

Summary of the Impact of Sino Vietnamese Trade on Vietnam's Economic Growth

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Abstract: International trade is an important driving force for a country's economic development. However, with the development of the COVID-19 and Sino US trade frictions, the development of international trade and economic globalization in recent years have faced many challenges. However, the author still need to recognize that economic globalization is still an objective trend in the development of the world economy. At present, ASEAN has become China's largest trading partner, and Vietnam, as a member of ASEAN, has climbed to the position of China's sixth largest trading country. At the same time, China is also Vietnam's largest trading partner, and China Vietnam trade has become an important driving force for Vietnam and even China's economic development. At the same time, the establishment of RCEP has injected new vitality into the development of China Vietnam trade. This article analyzes the promoting effect of China Vietnam trade on Vietnam's economic development by studying China's economic transformation, the impact of RCEP, and trade frictions between China and the United States. This article mainly consists of three parts. The first part introduces the current situation of Vietnam's trade, analyzes its main trade objects and trade categories. The second part introduces China's economic transformation, the impact of RCEP, and the promoting effect of trade frictions between China and the United States on Vietnam's economic growth. The third part is a summary and conclusion of the entire article.

Keywords: Vietnam, trade, economy, RCEP

1. Introduction

Since 2020, ASEAN has replaced the European Union as China's largest trading partner. In January and February 2023 alone, the trade volume between China and ASEAN reached 951.93 billion yuan, a year-on-year increase of 9.6%. The proportion of China ASEAN trade to China's total foreign trade value reached 15.4%, a year-on-year increase of 1.4%. At the same time, Vietnam, as China's largest trading partner in ASEAN, has been Vietnam's largest trading partner since 2004. From the figure 1 China's exports to Vietnam increased from \$29.092 billion in 2011 to \$113.814 billion in 2020, with an average annual growth rate of 16.37%; China's imports from Vietnam increased from \$111.17 in 2011 to \$78.475 billion in 2020, with an average annual growth rate of 24.25% [1]. In 2022, the trade volume between China and Vietnam reached 234.92 billion US dollars, a year-on-year increase of 2.1%, and China's exports to Vietnam reached 146.96 billion US dollars, a year-on-year increase of 6.8%. With the rapid development of Sino Vietnamese trade, Vietnam's trade dependence on China

has been increasing year by year, from 2.41% in 1995 to 62.03% in 2015, a 25 fold increase; Vietnam's dependence on China's export trade rose rapidly, from 1.65% in 1995 to 44% in 2015, and its dependence on China's Import rose from 0.76% in 1995 to 19.31% in 2015 [2].

It can be seen that China Vietnam trade has grown rapidly under the influence of factors such as China ASEAN trade and RCEP.

On the other hand, Vietnam's gross domestic product (GDP) grew by 8.02% in 2022, ranking first among ASEAN countries. More importantly, according to data released by Chinese customs, China is Vietnam's largest supplier of intermediate products, accounting for 41.5% of Vietnam's total imports. At the same time, Chinese Ambassador to Vietnam, Xiong Bo, stated that about 54% of Vietnam's mechanical equipment and components, 52% of textile and leather raw materials, and 40% of mobile phones and components come from China. The proportion of China's total exports to Vietnam also reflects China's significant influence on the Vietnamese economy [3].

Therefore, this article will consider the role of Sino Vietnamese trade in Vietnam's GDP growth from three perspectives.

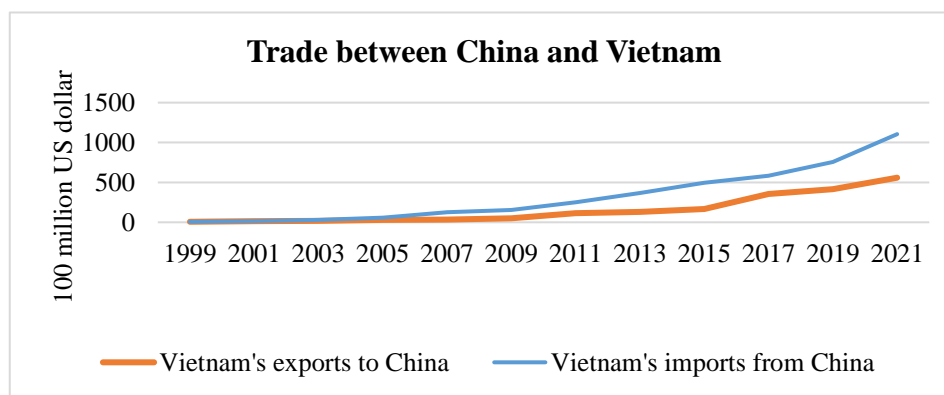


Figure 1: Trade between China and Vietnam.

