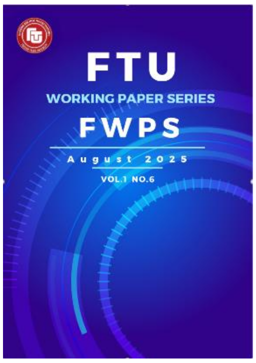

Working Paper 2025.1.6.15

- Vol. 1, No. 6

CHÍNH QUYỀN DÂN CHỦ VÀ CỘNG HÒA: PHÂN TÍCH SO SÁNH ẢNH HƯỞNG ĐẢNG PHÁI ĐỐI VỚI THƯƠNG MẠI SONG PHƯƠNG MỸ - VIỆT

Phí Lâm Nhi [1]
Sinh viên K61 CLC Kinh tế Quốc tế - Khoa Kinh tế Quốc tế
Trường Đại học Ngoại thương, Hà Nội, Việt Nam
Email: k61.2212450062@ftu.edu.vn

Hà Lan Hương
Sinh viên K61 CLC Kinh tế Quốc tế - Khoa Kinh tế Quốc tế
Trường Đại học Ngoại thương, Hà Nội, Việt Nam
Email: k61.2212450039@ftu.edu.vn

Lê Mai Phương
Sinh viên K61 CLC Kinh tế Quốc tế - Khoa Kinh tế Quốc tế
Trường Đại học Ngoại thương, Hà Nội, Việt Nam
Email: k61. 2213450064@ftu.edu.vn

Hoàng Cẩm Tú
Sinh viên K61 CLC Kinh tế Quốc tế - Khoa Kinh tế Quốc tế
Trường Đại học Ngoại thương, Hà Nội, Việt Nam
Email: k61.2214450617@ftu.edu.vn

Nguyễn Bình Dương
Giảng viên Khoa Kinh tế Quốc tế
Trường Đại học Ngoại thương, Hà Nội, Việt Nam

[1] Tác giả liên hệ, Email: k61.2212450062@ftu.edu.vn

Email: duongnb@ftu.edu.vn

Tóm tắt

Thương mại song phương giữa Việt Nam và Hoa Kỳ đã trải qua quá trình chuyển đổi đáng kể trong ba thập kỷ qua, chịu ảnh hưởng của động lực chính trị thay đổi, chính sách kinh tế và xu hướng thị trường toàn cầu. Bài báo này xem xét động lực của dòng chảy thương mại của Việt Nam với Hoa Kỳ, tập trung vào cách các dòng chảy này bị ảnh hưởng bởi chính quyền tổng thống Hoa Kỳ. Ảnh hưởng này được đo lường thông qua mô hình thương mại trọng lực, được điều chỉnh với biến chính trị nhị phân (Dân chủ hoặc Cộng hòa) và các chỉ số kinh tế quan trọng, chẳng hạn như GDP, điều khoản thương mại và việc ký kết một hiệp định thương mại mang tính bước ngoặt - BTA. Bất chấp kỳ vọng rằng các chính sách của Đảng Dân chủ ủng hộ toàn cầu hóa sẽ thúc đẩy dòng chảy thương mại, dữ liệu lịch sử cho thấy thương mại Hoa Kỳ - Việt Nam đã cao hơn dưới thời các chính quyền Cộng hòa. Điều này có thể là do sự thay đổi thị trường không mong muốn và tác động chậm trễ của các hiệp định thương mại. Bằng cách giải quyết những khoảng trống trong các tài liệu hiện có, hiếm khi nhấn mạnh đến tác động của sự thiên vị của Hoa Kỳ đối với thương mại song phương Việt Nam - Hoa Kỳ, phân tích này nhằm cung cấp những hiểu biết có thể hành động được cho các nhà hoạch định chính sách và các nhà đàm phán thương mại tại Việt Nam.

Từ khóa: đảng phái, thương mại song phương Việt Nam – Hoa Kỳ, mô hình trọng lực

DEMOCRAT VS. REPUBLICAN ADMINISTRATIONS: A COMPARATIVE ANALYSIS OF PARTISAN INFLUENCE ON U.S.-VIETNAM BILATERAL

Abstract

Bilateral trade between Vietnam and the United States has undergone significant transformation over the past three decades, influenced by shifting political dynamics, economic policies, and global market trends. This paper examines the dynamics of Vietnam's trade flow with the U.S., focusing on how these flows are influenced by U.S. presidential administrations. This influence is measured through a gravity trade model, adapted with a binary political variable (Democrat or Republican), and key economic indicators, such as GDP, terms of trade, and the signing of a landmark trade agreement - the BTA. Despite expectations that pro-globalization Democratic policies would enhance trade flows, historical data reveals that U.S.–Vietnam trade has been higher under Republican administrations. This can be attributed to unintended market shifts and delayed effects of trade agreements. By addressing gaps in existing literature, which has rarely emphasized the impacts of U.S. partisanship on Vietnam-U.S. bilateral trade, the analysis seeks to provide actionable insights for policymakers and trade negotiators in Vietnam.

Keywords: political partisanship, U.S.-Vietnam bilateral trade, gravity trade model

Introduction

The U.S.–Vietnam trade relationship has undergone significant transformations, influenced by shifts in political leadership within the United States. Over the years, partisan politics have played a crucial role in shaping trade flows between the two nations. While Democratic administrations typically advocate for multilateral trade agreements, economic liberalization, and global integration, Republican administrations tend to prioritize national security concerns and are often more inclined toward bilateral agreements, sometimes implementing protectionist measures. These differing approaches have had tangible effects on U.S.–Vietnam trade relations.

Despite the expectation that Democratic administrations, with their pro-globalization stance, would facilitate stronger trade flows, historical data suggests otherwise. Findings indicate that U.S.–Vietnam trade has been higher under Republican administrations. This trend can be attributed to factors such as trade diversion during protectionist periods, particularly amid the U.S.-China trade war, where U.S. companies sought alternative manufacturing hubs like Vietnam to circumvent tariffs on Chinese goods. Additionally, the delayed effects of policies initiated by Democratic administrations, such as trade liberalization efforts and multilateral agreements, often take years to materialize, with their benefits sometimes becoming more evident under subsequent Republican leadership..

