

Foreign and Domestic Firms: Long Run Employment Effects of Export Opportunities

Discussion by

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Objectives and contribution

- ▶ Paper examines the role of FDI in generating export jobs in Vietnam following bilateral trade agreement with US
 - ▶ 2001 BTA significantly lowered import tariffs on US imports from Vietnam in some industries
 - ▶ Exports to the US increased significantly in industries with larger tariff declines (relative to other industries)
 - ▶ Formal employment also increased in those industries
- ▶ **Main novel contribution:** The role of FDI in generating export jobs in industries that benefited from tariff declines
 - ▶ Evidence that entry (and subsequent growth) of export-oriented MNE affiliates from Japan, South Korea and Taiwan played key role in generating long-run employment effects of export opportunities

Methodology

- ▶ DID approach across industries
- ▶ 2001 BTA significantly lowered US import tariffs in some industries (from 31.9% to 2.9% on average)
- ▶ Tariff changes plausibly exogenous to FDI and other factors (move from one pre-existing tariff schedule to another)
- ▶ Variation in US tariff reductions not correlated with export growth to other large high-income markets immediately after agreement (or prior agreement)
- ▶ Also uncorrelated with baseline industry characteristics such as industry employment and within-industry share of foreign, state or private firms in Vietnam

Overall impression

- ▶ Interesting, well-written and carefully executed empirical paper
- ▶ Relevant contribution to the trade literature (few empirical papers on FDI responses to major changes in bilateral trade policy)
- ▶ Relevant contribution to the trade and development literature (few trade models look at formal versus informal employment)
- ▶ Policy relevance in current context (e.g the role of FDI into Vietnam/Mexico in response to US/China trade war)

Comments #1: Drivers of FDI growth across industries

- ▶ Analysis of pre-existing industry heterogeneity focuses on Vietnam (while employment effects are driven by FDI decisions in other countries)
- ▶ Were US tariff reductions higher in industries in which FDI from Japan, Korea and Taiwan had greater growth potential?
- ▶ Can you show that production and outward FDI from Japan, Korea and Taiwan was not growing already in these industries before the 2001 BTA?
- ▶ Investment policy responses: Did Vietnam provide greater incentives for FDI in industries that experienced larger US tariff declines?
- ▶ Is there evidence of input-output linkages between FDI and domestic firms?

Comments #2: More evidence on benefits MNE jobs

- ▶ Are MNE jobs in Vietnam better than in domestic firms? In what dimensions?
- ▶ Do they pay higher wages for similar workers?
- ▶ Do they employ workers with different skills?
- ▶ Are managers and their practices better?
- ▶ Is there evidence on spillovers to domestic firms?
- ▶ What explains long-term employment effects of tariff reductions?

Comments #3: Analysis of pre-trends

- ▶ Vietnam exports to US show no differential pre-trends across industries with high/low tariff reductions

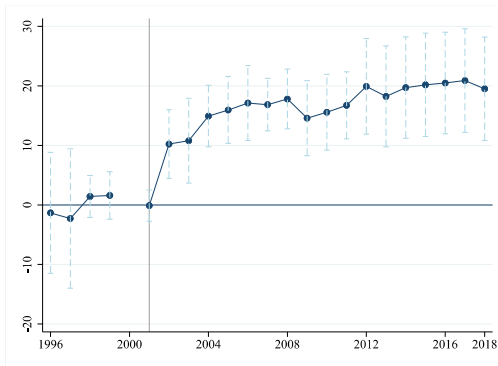
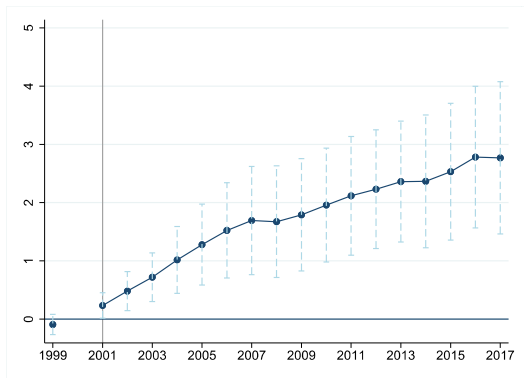


Figure 5: Vietnam Exports to the U.S. and BTA Tariffs, 1996-2018

Comments #3: Analysis of pre-trends

- But employment data is less conclusive (starts only in 1999)



(a) Employment

Comments #4: Are quantitative effects on employment realistic?

- ▶ Vietnam exports to US increased but still accounted only for about 10% of exports in 2010
- ▶ Vietnam exports to the World did not increased more in industries experiencing large BTA tariffs...

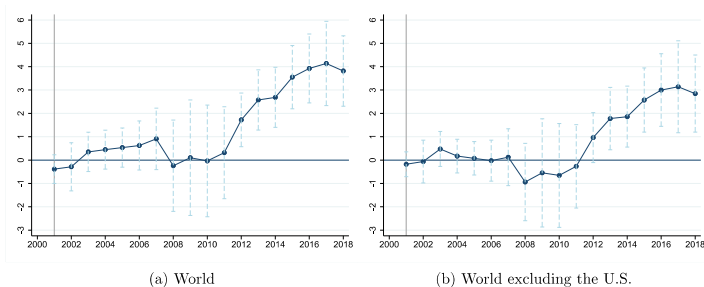


Figure 17: Vietnamese exports to the world including and excluding the U.S. and BTA tariffs, 2000-2018

Overall

- ▶ Interesting, well-written and carefully executed empirical paper
- ▶ Relevant contribution to the literature
- ▶ High policy relevance in current context