinbergen (1962). Isard's perspective leaned more toward analytical use of the gravity concept borrowed from physics, while Tinbergen-often considered the founder of the gravity model in international trade-proposed a simpler formula that served as the basis for econometric estimation of bilateral trade flows between countries. The original Gravity Model in international trade is constructed as follows:

$$F_{ij} = C \frac{GDP_i GDP_j}{D_{ij}^2} \quad (1)$$

In this context:

- F_{ij} : Represents the trade value between two countries (*country i* and *country j*)
- C : A constant
- GDP_i : The Gross Domestic Product of country *i*
- GDP_j : The Gross Domestic Product of country *j* (sometimes even GNP is used)
- D_{ij} : The distance between the two countries

The use of the Gravity Model to estimate international trade flows also involves incorporating geographical

¹ This physical law is stated as follows:

"Every particle attracts every other particle in the universe with a force that is directly proportional to the product of their masses and inversely proportional to the square of the distance between their centers."

$$F_{ij} = G \frac{M_i M_j}{D_{ij}^2}, G = 6,67 \times 10^{-11}$$

F_{ij} : The gravitational force between two objects *i* and *j*

M_i, M_j : The masses of objects *i* and *j*, respectively

D : The distance between the centers of the two objects

G : The universal gravitational constant.

factors, such as the distance between countries.

To linearize the model and facilitate econometric estimation, we take the natural logarithm of both sides of equation (1), resulting in:

$$\mathbf{LnFij} = \mathbf{C} + \mathbf{LnGDP}_i + \mathbf{LnGDP}_j - \mathbf{LnD}_{ij} \quad (2)$$

During the development of the Gravity Model, many additional independent variables and factors have been incorporated to examine their impact on international trade among countries. These include: political stability, shared borders, colonial history, common language, exchange rates, foreign direct investment (FDI), tariffs, economic crises, WTO membership, free trade agreements (FTAs), and even global pandemics like COVID-19 (Mao et al., 2024; Masood et al., 2023; Flach & Unger, 2022; Cantore & Cheng, 2018; Hoang Chi Cuong & Bui Thi Thanh Nhan, 2024...). In this study, the authors will construct the following gravity models:

The impacts of CPTPP and other factors on Exports of Vietnam:

$$\mathbf{LnExpvnjt} = \beta_{10} + \beta_{11} \mathbf{LnGDPvnt} + \beta_{12} \mathbf{LnGDPjt} - \beta_{13} \mathbf{LnDistvnj} + \beta_{14} \mathbf{LnImportjt} + \beta_{15} \mathbf{LnPoliticvnjt} + \beta_{16} \mathbf{LnFDIvnt} + \gamma_{11} \mathbf{CPTPP} + \gamma_{12} \mathbf{COVID-19} + \epsilon_{it} \quad (3)$$

The impacts of CPTPP and other factors on Imports of Vietnam:

$$\mathbf{LnImpvnjt} = \beta_{20} + \beta_{21} \mathbf{LnGDPvnt} + \beta_{22} \mathbf{LnGDPjt} - \beta_{23} \mathbf{LnDistvnj} + \beta_{24} \mathbf{LnPoliticvnjt} + \beta_{25} \mathbf{LnFDIvnt} + \gamma_{21} \mathbf{CPTPP} + \gamma_{22} \mathbf{COVID-19} + u_{it} \quad (4)$$

The impacts of CPTPP and other factors on FDI inflows into Vietnam:

$$\mathbf{LnFDIvnjt} = \beta_{30} + \beta_{31} \mathbf{LnGDPvnt} + \beta_{32} \mathbf{LnGDPjt} - \beta_{33} \mathbf{LnDistvnj} + \beta_{34} \mathbf{LnImpvnjt} + \beta_{35} \mathbf{LnPoliticvnjt} + \gamma_{31} \mathbf{CPTPP} + \gamma_{32} \mathbf{COVID-19} + \mu_{it} \quad (5)$$