The gravity model has been widely applied in analyzing Vietnam's trade relationships, offering a structured approach to understanding bilateral trade flows based on economic size, distance, and geopolitical factors. Using this model, Cuong (2013) demonstrated the impact of Vietnam's WTO accession on trade; while Agbude (2023) expanded this framework to account for geopolitical events like U.S.-China tensions, which indirectly fueled Vietnam's export growth. Additionally, landmark trade agreements such as the U.S.–Vietnam Bilateral Trade Agreement (BTA) and WTO accession have been instrumental in shaping Vietnam's economic trajectory. Hoan (2022) found that the BTA led to substantial export growth, while Le (2017) reported that WTO accession increased bilateral trade by over 200%. More recently, Hayakawa (2024) examined the effects of the U.S.-China trade war, showing that diverted Chinese exports contributed to Vietnam's rising trade with the U.S. However, while these studies provide valuable insights into the impacts of major trade agreements and geopolitical events, they do not systematically compare the effects of Democratic and Republican administrations on Vietnam's trade, leaving a significant research gap in understanding the long-term partisan influences on trade policy.

To address these gaps, this study integrates the gravity model with a comparative analysis of U.S. partisan influences on Vietnam's bilateral trade. This approach differs from prior research in isolating the effects of partisan trade policies on U.S.–Vietnam bilateral trade flows.

The study aims to answer three core research questions: (1) How do Democratic and Republican administrations differently impact the U.S.-Vietnam bilateral trade flows? (2) What trade policy mechanisms under each administration drive these observed differences? and (3) How can Vietnam optimize its trade strategies based on historical partisan trade patterns?

By addressing these questions, this study contributes to a broader understanding of the intersection between trade policy and political ideology. Furthermore, it offers strategic recommendations for Vietnam to navigate shifting U.S. political landscapes, ensuring economic stability and growth despite fluctuations in trade policy. Through a detailed examination of historical trade patterns and policy impacts, the research provides valuable insights for policymakers, businesses, and trade analysts seeking to understand and adapt to the complexities of U.S.–Vietnam trade relations.

1. Literature Review

1.1. Foundations of Vietnam's Trade Relationships: Insights from Gravity Model Applications

The gravity model has long been a cornerstone for analyzing international trade flows, offering a robust framework for understanding bilateral trade relationships based on economic size, distance, and other critical factors. In the context of Vietnam, the gravity model has been particularly valuable in quantifying the impacts of international agreements and geopolitical dynamics on trade. Research by Cuong (2013) utilized the gravity model to assess the effects of Vietnam's accession to the World Trade Organization (WTO), revealing the nuanced influence of free trade agreements (FTAs) when disaggregated by country groups. This study also introduced an innovative approach by calculating the real exchange rate using the Consumer Price Index (CPI) to capture the impact on foreign direct investment (FDI) inflows. More recently, Agbude (2023) expanded the scope of the gravity model to include variables that reflect the influence of geopolitical events, such as U.S.-China diplomatic tensions, demonstrating how these events indirectly bolstered Vietnam's export growth. However, this research also noted limitations, emphasizing the need for long-term analysis of such dynamics. These studies highlight the gravity model's versatility in exploring the structural and situational determinants of Vietnam's trade patterns, laying a methodological foundation for analyzing how partisan dynamics in U.S. trade policy influence bilateral trade relations with Vietnam.

1.2. Transformative Effects of Trade Agreements and Geopolitical Factors on U.S.-Vietnam Trade

Landmark agreements and external geopolitical developments have profoundly shaped the trajectory of Vietnam's trade with the United States. Two pivotal agreements - the U.S.-Vietnam Bilateral Trade Agreement (BTA) and Vietnam's WTO accession-provided the legal and economic frameworks for Vietnam's trade expansion. Hoan (2022) demonstrated how the

BTA facilitated tariff reductions and strengthened trade ties, resulting in significant export growth and a long-term, mutually beneficial relationship. Similarly, Le (2017) concluded that Vietnam's WTO accession increased bilateral trade by over 200%, further solidifying the importance of international agreements in Vietnam's economic development. Beyond these agreements, geopolitical factors have introduced new complexities to the trade relationship. Hayakawa (2024) analyzed the repercussions of the U.S.-China trade war, finding that redirected Chinese exports to Vietnam indirectly boosted Vietnam's trade with the U.S. Agbude (2023) also explored this phenomenon, identifying diplomatic tensions between the U.S. and China as a driver of Vietnam's increased exports. While these external dynamics have provided short-term benefits, they lack the depth to sustain long-term trade growth. Together, these studies reveal the dual role of trade agreements as structural enablers and geopolitical events as situational accelerators of Vietnam's trade with the U.S., offering critical context for this research's examination of partisan influences.

1.3. Comparative Perspectives on U.S. Bilateral Trade with Other Nations

To further contextualize U.S.-Vietnam trade relations, studies on other bilateral trade relationships involving the U.S. provide essential comparative insights.

U.S.-EU Trade Relations: Bailey, Goldstein, and Weingast (1997) examined how Democratic administrations have historically supported regulatory alignment with the European Union through agreements such as the Transatlantic Trade and Investment Partnership (TTIP). In contrast, Republican administrations have generally preferred bilateral trade agreements with fewer regulatory constraints. The regulatory differences between these approaches illustrate the broader partisan patterns that influence trade negotiations globally.

U.S.-China Trade Relations: Liu and Woo (2018) found that Republican administrations tend to impose tariff-heavy policies on China, whereas Democratic administrations favor engagement through multilateral institutions. The shift from Clinton's WTO engagement to Trump's protectionist tariffs underscores how partisan ideologies shape trade strategies, a phenomenon also observed in U.S.-Vietnam relations.