Data sourced from Shuting Pang, Ying Liu. Analysis of commodity trade and competitiveness between China and Vietnam[J]. Marketweekly, 2022,35(12):93-96.

2. Current Situation of Vietnam's Foreign Trade

2.1. Main Trading Partners

2.1.1. Import Status

From the Figure 2, the top ten countries with the highest proportion in Vietnam's total imports are China, Japan, Hong Kong, the United States, Australia, India, Germany, Brazil, Argentina, and Belgium, with imports from China significantly higher than those from other countries.

From a geographical perspective, trade targets mainly exist in East Asia, Oceania, as well as Europe and North America, with a wide range of exports

From the perspective of trading countries, trade targets include both developed and developing countries.

According to the comprehensive evaluation, Vietnam's main import trade partners are mainly China, East Asia and the United States. In addition, from Table 1, the author can see that the trade volume between Vietnam and China is still rising, so China's position as the largest exporter of Vietnam will not change in the next few years.

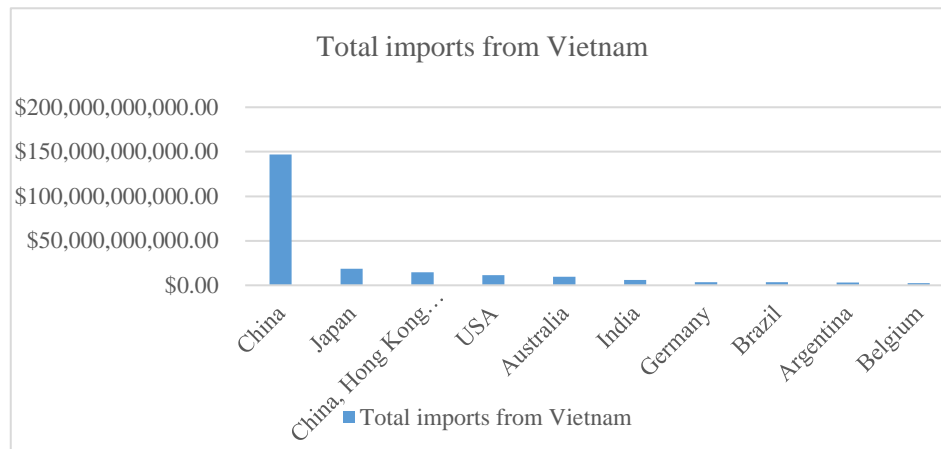


Figure 2: Total imports from Vietnam.
Data sourced from the United Nations Commodity Trade Database.

2.1.2. Export Status

From the Figure 3, the top ten countries with the highest proportion in Vietnam's total imports from high to low are the United States, China, Japan, Hong Kong, Germany, Mexico, the United Kingdom, India, New Zealand, and Australia. Compared to major importing countries, Vietnam's export volume to several major exporting countries is not significantly different, and the top ten countries are similar to amateur importing countries.

Overall, there is not much difference between the main exporting countries and the importing countries.

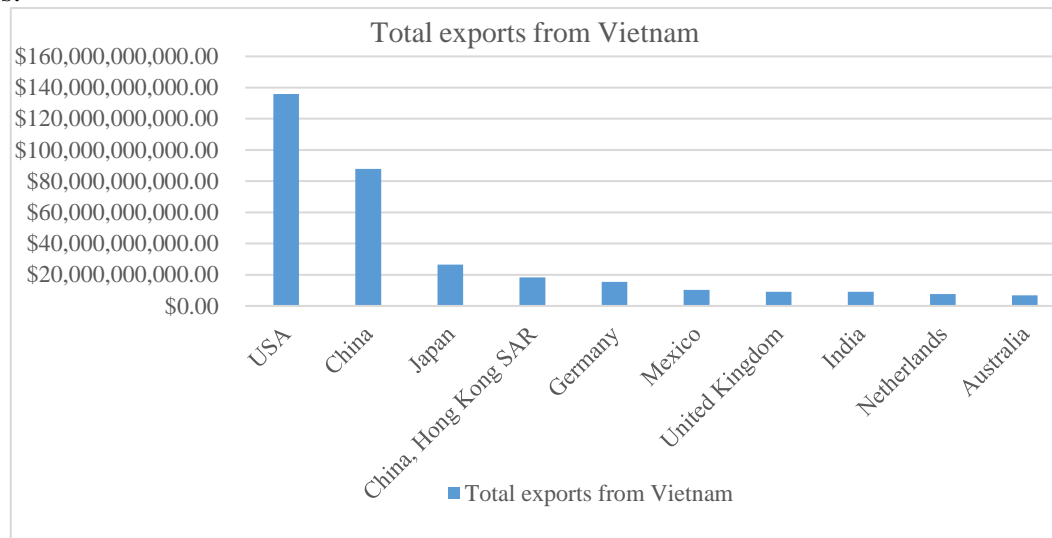


Figure 3: Total exports from Vietnam.
Data sourced from the United Nations Commodity Trade Database.