The impacts of EVFTA and other factors on Exports of Vietnam:

$$\mathbf{LnExpvnjt} = \beta_{40} + \beta_{41} \mathbf{LnGDPvnt} + \beta_{42} \mathbf{LnGDPjt} - \beta_{43} \mathbf{LnDistvnj} + \beta_{44} \mathbf{LnImportjt} + \beta_{45} \mathbf{LnPoliticvnjt} + \gamma_{41} \mathbf{EVFTA} + \gamma_{42} \mathbf{COVID-19} + m_{it} \quad (6)$$

The impacts of EVFTA and other factors on Imports of Vietnam:

$$\mathbf{LnImpvnjt} = \beta_{50} + \beta_{51} \mathbf{LnGDPvnt} + \beta_{52} \mathbf{LnGDPjt} - \beta_{53} \mathbf{LnDistvnj} + \beta_{54} \mathbf{LnExportjt} + \beta_{55} \mathbf{LnPoliticvnjt} + \gamma_{51} \mathbf{EVFTA} + \gamma_{52} \mathbf{COVID-19} + n_{it} \quad (7)$$

The impacts of EVFTA and other factors on FDI inflows into Vietnam:

$$\mathbf{LnFDIvnjt} = \beta_{60} + \beta_{61} \mathbf{LnGDPvnt} + \beta_{62} \mathbf{LnGDPjt} - \beta_{63} \mathbf{LnDistvnj} + \beta_{64} \mathbf{LnExpvnjt} + \beta_{65} \mathbf{LnImpvnjt} + \beta_{66} \mathbf{LnPoliticvnjt} + \gamma_{61} \mathbf{EVFTA} + \gamma_{62} \mathbf{COVID-19} + p_{it} \quad (8)$$

Variables and Data Sources:

- $\mathbf{Expvnjt}$: Exports value from Vietnam to trading partner j in year t (USD)

- data source taken from Vietnam’s General Statistics Office (GSO).

- Impv_{njt}: Imports value from trading partner *j* to Vietnam in year *t* (USD) – data source taken from GSO.

- FDIv_{njt}: Foreign direct investment from partner *j* into Vietnam in year *t* (USD) – data source taken from GSO.

- GDP_{vnt}: Vietnam’s GDP at 2015 constant prices in year *t* – data source taken from the World Bank (WB).

- GDP_{jt}: GDP of partner country *j* at 2015 constant prices in year *t* – data source taken from WB.

- Dist_{v_{nj}}: Distance between Vietnam and partner *j* (measured in kilometers using great-circle distance) - data source taken from CEPII research.

- Politicv_{njt}: Political stability interaction index between Vietnam and partner *j* in year *t* - data source taken from WB.

- CPTPP, EVFTA: Dummy variables equal to 1 from the year Vietnam and partner *j* became members of these agreements, and 0 otherwise.

- COVID-19: Dummy variable equal to 1 for the period 2019-2022, and 0 for other years.

- ϵ_{it} , u_{it} , μ_{it} , m_{it} , n_{it} , p_{it} : White noise error terms with expected value = 0, no autocorrelation, mean and variance are stable over time.

Please see the data resources in Appendix 1.

4. Results and discussion

Table 4.1. The Estimated Results of the Impact of CPTPP on Vietnam’s Exports

Model 3		
Dependent Variable LnExp_{v_{nj}t}		
Independent variables	Coefficient	P-value
LnGDP _{vnt}	1.3816*	0.002
LnGDP _{jt}	0.8351*	0.000
LnDis _{v_{nj}}	-0.2473*	0.001
LnImp _{v_{nj}t}	0.3533*	0.000

Model 3		
Dependent Variable LnExpvnjt		
Independent variables	Coefficient	P-value
LnFDIvnjt	0.0414	0.870
LnPolitievnjt	-0.2360*	0.004
CPTPP	-0.1523	0.176
Covid-19	-0.0520	0.614
Cons	-42.006*	0.000

*Note: *, ** are statistically significant at the 1% and 5% levels, respectively.*

Table 4.2. The Estimated Results of the Impact of CPTPP on Vietnam's Imports

Model 4		
Dependent Variable LnImpvnjt		
Independent variables	Coefficient	P-value
LnGDPvnt	0.6959	0.382
LnGDPjt	0.8038*	0.000
LnDistvnj	-1.1459*	0.000
LnFDIvnjt	0.3204	0.466
LnPolitievnjt	0.4046*	0.000
CPTPP	0.3711**	0.049
Covid-19	0.0813	0.627