U.S.-Mexico Trade Relations: Research by Villarreal and Fergusson (2019) analyzed the transition from NAFTA to the USMCA, illustrating how Democratic administrations have emphasized labor protections and environmental standards, whereas Republican administrations have prioritized corporate tax reductions and market expansion. These trends offer parallels to the evolving U.S.-Vietnam trade relationship, particularly in how regulatory and labor concerns shape trade policy under different administrations.

1.4. Partisan Influences on U.S.-Vietnam Bilateral Trade: A Comparative Historical Analysis

The normalization of U.S.-Vietnam relations in 1995 marked a pivotal moment in bilateral trade, with successive U.S. administrations shaping this relationship through the lens of their partisan ideologies. Democratic administrations have traditionally emphasized multilateral engagement and economic liberalization, while Republican administrations have prioritized bilateral agreements framed by security concerns. Under President Clinton, the U.S. pursued economic engagement policies that facilitated Vietnam's integration into the global economy. The lifting of the trade embargo in 1994 and the signing of the BTA in 2000 exemplified this approach, laying the groundwork for Vietnam's WTO accession and fostering a more open economic relationship. In contrast, the Bush administration adopted a pragmatic strategy, sustaining trade liberalization but framing it within a broader security context. By granting Vietnam Permanent Normal Trade Relations (PNTR) status in 2006, the Bush administration aimed to counterbalance China's growing influence in Southeast Asia.

President Obama's "Pivot to Asia" marked a return to multilateralism, with initiatives such as the Trans-Pacific Partnership (TPP) aiming to enhance regional stability and economic cooperation. Although the TPP ultimately failed to materialize, it demonstrated Democratic alignment with collaborative frameworks. The Trump administration, by contrast, adopted an "America First" approach, emphasizing protectionism and bilateralism. Vietnam's trade surplus with the U.S. became a focal point, with Trump threatening tariffs on Vietnamese goods while simultaneously attracting U.S. manufacturing investments as firms sought alternatives to Chinese production. President Biden's administration has sought to reinvigorate strategic partnerships, reflecting a renewed commitment to multilateralism. The 2023 elevation of U.S.-Vietnam relations to a "comprehensive strategic partnership" underscores a Democratic emphasis on cooperative diplomacy and regional stability. This historical analysis highlights the distinct approaches of Democratic and Republican administrations, providing critical insights into the partisan dynamics shaping Vietnam's trade relationship with the U.S.

1.5. Gaps and Directions: Integrating Gravity Models with Partisan Trade Analysis

Despite significant research on Vietnam's trade dynamics and the role of U.S. partisan policies, notable gaps remain in the literature. While previous studies have explored the transformative effects of trade agreements like the BTA and WTO accession, as well as the role of external factors such as U.S.-China tensions, few have integrated these analyses with a focus on the gravity model. Existing research often isolates the impacts of individual administrations without synthesizing their cumulative effects or systematically comparing partisan approaches. This study seeks to bridge these gaps by employing the gravity model to conduct a comparative analysis of U.S. partisan influences on Vietnam's bilateral trade.

Building on the existing literature, this study hypothesizes that U.S.-Vietnam bilateral trade flows are stronger under Democratic administrations compared to Republican administrations. Democratic administrations, with their emphasis on multilateral agreements, economic liberalization, and pro-globalization policies, are expected to create a conducive environment for increased trade flows. In contrast, Republican administrations, traditionally associated with protectionist policies, may prioritize national security concerns and bilateral agreements, leading to less consistent trade growth.

2. Theoretical Framework

2.1. Gravity Model of Trade

The gravity equation of Tinbergen (1962) has been one of the empirical successes, utilized widely in global trade analysis. In his paper "Shaping the World Economy", the gravity model indicates that commercial activities' economic scale directly affects bilateral trade whereas trade cost indirectly influences bilateral trade (Tinbergen, 1962). The estimated result of the model shows that while distance variables negatively affect trade flow, the GDP ones have a positive effect on the trading relationship of the two nations. The gravity model is represented as follows:

$$\boldsymbol{F_{ij} = A\frac{Y_i.Y_j}{D_{ij}}} \qquad (1)$$

$\boldsymbol{F_{ij}}$: The value of trade between country i and country j

$\boldsymbol{Y_i}$: The GDP of country i

$\boldsymbol{Y_j}$: The GDP of country j

$\boldsymbol{D_{ij}}$: The distance between country i and country j

$\boldsymbol{A}$: A constant

The selection of the gravity model for this research is based on its strong theoretical foundations and empirical applicability in analyzing trade patterns. Rooted in Newton's law of gravitation, the model has evolved to incorporate key economic principles, particularly from the Ricardian and Heckscher-Ohlin trade theories. The Ricardian model emphasizes comparative advantage, which is reflected in Vietnam's trade relationship with the U.S., where labor-intensive industries dominate exports. Meanwhile, the Heckscher-Ohlin framework explains how factor endowments shape trade, highlighting how Vietnam's abundant labor and the U.S.'s capital-intensive industries complement bilateral trade flows.

Since the popularity of the application of the gravity model in analyzing international trade, many contributions have been made to extend the basic model. Anderson and van Wincoop (2003) introduced multilateral resistance terms to address how trade policies and agreements influence trade flows beyond simple distance and economic size. This study follows their approach by incorporating political variables - specifically, U.S. presidential administrations - as a key determinant of trade flows. By integrating these theoretical advancements, our study provides a more comprehensive assessment of how trade policies under different U.S. administrations impact Vietnam's exports.