Overall, Vietnam's total foreign trade volume is relatively large, and since its economic development, its exports have been severe. In 2022, Vietnam's total import and export volume was 701.3 billion US dollars, but its economic total was only 409 billion US dollars, with a dependence on foreign trade close to 200%. Among them, it is particularly dependent on trade with China and the United States, which means that Vietnam's economy is highly susceptible to external economic

environment influences. Therefore, it can be concluded that China Vietnam trade is one of the important pillars of Vietnam's economic development.

2.2. Main Trading Products

2.2.1. Main Imported Products

Table 1: Vietnam imports in 2022.

Category	Proportion	Growth rate
Computer Electronics	24.4%	30.7%
Mechanized equipment	12.0%	-2.9%
Communication equipment and its accessories	6.1%	19.1%
Textile fabrics	4.2%	14.8%
Plastics	3.7%	12.4%

Data sourced from Chaoying Cheng. Bilateral trade between China and Vietnam from January to September 2022[J]. China Customs, 2022, No. 404(11): 81.

From the Table 1, it can be seen that computers and communication equipment account for a relatively high proportion of Vietnam's imports and maintain a high growth rate. At the same time, mechanical equipment accounts for a relatively high proportion but has shown negative growth [4].

2.2.2. Main Imported Export

Table 2: Vietnam exports in 2022.

Category	Proportion	Growth rate
Communication equipment and accessories	16.9%	13.7%
Computer Electronics	14.5%	11.2%
Mechanized equipment	11.2%	12.1%
Textile clothing	9.7%	22.2%
Footwear	6.0%	12.2%

Data sourced from Chaoying Cheng. Bilateral trade between China and Vietnam from January to September 2022[J]. China Customs, 2022, No. 404(11): 81.

From the Table 2, it can be seen that Vietnam's exports are mostly in low-end manufacturing industries, such as the assembly of electronic devices such as mobile phones and computers, the production of communication base station accessories, and textile products such as clothing, shoes, and hats. The technology content is relatively low, mainly in labor-intensive industries.

Compared to imports, there is a certain overlap between Vietnam's export projects and import projects. This is because Vietnam lacks the manufacturing capacity of high-end computers and communication equipment, and can only rely on imports, which more reflects the labor-intensive characteristics of Vietnam's industry [5].

3. The Factors Influencing Sino Vietnamese Trade

3.1. China's Economic Transformation - Industrial Transfer Promotes Vietnam's Export of Medium and Low-End Products

3.1.1. The Pace of China's Economic Transformation

With the continuous development of China's economy and the disappearance of the Demographic dividend brought by the aging population, China's competitiveness in labor-intensive industries gradually began to decline. At the same time, the Belt and Road strategy and the economic development strategy to promote high-quality economic development accelerated the decline of labor-intensive industries.

Table 3: Labour-intensive firms move out of the Chinese market.

Time	Event
2015	1.Microsoft closes Nokia factory in China 2.Samsung will transfer some factories in China to Southeast Asia
2016	1.Samsung Supplier Shenzhen Adis Electronic Technology Co., Ltd. Discontinued Production
2017	1.Japanese camera giant Nikon stopped the operation of its subsidiary Nikon Optical instrument (China) Co., Ltd., and the factory responsible for the production of Nikon digital cameras and digital camera accessories stopped production
2018	1.Japan Nippon Electric Corporation Announces Closure of Suzhou Factory and Evacuation from China 2.PEGATRON, a large Apple assembly plant, plans to withdraw its production line located in Chinese Mainland to Taiwan, China or transfer it to Southeast Asia for production, so as to avoid the impact of Sino US trade friction
2019	1.Samsung Electronics has closed its factory in Huizhou, marking the complete cessation of Samsung phone production in China 2.Japanese office equipment manufacturer Ricoh announced that it will fully transfer its photocopier production line from China to Thailand
2020	1.PHILIPS announces the sale of its home appliance business to renowned investment company Hillhouse Capital, exiting the Chinese home appliance market
2021	1. Yahoo China stopped providing Yahoo products and services to Chinese Mainland; Yahoo's technology media Engadget has closed its "Engadget China Edition" offering simplified Chinese content 2. OKI, a Japanese electrical appliance manufacturer, has closed its production operations for printers and composite machines in China and moved its printer production line to Thailand, while some repair parts production lines have been returned to the Fukushima factory in Japan
2022	1.South Korean LOTTE Group has decided to dissolve its headquarters in China, increase investment in Southeast Asian countries, and further expand the Southeast Asian market 2.Teikoku Databank According to the data released in July 2022, the number of Japanese enterprises entering China by June 2022 was 12706, the lowest in the past 10 years, and 979 fewer than that in May 2019 before the outbreak of COVID-19

Data sourced:Yanfang Tuo,Lingchi Kong.Technology Upgrading Effect of Industrial Transfer in China [J]. Journal of Shanxi University of Finance and Economics,2023,45(02):73-86.