Model 4		
Dependent Variable LnImpvnjt		
Independent variables	Coefficient	P-value
Cons	-5.0370	0.730

*Note: *, ** are statistically significant at the 1% and 5% levels, respectively.*

Table 4.3. The Estimated Results of the Impact of CPTPP on Vietnam's FDI Attraction

Model 5		
Dependent Variable LnFDIvnjt		
Independent variables	Coefficient	P-value
LnGDPvnt	1.3196*	0.000
LnGDPjt	0.0115	0.471
LnDisvnj	-0.0101	0.657
LnImpvnjt	-0.0120	0.450
LnPoliticvnjt	0.0241	0.390
CPTPP	-0.0457	0.278
Covid-19	-0.0905*	0.010
Cons	-10.7948*	0.000

*Note: *, ** are statistically significant at the 1% and 5% levels, respectively.*

The results of the assessment of the impact of CPTPP on Vietnam's exports, imports, and FDI attraction are summarized in Table 4.1, 4.2 and 4.3

above using STATA software and the OLS estimation technique. The coefficient of the CPTPP dummy variable < 0 and is not statistically significant in the export model (3) and FDI (5). This means that joining the CPTPP does not have the impact of increasing Vietnam's exports to member countries and attracting FDI into the country as the author expected. The coefficient of the CPTPP dummy variable $= 0.3711 > 0$ and is statistically significant at the 5% level in the import model (4), proving that joining the CPTPP increases Vietnam's imports from these partners during the research period. According to GSO statistics, Vietnam's imports from CPTPP countries reached 46.221 billion USD in 2023, accounting for about 14.16% of the country's total import turnover, an increase of 19% compared to 2018 before the CPTPP took into effect. The increase in imports from CPTPP countries is due to the following main reasons. First, when joining CPTPP, Vietnam almost eliminated all tariffs on imported goods from member countries. This makes goods from other

countries cheaper and more competitive in the Vietnamese market. Second, joining CPTPP helps Vietnam participate more deeply in the global value chain, especially in the textile, electronics, and food processing industries. To produce and export, Vietnamese enterprises need to import raw materials and components from the world markets such as China and member countries like Japan, Malaysia, Singapore, Australia, etc. because the country does not have supporting industries for these industries.

The results of model 3 show that only GDP growth of Vietnam and its partners are factors that increase Vietnam's exports. The increase in exports also leads to an increase in imports. Meanwhile, geographical distance is a factor that hinders both exports and imports of Vietnam.

The results of model 5 show that Vietnam's GDP growth is a factor attracting FDI while COVID-19 has significantly reduced foreign capital inflows into Vietnam during the pandemic.

Table 4.4. The Estimated Results of the Impact of EVFTA on Vietnam's Exports

Model 6		
Dependent Variable LnExpvnjt		
Independent variable	Coefficient	P-value
LnGDPvnt	0.6827**	0.017
LnGDPjt	0.3800*	0.000
LnDistvnj	-4.7563*	0.000
LnPoliticvnjt	-0.1172	0.673
LnImpvnjt	0.5897*	0.000
EVFTA	0.1005	0.552
Covid-19	-0.0544	0.718
Cons	-61.8072*	0.000

Note: *, ** are statistically significant at the 1% and 5% levels respectively.

Table 4.5. The Estimated Results of the Impact of EVFTA on Vietnam's Imports

Model 7		
Dependent Variable LnImpvnjt		
Independent variable	Coefficient	P-value
LnGDPvnt	0.3608	0.205
LnGDPjt	0.5813*	0.000
LnDistvnj	-4.7796*	0.000
LnPoliticvnjt	-0.0484	0.868
LnExpvnjt	0.5136*	0.000

Model 7		
Dependent Variable LnImpvnjt		
Independent variable	Coefficient	P-value
EVFTA	-0.2147	0.130
Covid-19	0.0433	0.711
Cons	28.088**	0.018

*Note: *, ** are statistically significant at the 1% and 5% levels respectively.*

Table 4.6. The Estimated Results of the Impact of EVFTA on Vietnam's FDI Attraction