Geraci and Prewo (1977) pointed out some trade resistance factors that should be considered adding to the gravity model. These factors include transport costs, discriminatory (or preferential) trade arrangements, non-quantifiable factors such as language barriers, whether countries are neighbors, and political considerations. Boisso and Ferrantino (1997) indicated the increasing effect of socioeconomic variables such as linguistic and cultural distance on international trade. Möhlmann et al. (2024) added a measure of cultural and institutional distances in the gravity model, giving a practical view of how non-economic factors affect trade flow. He extended the gravity equation by adding determinants like price levels in the host and partner countries, as well as common border, linguistic or colonial links, and common bloc membership (such as ASEAN, EU, and NAFTA). He pointed out that at the level of aggregate trade flows, the impact of cultural and institutional differences tends to be minimal; however, at the level of individual consumer classes, these determinants still have a significant effect.

This research extends previous studies by applying a political-economy perspective to the gravity model. While past research has examined how institutional factors influence trade, fewer studies have systematically integrated partisanship in the U.S. as a key determinant of trade flows. This study builds upon the work of Subramanian and Wei (2007), who demonstrated that WTO membership significantly enhances trade volumes, by applying a similar logic to the impact of U.S.-Vietnam Bilateral Trade Agreements (BTA). Furthermore, the work of Mansfield and Milner (2012) on the political economy of trade agreements informs our approach to assessing how different administrations pursue trade policies that affect Vietnam. By situating our research within this broader academic discourse, we aim to contribute an innovative empirical perspective on the intersection of trade, policy, and partisanship.

2.2. Gross Domestic Product (GDP)

According to the World Bank, Gross Domestic Product (GDP) represents the total value of finished goods and services produced within a country's borders over a specific period. Meanwhile, The Organization for Economic Co-operation and Development (OECD) defines Gross Domestic Product (GDP) as the standard measure of the value added created through the production of goods and services in a country during a certain period.

A country's GDP is calculated through the expenditure approach by summing (i) private consumption expenditures by households and non-profit organizations, (ii) business expenditures on new capital goods, (iii) government expenditures on goods and services and (iv) net export of the country.

$$GDP = C + I + G + NX \quad (2)$$

2.3. Terms of Trade

Terms of Trade (ToT) refer to the ratio between a country's export prices and its import prices, reflecting the value of exports relative to imports over a specific period. Terms of Trade measure the rate at which goods and services of one country are exchanged for those of another, indicating the purchasing power of exports in terms of imports during a certain period.

The terms of trade formula is as follows:

$$\boldsymbol{ToT = \frac{Index\ of\ average\ export\ prices}{Index\ of\ average\ import\ prices}.100} \quad (3)$$

2.4. Bilateral Trade Agreement (BTA)

The Bilateral Trade Agreement (BTA) between Vietnam and the United States, signed in 2000, is a formal accord designed to reduce trade barriers, enhance market access, and foster economic cooperation. It aimed to facilitate Vietnam's integration into the global economy by lowering tariffs, eliminating quotas, and establishing protections for intellectual property, investment, and services. The BTA also sought to harmonize regulatory standards and improve transparency in trade practices. It is considered a key driver of increased bilateral trade, boosting Vietnam's exports to the U.S. and supporting its transition to a market-oriented economy.

3. Research Model

3.1. Research Hypotheses

3.1.1. GDP ratio over distance

The distance between Vietnam and the U.S. is calculated from the capital of the two countries, Hanoi to Washington D.C.

The final GDP ratio over distance formula is:

$$\boldsymbol{lnGDP_{ratio} = ln(\frac{GDP_{VN}.GDP_{US}}{Distance})} \quad (4)$$

$\boldsymbol{GDP_{VN}}$: Vietnam's Gross Domestic Product.

$\boldsymbol{GDP_{US}}$: U.S. Gross Domestic Product.

$\boldsymbol{Distance}$: Geographical distance between Vietnam and the U.S.

$\boldsymbol{lnGDP_{ratio}}$: Natural logarithm of the trade potential based on GDP and distance.

This formula aligns with the gravity model of trade, previously mentioned in this research as a widely used framework in international economics for estimating bilateral trade flows. Theoretically, trade volume between two countries is positively correlated with their economic sizes and inversely correlated with the distance between them. Thus, an increase in the GDP of either Vietnam or the U.S. signifies enhanced production and consumption capacities, leading to greater potential for bilateral trade. Conversely, geographical distance imposes transportation costs and logistical challenges, acting as a trade deterrent. Therefore, a higher value of $\boldsymbol{lnGDP_{ratio}}$, indicating a larger product of the two GDPs relative to distance, suggests increased trade potential. Martinez-Zarzoso (2003), Kepaptsoglou et al. (2010) and multiple researchers have used both qualitative and quantitative methods to proof the validity of this theory.

Resulting from both theoretical analysis and empirical research, we conclude the first hypothesis:

H1: GDP ratio positively affects the bilateral trade between Vietnam and the U.S.

3.1.2. Terms of Trade ratio

The Terms of Trade ratio is calculated as:

$$\boldsymbol{lnToT_{ratio} = ln\left(\frac{ToT_{US}}{ToT_{VN}}\right)} \tag{5}$$

$\boldsymbol{ToT_{US}}$: Terms of trade for the United States.

$\boldsymbol{ToT_{VN}}$: Terms of trade for Vietnam.

$\boldsymbol{lnToT_{ratio}}$**:** Natural logarithm of the **terms of trade (ToT) ratio** between the U.S. and Vietnam

The terms of trade (ToT) ratio between the United States and Vietnam plays a crucial role in shaping bilateral trade flows by influencing relative competitiveness and purchasing power. An improvement in Vietnam's terms of trade relative to the U.S., reflected by a decrease in the ToT ratio, implies that Vietnam earns more value for its exports compared to the cost of its imports. This improvement means that Vietnam earns more revenue per unit of exports to the U.S., therefore raising the value of existing trade flows. This additional income tends to increase Vietnam’s capacity to import goods and services from the U.S., strengthening bilateral trade.

However, a lower ToT ratio can also mean that Vietnamese goods become more expensive for U.S. buyers, potentially reducing U.S. demand for Vietnam’s exports. The overall effect hinges on price elasticity: as Vietnam has a strong competitive advantage in essential goods, e.g. textiles, apparel, and electronics, the U.S. demand for Vietnamese exports tends to be relatively inelastic. This means that changes in terms of trade may not significantly reduce the quantity demanded of these goods.

