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Journal Name:	<u>British Journal of Economics, Management & Trade</u>
Manuscript Number:	2015_BJEMT_16254
Title of the Manuscript:	The Impact of the World Trade Organization (WTO) on Foreign Trade: Case Study of Vietnam
Type of the Article	Original research Article

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PART 1: Review Comments

	Reviewer's comment	Author's comment (if agreed with reviewer, correct the manuscript and highlight that part in the manuscript. It is mandatory that authors should write his/her feedback here)
Compulsory REVISION comments	Comment 01: In the introduction is made an interesting discussion on the process of trade liberalization in Vietnam. At one point the authors say that trade liberalization will increase imports, but they do not expect an increase in exports: "However, at the same time, there is no theoretical reason for its exports to other WTO member's markets." However, there are literature that explain a possible increase of exports from Vietnam after trade liberalization. In particular, the literature dealing with the stages of liberalizing reforms. In particular, the generated 1990s. This observation of the authors is given much focus on the trade policies (reduction of tariff and non tariff barriers) and no exchange rates. If there is increase in imports, the derivative exchange rate depreciation may be sufficient to increase exports. Therefore, the observation made by the authors should be reviewed. Comment 02: Another misunderstanding in the introduction: "The fact is that Vietnam exports mostly labor-intensive products (e.g. clothing, footwear, seafood etc.) which has	For this first comment the authors respond as the followings: This study focuses on the WTO trade effects (the effects of the WTO on Vietnam's exports and imports), not on the impacts of derivative exchange rate/depreciation of VND on Vietnam's exports and imports. Theoretically, if the VND is depreciated, there will be an increase in Vietnam's exports and a decrease in the country's imports. However, in the estimation results, the $\text{LnRER}_{\text{CURj/VNDt}}$ variable is not significant meaning that we could not have evidence to conclude that real derivative exchange rate motivated Vietnam's exports. There was an increase in Vietnam's imports as showed in the estimation results resulting from Vietnam's accession to the WTO. This is quite logical with theory of the WTO (reduction of tariff and non tariff barriers). And, this reflects "trade creation" effects of a multilateral FTA. And the authors also revised this part (the export side) in the paper. For this second comment the authors respond as the followings: The authors revised this part in the paper.



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	comparative advantage.” This observation was made as if it were a difficulty to increased exports. They also claim as exports from Vietnam, intensive hand labor, would be an impediment to increased foreign sales. However, as pointed out, seems to me a disagreement with the theory of comparative advantage without proper arguments. Finally, with trade liberalization is expected to increase exports of goods that are intensive in production factors abundant in the economy, which is a very important argument of trade theory, but it seems to me that the authors are not considering this argument. <u>Comment 03:</u> The variable SIMSIZE (index of country similarity) brings a difficult interpretation. The authors stated on page 5 that the similarity between the countries has a positive impact on trade, this being due to intra-industry trade. This is not wrong, but trade is also derived from the comparative advantages and can not set <i>a priori</i> which is more important in determining trade flows. In addition, the comparative advantages, intra-industry trade and economies of scale are not necessarily competing theories and can be analyzed in a complementary way. <u>Comment 04:</u> On page 6 the following was said: "there is reason to expect Vietnam's imports from the WTO members to increase <i>but there is no theoretical reason for its exports.</i>"	That's true, the authors do not high appreciate one of them to determine trade flows. This is used to test the new trade theory only. And, theories can be analyzed in complementary way. Moreover, the authors also would not like to emphasize on this variable in this research. The authors revised this part in the paper. That's true and the authors have removed this statement.
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	This statement is not correct. Data can point to this, but this can not be interpreted as the lack of theoretical argument. <u>Comment 05:</u> Table IV shows the tariff reductions that occurred in Vietnam as a result of its entry into the WTO. The tariff reduction showed was very small. So how state that was the entry into the WTO that expanded imports from Vietnam?	The tariff reduction showed was very small. However, the empirical results indicate that joining the WTO has increased Vietnam's imports. Therefore, the authors still respected the estimation results.
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Minor REVISION comments	<u>Comment 01:</u> The literature review, seen in section 2, has a bias for statistical and econometric issues. Little is dealt with the economic analysis of the empirical results brought in the literature cited. <u>Comment 02:</u> An example of the lack of economic analysis cited in the “minor revision comment 1” would be: Martin et al. (2009) showed that the GATT/WTO itself was not significant for trade, but that increased trade between the countries in the Asia-Pacific region. There is an important theoretical explanation for what has not been addressed: <i>More important for the development of trade in recent decades, instead of multilateral agreements were the regional trade agreements.</i> It would be also important to mention that the trade regionalism (including bilateral agreements) can be considered a kind of new protectionism. More specifically, regionalism has become a defense mechanism against multilateralism represented by the GATT / WTO. <u>Comment 03:</u> Some acronyms have been showed without his full name. <u>Comment 04:</u> The third section, in relation to the other, is unbalanced, short. In addition, some qualitative analysis for providing statistics is required. For example, would give much light to the detailed analysis of the sectors which are experiencing an increase in exports and imports, as	Because this research emphasizes on evaluating the WTO trade effects using empirical study on the case of Vietnam, so in the literature review the authors only mention some well known empirical studies and a little in economic analysis of the empirical results. The authors added these to the footnote of the paper. The authors added these to the footnote of the paper.
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	commonly occurs in papers about trade. <u>Comment 05:</u> The claims made in the paper should be less emphatic. Should be lightened. For example: "In conclusion, there is in doubt that our investigations can somewhat contribute to the existing literature on the WTO regime on export-import trading (...)". Paper at most give indications of the WTO impact on exports and imports from Vietnam.	The authors revised this part in the paper.
<u>Optional/General</u> comments		