Model 8		
Dependent Variable LnFDIvnjt		
Independent variable	Coefficient	P-value
LnGDPvnt	1.6024*	0.000
LnGDPjt	0.0119	0.628
LnDisvnj	0.2432	0.221
LnPoliticvnjt	0.1006	0.228
LnExpvnjt	-0.0230	0.232
LnImpvnjt	0.0200	0.332
EVFTA	-0.2782*	0.000
Covid-19	-0.0150	0.328
Cons	-21.3106*	0.000

*Note: *, ** are statistically significant at the 1% and 5% levels respectively.*

Table 4.4, 4.5, 4.6 above summarizes the estimated results of models 6, 7, 8 that assess the impact of EVFTA and some other factors on Vietnam's exports, imports and FDI attraction. The coefficient of the EVFTA dummy variable is not statistically significant in the export and import model. The coefficient of the EVFTA dummy variable is statistically significant in the FDI model but < 0 ($= - 0.2782$). This proves that joining EVFTA does not promote or increase Vietnam's exports and imports with EU member countries as well as attracting FDI into the country.

The results of estimating models 6, 7 show that GDP growth of Vietnam and partners is also a factor that increases Vietnam's exports. GDP growth of partners increases Vietnam's imports. Meanwhile, exports and imports have a mutual impact. An increase of exports leads to an increase of imports and vice versa. Geographical distance is a factor that hinders exports and imports.

The results of model 8 show that Vietnam's GDP growth is a factor attracting FDI while EVFTA is not a factor promoting FDI attraction from EU countries to Vietnam. This can be explained by the fact that EVFTA is a trade agreement, while EVIPA - the Investment Protection Agreement between the EU and Vietnam has not been ratified by member

countries, creating a legal foundation for Vietnam to attract FDI from EU member countries. Currently, Korea, Japan, and Singapore are the most important FDI partners in Vietnam.

5. Conclusion

By constructing gravity equations and employing panel data between Vietnam and its CPTPP and EVFTA member countries from 2010 to 2023, alongside rigorous econometric techniques - including stationarity testing, multicollinearity checks via VIF, robust procedures to address heteroscedasticity, and OLS estimation using STATA software - the study provides nuanced insights into the trade and investment dynamics shaped by these agreements.

The findings reveal that CPTPP has positively influenced Vietnam's import volumes from member countries. However, it has not significantly impacted Vietnam's export performance or foreign direct investment inflows. Similarly, the EVFTA has not demonstrated measurable effects on enhancing exports, imports, or attracting FDI in recent years, contrary to initial expectations.

Key drivers of trade and investment identified in the analysis include GDP growth of Vietnam and its partner countries, which act as catalysts for economic engagement. In contrast, geographical distance remains a barrier to deeper integration. These results underscore the importance of economic

fundamentals over formal trade agreements in shaping Vietnam's external economic relations. It is also important to recognize that estimation outcomes may vary depending on the methodological approach, time frame, and country sample used. Future research should explore sector-specific or product-level impacts to provide more granular policy insights.

Based on the empirical findings, several policy recommendations can be drawn to enhance Vietnam's ability to leverage its trade agreements more effectively:

Strengthen export competitiveness: Vietnam should invest in upgrading product quality, compliance with international standards, and branding to make its exports more attractive, especially in CPTPP and EVFTA markets where tariff advantages alone are insufficient.

Targeted sectoral strategies: policymakers should identify and support sectors with high potential for export growth and FDI attraction under these agreements, such as high-tech manufacturing, green industries, and value-added agriculture.

Improve trade facilitation and logistics: to mitigate the negative impact of geographical distance, Vietnam should continue investing in transport infrastructure, digital customs procedures, and regional logistics hubs to reduce transaction costs and delivery times.

Enhance institutional capacity and legal frameworks: effective

implementation of trade agreements requires strong institutions. Vietnam should focus on improving transparency, regulatory predictability, and dispute resolution mechanisms to build investor confidence.

This research was funded by Van Lang University via project number: 2410-DT-KTM-SV-001.