Therefore, a negative correlation is expected between the ToT ratio and bilateral trade, as a more favorable ToT for Vietnam tends to enhance trade flows by increasing the value of the country's exports and its purchasing power.

H2: Terms of Trade ratio negatively affects the bilateral trade between Vietnam and the U.S.

3.1.3. Presidential Administrations

Presidential administrations are often categorized by their affiliation with one of the two major political parties in the U.S.: the Democratic Party or the Republican Party.

$$President = \begin{cases} 0 \; if \; Democratic \; administration \\ 1 \; if \; Republican \; administration \end{cases}$$

The correlation between the ***President*** variable and bilateral trade flows between Vietnam and the U.S. can be attributed to the divergent trade policies historically pursued by Republican and Democratic administrations.

Republican administrations often prioritize protectionist trade policies, characterized by tariffs and trade barriers, as seen during the Trump administration. Le Thu (2017), Rotunno et al. (2023) and Boudreau et al. (2019) have proved that with stricter tariff policy, they have created uncertainty and reduced trade volumes with Vietnam. Democratic administrations generally adopt more liberal trade policies, focusing on multilateral trade agreements and reducing trade barriers. This approach can foster a more predictable trade environment, encouraging higher trade volumes with countries like Vietnam. For example, during the Obama administration, initiatives such as the Trans-Pacific Partnership (TPP) aimed to strengthen economic ties with Southeast Asian nations, including Vietnam. From empirical research, we come to a conclusion for the third hypothesis:

H3: A Republican presidential administration negatively affects the bilateral trade between Vietnam and the U.S.

3.1.4. Bilateral Trade Agreement (BTA)

$$BTA = \begin{cases} 0 \; ifBilateral \; Trade \; Agreement \; has \; not \; been \; signed \\ 1 \; if \; Bilateral \; Trade \; Agreement \; has \; been \; signed \end{cases}$$

Empirical studies often show a significant positive impact of BTAs on bilateral trade flows. In the case of Vietnam and the U.S., the signing of a BTA in 2000 marked a turning point in trade relations, leading to substantial increases in trade volume. Including the BTA variable in econometric models helps quantify the direct effect of trade agreements, controlling for other macroeconomic factors. A positive coefficient for the BTA variable indicates that trade agreements play a critical role in enhancing bilateral trade, underscoring the importance of formalized trade cooperation in fostering economic integration. Thanh (2005), Fukase (2013) and McCaig et al. (2022) have done their research on the influence of BTA on Vietnam's export expansion to the U.S., along with other determinants.

H4: BTA positively affects the bilateral trade between Vietnam and the U.S

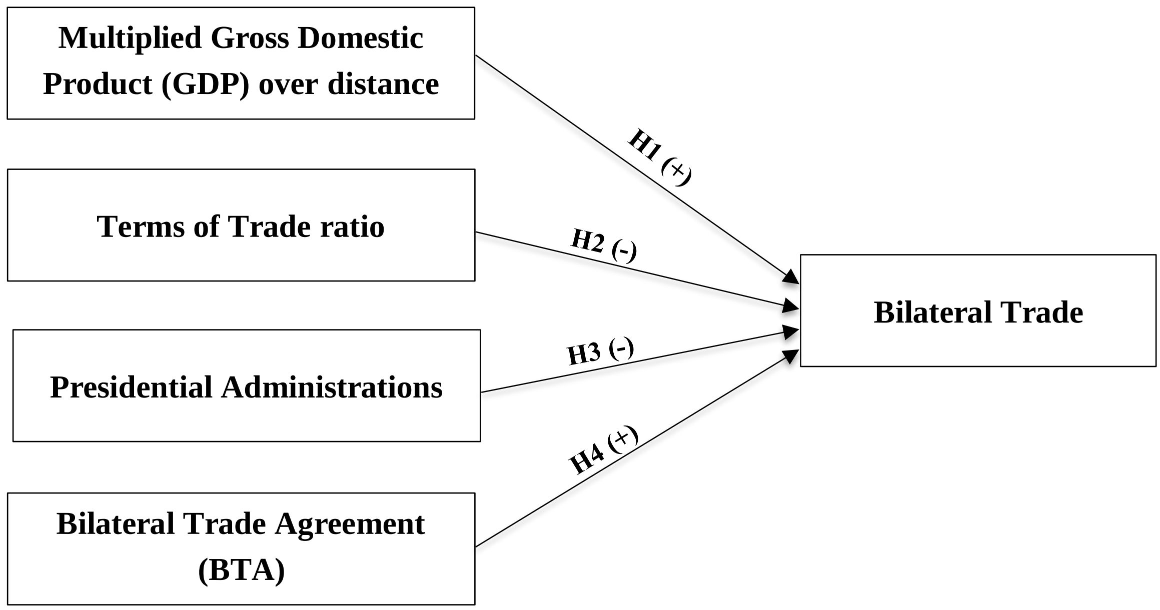

Figure 1. Research Hypotheses

3.2. Proposed Research Model

To test the previous hypotheses, this paper employs the following research model:

$$lnTrade_{ij} = \alpha.lnGDP_{ratio} + \beta_1.lnTOT_{ratio} + \beta_2.President + \beta_3.BTA + \epsilon_{ij} \quad (6)$$

Where:

$lnTrade_{ij}$: Logarithm of bilateral trade flow between Vietnam (i) and the U.S. (j) at time t.

$lnGDP_{ratio}$: Logarithm of multiplied Gross Domestic Products of the U.S. and Vietnam divided by the distance between them, representing the economic size.

