SOCIALIST REPUBLIC OF VIETNAM

Independence – Freedom – Happiness

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CONTRIBUTION OF THE THESIS

Thesis: **Tax structure and economic growth under the role of trade liberalization in developing countries**

Contribution of the thesis:

First of all, the thesis uses two different measures of trade liberalization respectively in the quantitative model through the use of the index of the proportion of the volume of imports and exports to GDP and the trade freedom index based on the trade-weighted average tariff rates and a quanlitative evaluation of non-tariff barriers (NTBs). The study combines different trade liberalization indicators to create an overview for researchers when they want to choose an appropriate trade liberalization policy for each country's conditions.

Secondly, the thesis applies Difference Generalized method of moments (Dif-GMM) quantitative method to test endogenous growth theory by determining the individual impact of each tax on economic growth. From there, consider this effect in the context of trade liberalization in the interaction variable model. The combination of quantitative model processing by regression methods is suitable for panel data sets of 55 developing countries in the period 2000 - 2019, the author believes that the results of the thesis are very reliable and reliable high precision.

Thirdly, research results show that each form of trade liberalization has its own advantages and disadvantages. If developing countries choose to liberalize trade in the form of increased import and export flows, they will improve their interational trade tax and income tax but lose some of their consumption taxes. If countries choose the strategy of applying the weighted average tax rate combined with the reduction of non-tariff barriers to ensure the benefits of consumers, but at the expense of interational trade taxes. But in terms of total tax revenue, the strategy of increasing import and export activities is still the preferred choice to help increase total tax revenue.

Besides, the research results show a clear impact of tax structure on economic growth. Tax structure in 55 countries is observed to have different effects on economic growth. The author has proved that in developing countries, the tax structure mainly based on consumption tax will effectively support economic growth. Because the consumption tax does not lead to bias in individual decisions, it places the same burden on current and future consumption and does not distort the market, an increase in the tax will promote development economy (Rohac, 2009).

In addition, the research results found that there are differences between groups of countries with the same income level. The higher the income, the more dependent on income tax. Therefore, for low-middle income countries, the preferential tax structure for consumption tax will bring positive effects to the economy, at the same time, income tax also plays an important role in the economy contributions to the state budget. For upper-middle income countries the government will not reap the economic benefits by taxing consumption but will focus on taxes on income

Furthermore, the results show that when developing countries maintain a high level of trade liberalization, it will reduce the positive impact of tax revenue on economic growth. Therefore, the strategy of expanding trade liberalization too many risks eroding tax revenue, creating an opposite effect on economic growth. To mitigate this effect, developing countries may consider adjusting their tax structures. Based on the research results, with income tax, the higher the trade openness of a middle-income country, the higher the role of income tax in economic development. Excessive trade liberalization in developing countries also does not bring positive value for consumption tax and foreign trade tax on economic development. In low-middle income countries, trade liberalization has positive effects on economic development. But if these countries are not fully prepared with their national potentials, trade liberalization will not promote the improvement of the relationship of total tax revenue, income tax and consumption tax to economic growth.

Last but not least, the research results of the thesis show that despite trade liberalization, low-middle income countries will reduce international trade taxes but also increase the positive impact on development economy. Upper-middle income countries also confirm the role of trade liberalization when the research results show that increasing the positive impact of the two largest taxes in the tax system is income tax and consumption tax on economic growth. But trade liberalization does not have a positive role in total tax revenue and foreign trade taxes affect economic growth.

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