REFERENCES

1. Cantore, N., & Cheng, C. F. (2018), International trade of environmental goods in gravity models, *Review of International Economics*, 26(5), 1033-1052.
2. Flach, L., & Unger, F. (2022), 'Quality and gravity in international trade', *Journal of International Economics*, 137, 103593.
3. GSO (2025), Foreign direct investment projects licensed in period 1988 - 2024 by Year and Items, website: <https://www.nso.gov.vn/en/px-web/?pxid=E0411&theme=Investment>, accessed on 23rd August, 2025.
4. Ha Van Su and Nguyen Thu Thuy (2021), The impact of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership on the shift of foreign direct investment flows into Vietnam, *Journal of Economics & Development*, No. 287, pp. 35-44.
5. Hoang Chi Cuong & Bui Thi Thanh Nhan (2024), Impacts of Covid-19

- Epidemic on Vietnam's International Trade: An Approach Through Gravity Model and Hausman-Taylor Estimation Method, *Journal of Science, Hai Phong University*, No. 62, January, pp. 5-22.
5. Isard, W. (1954), Location theory and trade theory: Short-run analysis, *The Quarterly Journal of Economics*, 68(2), 305-322.
 6. Mao, X., Zhang, Y., & Liu, X. (2024), Investigating the simultaneous impact of infrastructure and geographical factors on international trade: Evidence from Asian economies, *Journal of Asian Economics*, 85, 101478.
 7. Masood, A., Ahmed, J., & Kareem, F. O. (2023), Effects of ASEAN-India free trade agreement on agricultural trade: The gravity model approach, *World Development Perspectives*, 19, 100212.
 8. Ngo Van Vu, Nguyen Thuy Duong, Pham Van Nghia (2019), The impact of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership on Vietnam, *Journal of Vietnamese Social Sciences*, Vietnam Academy of Social Sciences, No. 5, pp. 18-28.
 9. Nguyen Thu Trang (2022), The impacts of CPTPP and EVFTA commitments on climate change on Vietnam's environmental law, *Journal of Industry and Trade*, No. 21, pp. 62-68.
 10. Nguyen Tien Hoang, Nguyen Thi Bich Hanh (2021), The impact of the EVFTA on Vietnam's footwear exports to the EU market, *Journal of Science and Technology Development - Economics - Law and Management*, 5(2), pp. 1499-1508.
 11. Nguyen Tien Hoang, Pham Van Phuc Tan (2020), The Impact of the EVFTA on Vietnam's Seafood Exports to the EU Market, *Journal of Economics and Integration*, Issue No. 125, pp. 3-15.
 12. Nguyen Viet Hung, Le Thi Kim Chung (2020), The impact of tariff reductions under the CPTPP commitments on some product sectors: an approach to the tilted equilibrium model, *Journal of Economics & Development*, No. 281, pp. 13-23.
 13. Phan Thanh Hoan (2020), Vietnam's export potential in the CPTPP market, *Journal of Commercial Science*, Thuong mai University, No. 146, pp. 19-30.
 14. Tinbergen, J. (1962), *Shaping the World Economy: Suggestions for an International Economic Policy*, Twentieth Century Fund.
 15. Trinh Van Thao (2022), The current impact of EVFTA on Vietnam's agricultural exports, *Asia-Pacific Economic Journal*, August, pp. 4-6.

Appendix

Appendix 1. Variables and Data resources.

Variables	Data resource
Expvnjt	GSO, Vietnam, website: https://www.nso.gov.vn/en/px-web/?pxid=E0906&theme=Trade%2C%20Price%20and%20Tourist
Impvnjt	GSO, Vietnam, website: https://www.nso.gov.vn/en/px-web/?pxid=E0912&theme=Trade%2C%20Price%20and%20Tourist
FDIvnjt	GSO, Vietnam, website: https://www.nso.gov.vn/en/px-web/?pxid=E0411&theme=Investment
GDPvnt	World Bank: https://data.worldbank.org/indicator/NY.GDP.MKTP.KD
GDPjt	World Bank: https://data.worldbank.org/indicator/NY.GDP.MKTP.KD
Distvnj	Website: https://cepii.fr/CEPII/en/bdd_modele/bdd_modele_item.asp?id=6
Politicvnjt	World Bank: https://data.worldbank.org/indicator/PV.EST