$lnTOT_{ratio}$: Logarithm of the Terms of trade ratio of the U.S. over Vietnam, as a proxy for relative trade competitiveness and purchasing power

$President$: A dummy variable representing the partisanship of the U.S. presidential administration at year t

BTA : A dummy variable representing whether the BTA has been signed at year t

ϵ_{ij}: Error term capturing unobserved factors

4. Research Method

4.1. Data Collection Method

The research seeks to isolate the statistically significant effects of independent variables on the dependent variable. In simpler terms, we aim to show the true impact of the Gross Domestic Product ratio (GDP_ratio), Presidential administration (President), Terms of trade ratio (ToT_ratio) and the signing of BTA (BTA) on the bilateral trade between 2 countries. To achieve this, the authors collect secondary data on the variables, which is calculated, updated and released annually on reliable international and national sources. This data encompassed various economic indicators for Vietnam and the U.S. across a 27-year timeframe (1997-2023).

Table 1. Data Description and Sources

Variable		Label	Unit	Source	Expected Sign
Dependent variable	Bilateral Trade	lnTrade	U.S.D	World Integrated Trade Solution (WITS	N/A
Independent variables	Gross Domestic Product (GDP) ratio over distance	lnGDP_ratio	N/A	International Monetary Fund (IMF)	+
	Terms of trade ratio	ln_Tot_ratio	N/A	Trading Economics	+
	Presidential administration	President	N/A	White House Historical Association	-
	Bilateral Trade Agreement (BTA)	BTA	N/A	National Institute for Finance	+

4.2. Data Analysis Method

The data analysis follows a structured process to ensure the accuracy and reliability of the results. Descriptive statistics were first used to summarize the key variables, providing an overview of their central tendencies and dispersion. This was followed by a correlation analysis to examine the relationships between the trade volume and other factors such as GDP ratio, political administration, and trade agreements. To check for multicollinearity, the variance inflation factor test was conducted. The study also tested for autocorrelation and heteroskedasticity to confirm that the model did not suffer from either problem. These diagnostic checks ensured the robustness of the model, allowing for the reliable interpretation of the relationships between the variables.

5. Research Results

5.1. Statistical Description

Table 2. Statistical Description

Variable	Observation	Mean	Standard deviation	Min	Max
lnTrade	27	16.45477	1.631735	13.44499	18.67338
lnGDP_ratio	27	46.32	1.299793	44.29352	48.22658
President	27	0.4444444	0.5063697	0	1
BTA	27	0.8518519	0.362014	0	1
lnToT_ratio	27	0.9902511	0.0672088	0.8712121	1.17773

5.2. Correlation Matrix

Table 3. Correlation Matrix

	lnTrade	lnGDP_ratio	President	BTA	lnToT_ratio
lnTrade	1.0000				
lnGDP_ratio	0.9830	1.0000			
President	-0.0307	-0.1423	1.0000		
BTA	0.7182	0.6153	0.3730	1.0000	
lnToT_ratio	0.1060	0.1708	-0.1688	-0.1483	1.0000

The correlation matrix indicates that the majority of independent variables have a positive correlation with, representing a positive relationship, with the dependent variable, except for the variable ***President***, which has a weak negative relationship with the dependent variable ***lnTrade***.

The signs of most independent variables in the model are consistent with expectations, except for the coefficient of the variable lnToT_ratio. Furthermore, the correlation coefficients between the independent variable pairs are relatively small, suggesting a low likelihood of multicollinearity in the regression model.

5.3. Estimation Result

Table 4 represents the results of linear regression for the model.

Table 4. Estimation Result

lnTrade	Coef.	Std. Err.	t	P>|t|	95% Conf. Interval	
lnGDP_ratio	1.134405*	0.04498	25.22	0.000	1.04116	1.227694
President	0.1313497*	0.09310	1.41	0.172	-0.061743	0.3244424
BTA	0.6490802*	0.17108	3.79	0.001	0.294272	1.003888
lnToT_ratio	-0.4882241	0.60181	-0.81	0.426	-1.736319	-0.7598706
_cons	-36.21869*	1.89669	-19.10	0.000	-40.15202	-32.28536

From Table 4, it is observed that ***lnGDP_ratio*** has a positive and significant influence on ***lnTrade*** ($\boldsymbol{\alpha}$ ***= 1.13440, p < 0.05***). This implies that an increase in the GDP of the U.S. or of Vietnam is associated with an increase in trade volume. Thus, H1 is supported.

President has a positive and significant influence on ***lnTrade*** ($\boldsymbol{\beta_1}$ ***= 0.1313497, p < 0.05***). This implies that a Republican presidential administration is associated with higher trade flows. Thus, H2 is rejected.

BTA has a positive and significant influence on ***lnTrade*** ($\boldsymbol{\beta_2}$ ***= 0.6490802, p < 0.05***). This implies that the BTA having been signed reflects in higher trade flows. Thus, H3 is supported.

lnToT_ratio has a positive but insignificant influence on ***lnTrade*** ($\boldsymbol{\beta_3}$ ***= -0.4882241, p > 0.05***). This implies that the Terms of Trade ratio of the U.S. over Vietnam does not significantly impact trade flows. Thus, H4 is rejected.

5.4. Violation Testing

5.4.1. Test for Multicollinearity

Multicollinearity refers to the situation where two or more of the predictors in a regression model are moderately or highly correlated with one another, leading to unstable and unreliable coefficient estimates.

To determine whether or not the model has multicollinearity, the Variance Inflation Factor for each variable is calculated. If VIF values are high (typically above 10), removing one of the correlated predictors will be needed.

Table 5. Test for Multicollinearity

Variable	VIF	1/VIF
BTA	2.71	0.368719
lnGDP_ratio	2.42	0.413740
President	1.57	0.636307
lnToT_ratio	1.16	0.864543
Mean VIF	***1.96***	

In this case, all variables and the overall model appear to be clear of this violation, as the VIF values of each variable and the mean VIF are all under 10.

5.4.2. Test for Autocorrelation

Autocorrelation occurs when the residuals from a regression model are not independent but are correlated across observations, which violates one of the key assumptions of OLS regression. This issue is particularly common in time-series data, which was employed in this paper.

