The Relationship between Trade Openness, Economic Growth, Exchange Rate and Tariff Rate: Evidence from Northeast Asia

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Abstract

The article aims to investigate the relationship between trade openness, economic growth, exchange rate and tariff rate in three Northeast Asian countries between 1998 and 2017 using a vector autoregressive model. We found that GDP growth rate has a positive relationship with trade openness. Tariff rate positively affects both GDP growth rate and exchange rate. However, trade openness has a negative effect on exchange rate. We also found that there is a directional relationship running from trade openness to GDP growth rate and exchange rate; and from exchange rate to trade openness and tariff rate. There is a long run relationship among variables. Lastly, policies are recommended to accelerate economic growth and trade openness in Northeast Asia.

Keywords: Trade openness, Economic growth, Exchange rate, Tariff rate, Northeast Asia