To test for Autocorrelation, the Durbin-Watson test is employed:
Durbin-Watson d-statistic(6, 27) = 1.523868
Given DW = 1.524, and assuming typical critical values (e.g., $dL \approx 1.10$ and $dU \approx 1.46$ for $n = 27$, $k = 6$): $1.46 < 1.524 < (4 - 1.46 = 2.54)$

This indicates that autocorrelation is not present in the residuals.

5.4.3. Test for Heteroskedasticity

Heteroskedasticity occurs when the variance of the residuals is not constant across all observations, which violates one of the key assumptions of OLS regression, leading to inefficient and unreliable coefficient estimates.

To test for heteroskedasticity, the Breusch-Pagan test or the Cook-Weisberg test is employed. The test yielded a p-value of 0.0511, which is above the 0.05 threshold. This result suggests that the assumption of homoscedasticity is satisfied, and there is no evidence of heteroskedasticity in the model.

6. Discussion

6.1. Findings

The regression analysis showed that partisanship had a statistically significant influence on Vietnam's trade flows with the U.S. It also yielded a positive coefficient for the 'president' variable (where Republican - 1, Democrat = 0), suggesting that Vietnam's trade flows with the U.S. have historically been higher under Republican administrations than Democratic ones. Such findings contradict the existing literature and the initial hypothesis, which anticipated stronger trade flows under Democratic administrations given their traditionally pro-globalization policies, as opposed to Republicans' reputation for protectionism.

While this unexpected outcome warrants further examination, it can potentially be explained by several factors:

– ***Unintended consequences of protectionist policies***

While Republicans are typically associated with protectionist policies to lower the U.S. trade deficit, such as imposing tariffs, they mainly focus on major trading partners of the U.S. with the largest trade imbalances, e.g. China or Mexico. This could unintentionally divert trade to Vietnam - a smaller trading partner that may not face the same level of scrutiny.

For example, during the U.S.-China trade war, when the Trump administration imposed a series of unilateral tariffs on Chinese goods, companies shifted their manufacturing from China to Vietnam to avoid tariffs. As a result, Vietnam experienced an exponential boost in electrical equipment exports to the U.S., and stable export growth in other products (Kwon, 2022).

This trade diversion effect could contribute to a larger trade surplus for Vietnam under Republicans.

– ***Delayed impacts of policies***

Trade policies, as well as other economic policies, have a residual nature and often take several years to fully materialize and exert their influence on bilateral trade flows (Bagozzi & Landis, 2013). If a Democratic administration negotiates liberal trade agreements, their implementation, enforcement, and economic impact would often only unfold under subsequent administrations. This delayed effect could mean that Republican administrations may record higher trade flows with Vietnam from policies initiated during Democratic tenures.

For example, the process leading to Vietnam's accession to WTO began in the late 1990s under the Clinton administration, which supported Vietnam's economic reforms as part of broader efforts to normalize U.S.-Vietnam relations. However, Vietnam officially joined the WTO in 2007, during the presidency of George W. Bush, a Republican. This timing meant that the significant trade benefits from WTO membership, such as reduced trade barriers, enhanced investor confidence, and expanded access to global markets, would only manifest during Bush's tenure.

This effect is further magnified when considering the complexities of trade agreements, which require time for businesses to adjust their supply chains, capitalize on new market opportunities, and navigate regulatory changes. Such adjustments could result in significant time lags between policy implementation and measurable trade outcomes.

6.2. Policy Implications

The findings suggest several policy considerations for Vietnam to optimize its trade relations with the United States from the observed historical trends:

6.2.1. Adapting to U.S. political dynamics

Vietnam should carefully navigate its trade relationship with the United States, which can be greatly influenced by shifts in political leadership. As Vietnam's trade flows have historically been influenced by partisanship, it is extremely important to understand the distinct trade priorities of each party: Democratic administrations typically emphasize multilateralism and trade liberalization, but such policies would take years to fully materialize; while Republican policies often focus on reducing deficits with large trading partners like China, which can inadvertently benefit Vietnam as a secondary partner.

To manage these dynamics, Vietnam should actively engage with both parties, while increasing and emphasizing its strategic importance as a stable trading partner in the Indo-Pacific region. In addition to that, initiatives to strengthen ties with U.S. state governments, whose partisanship and political ideologies rarely change, can help stabilize Vietnam's trade surplus with the U.S. through political shifts in the federal government. Proactive engagement with Congressional leaders and trade representatives from both parties will also enable Vietnam to better anticipate and respond to changing policies.

6.2.2. Maximizing opportunities from trade diversion

Vietnam's growing role as an alternative manufacturing hub during the U.S.-China trade war highlighted the opportunity and the importance of leveraging trade diversion opportunities. To maintain this momentum, Vietnam must focus on improving its infrastructure, including ports, roads, and energy supply, to attract and sustain foreign direct investment (FDI). It is also essential for the Vietnamese government to promote competitive manufacturing capabilities, and to market Vietnam as a reliable and cost-effective alternative for global supply chains.

6.2.3. Strengthening resilience and diversification

While Vietnam has benefited from trade diversion during protectionist policies targeting other nations, it remains vulnerable to future scrutiny from U.S. policymakers, especially as its trade surplus has been on the rise in recent years. Therefore, it will be crucial for the long-term stability of Vietnam to diversify exports and reduce over-reliance on a single market, given U.S. political uncertainties.

To increase trade resilience, Vietnam needs to expand beyond traditional goods, such as textiles and electronics, to high-value products, like tech components and renewable energy equipment. Furthermore, by strengthening ties with other key partners, such as the EU, Japan, and ASEAN members, Vietnam can create a more balanced trade portfolio.

Conclusion

This study comprehensively analyzed the partisan influences of Democratic and Republican administrations on U.S.-Vietnam bilateral trade, utilizing the gravity model as a foundational framework. The findings reveal that trade flows have historically been higher under Republican administrations. This counterintuitive outcome challenges traditional views of Democratic liberalization versus Republican protectionism, and is attributed to trade diversion effects from protectionist policies, residual impacts of Democratic-initiated agreements, and strategic shifts in manufacturing during geopolitical events such as the U.S.-China trade war.

This study highlights Vietnam's strategic positioning as both a beneficiary and a key player in global supply chain realignments. The dual influences of structural trade agreements and situational geopolitical factors underline the need for Vietnam to adopt flexible, forward-looking policies. By engaging strategically with both U.S. political parties, bolstering infrastructure, and enhancing trade resilience, Vietnam can solidify its role as a trusted partner in the Indo-Pacific region.

Future directions include a deeper analysis of Vietnam's trade strategies to reduce dependence on single markets and diversify exports to high-value sectors. This could provide a pathway for sustained growth amid evolving global economic and political landscapes.

REFERENCES

Agbude, E. (2023). *Changes in the Export Trade Relationship between Vietnam and the U.S.* [Master's Thesis]. Faculty of Social Sciences, NMBU School of Economics and Business (HH).

Bagozzi, B. E., & Landis, S. T. (2013). The stabilizing effects of international politics on bilateral trade flows. *Foreign Policy Analysis, 11*(2), 151–171. https://doi.org/10.1111/fpa.12034

Cuong, H. C. (2012). The impact of the World Trade Organization (WTO) regime on Foreign Direct Investment (FDI) flows to Vietnam: A gravity model approach. *Journal of Modern Accounting and Auditing, 9*(7), 961–987.

Hayakawa, K. (2024). Exports to the U.S. and imports from China during the U.S.-China tariff war: Evidence from regional trade data in Vietnam. *KDI Journal of Economic Policy, 46*(3), 49–66.

Hoan, N. T. T. (2022). Assessing the Impacts of Some Major Factors on Vietnam-United States Trade: A Gravity Model. *ЭКОНОМИКА, БИЗНЕС, ИННОВАЦИИ 3,* 39.

Kwon, E. (2022). *The U.S.–China trade war: Vietnam emerges as the greatest winner*. Air University (AU).

Le, A. T. (2017). *Effects of WTO accession on Vietnam's trade: The gravity model approach* [Master's Thesis]. University of Oslo, Department of Economics.

Tinbergen, J., & Bos, H. (1962). Mathematical models of economic growth.

Geraci, V. J., & Prewo, W. (1977). Bilateral trade flows and transport costs. *The Review of Economics and Statistics*, 67-74.

Boisso, D., & Ferrantino, M. (1997). Economic distance, cultural distance, and openness in international trade: Empirical puzzles. *Journal of Economic Integration*, 456-484.

Liu, A., Lu, C., & Wang, Z. (2021). Does cultural distance hinder exports?: a comparative study of China and the United States. *Economic Modelling*, *105*, 105668.

Martínez-Zarzoso, I., & Nowak-Lehmann, F. (2003). Augmented gravity model: An empirical application to Mercosur-European Union trade flows. *Journal of Applied Economics*, *6*(2), 291-316.

Kepaptsoglou, K., Karlaftis, M. G., & Tsamboulas, D. (2010). The gravity model specification for modeling international trade flows and free trade agreement effects: a 10-year review of empirical studies. *The open economics journal*, *3*(1).

Rotunno, L., Roy, S., Sakakibara, A., & Vézina, P. L. (2023). Trade Policy and Jobs in Vietnam: The Unintended Consequences of Trump's Trade War.

Thanh, V. T. (2005). Vietnam's trade liberalization and international economic integration: evolution, problems, and challenges. *ASEAN Economic Bulletin*, *22*(1), 75-91.

Fukase, E. (2013). Export liberalization, job creation, and the skill premium: Evidence from the U.S.–Vietnam bilateral trade agreement (BTA). *World Development*, *41*, 317-337.

McCaig, B., Nguyen, M., & Kaestner, R. (2022). *Export expansion and investment in children's human capital: evidence from the U.S.-Vietnam bilateral trade agreement* (No. w29830). National Bureau of Economic Research.

Appendix: Dataset

Year	lnTrade	ln(GDP_ratio)	lnTot_ratio	President	BTA
1997	1.344.499.057	4.429.352	1.077.582	0	0
1998	1.367.654.424	4.436.209	1.060.845	0	0
1999	1.375.944.460	4.447.567	914.773	0	0
2000	1.390.794.388	4.462.125	1.001.609	0	0
2001	1.420.554.512	4.470.041	1.091.316	1	1
2002	1.488.430.411	4.480.295	1.008.168	1	1
2003	1.544.154.472	4.497.052	960.738	1	1
2004	1.563.423.462	4.517.331	961.595	1	1
2005	1.573.135.943	454.764	905.866	1	1
2006	1.599.459.422	4.567.541	926.015	1	1
2007	1.628.461.736	4.587.588	958.333	1	1
2008	1.649.343.474	4.614.337	871.212	1	1
2009	1.648.516.966	4.619.055	975.426	0	1
2010	1.670.758.562	4.655.745	91.126	0	1
2011	1.688.475.731	4.675.254	962.312	0	1
2012	1.701.510.807	469.187	952.859	0	1
2013	1.718.667.561	4.704.513	967.217	0	1
2014	1.736.903.193	4.717.568	951.566	0	1
2015	1.753.558.670	4.723.851	968.689	0	1
2016	1.766.959.365	4.733.791	967.118	0	1
2017	1.774.522.915	474.701	1.004.975	1	1
2018	1.791.543.661	4.761.929	982.843	1	1
2019	1.814.335.522	4.773.562	1.009.852	1	1
2020	1.832.457.031	4.776.234	1.052.759	1	1
2021	1.852.959.488	4.791.926	1.052.659	0	1
2022	1.863.528.097	4.811.949	117.773	0	1
2023	1.867.338.310	4.822.658	1.061.463	0	1