From the summary of foreign investment withdrawal in the past seven years in the table 3 above, it can be seen that China's competitiveness in the mid to low end manufacturing industry has begun to be less attractive than that of Southeast Asia [6].

3.1.2. Reasons Why Vietnam can Undertake Chinese Industries

Correspondingly, according to the latest data from the Vietnam Bureau of Statistics, the actual amount of foreign investment used by Vietnam in 2022 was nearly 22.4 billion US dollars, a year-on-year increase of 13.5%, setting the highest record in nearly five years.

By country, a total of 108 countries and regions have invested in Vietnam, with Singapore ranking first with an investment amount of nearly 6.46 billion US dollars, accounting for 23.3% of Vietnam's total investment; South Korea ranks second with an investment of nearly 4.88 billion US dollars; Japan ranks third with an investment of approximately 4.78 billion US dollars; The second is Chinese Mainland, Hong Kong and Taiwan, China.

By industry, foreign investment has been made in 19 industries. The processing and manufacturing industry ranks first with an investment of 16.8 billion US dollars, accounting for 60.6% of the total agreement amount; The real estate industry ranks second with a total investment of over 4.45 billion US dollars, accounting for 16.1% of the total agreement amount; Next is the power industry.

The author believes there are several main reasons why Vietnam has gained the favor of foreign investment

Firstly, there are international factors. In the context of continuous trade frictions between China and the United States, accelerated industrial upgrading in China, and increasing labor costs in China, developed countries such as the United States, Europe, Japan, and South Korea have implemented the "China+1" model in their industrial chain layout, gradually shifting the middle and lower reaches of the industrial chain to "1". This is the fundamental reason why Vietnam can undertake China's low-end manufacturing industry.

Domestic factors are the key to Vietnam's ability to stand out among the crowd of "1". Vietnam borders China in the north and south, Laos and Cambodia in the west, and the South China Sea in the east and south. It can have close economic and trade exchanges with China by land, and can also carry out trade activities with the United States, the European Union, Japan, South Korea, Taiwan, China, Thailand and other economies by sea [6]. On the other hand, Vietnam has abundant domestic labor resources and low prices. According to ILO 2020 data, Vietnam's nominal monthly wage is less than 500 dollars, while China has exceeded 1000 dollars at the same time. At the same time, Vietnam's population aged 65 and over accounted for only 7.87% in 2020. From this, it can be seen that Vietnam has obvious advantages in the low-end manufacturing industry.

3.1.3. Overall

With the upgrading of China's industries, Vietnam has become the largest beneficiary country of China's industrial transfer, which will provide Vietnam with massive employment opportunities and greatly promote its export trade, thereby promoting its GDP growth.

3.2. RCEP - Promoting Economic Cooperation and Injecting New Vitality into Vietnam's Import and Export Trade

3.2.1. Introduction to RCEP

RCEP, full name Regional Comprehensive Economic Partnership. The agreement was officially signed on November 15, 2020, and entered into force for the Philippines on June 2 of this year, marking the full entry into force of RCEP for the 10 ASEAN countries and 15 signatory countries

including Australia, China, Japan, South Korea, and New Zealand. The RCEP region accounts for approximately 30% of the global population, GDP, and trade in goods, making it one of the most important FTA in the world.

In 2022, China's total trade in goods with other RCEP member countries reached \$1946.63 billion, a year-on-year increase of 4.4%, driving a 1.4 percentage point increase in China's total foreign trade, accounting for 30.8% of China's total foreign trade. Among them, China's exports to other RCEP member countries reached \$996.36 billion, a year-on-year increase of 14.4%, 7.1 percentage points higher than China's overall export growth rate; China imported \$950.27 billion from other RCEP member countries, a year-on-year decrease of 4.4% [7]. It can be seen that RCEP has a huge impact on China's foreign trade and economic growth.

On the other hand, Vietnam's exports to RCEP countries reached \$132.32 billion in 2021, an increase of 16% compared to 2020. Meanwhile, imports reached \$238.5 billion, a 28% increase compared to 2020 [8].

3.2.2. Sino Vietnamese Trade under RCEP

Vietnam is China's third largest trading partner in the RCEP region, with a trade volume of \$235.57 billion in goods between China and Vietnam, accounting for 12.1% of China's total trade with other RCEP member countries, a year-on-year increase of 2.4% [9].

Compared to other FTAs signed by Vietnam, RCEP is more complementary. RCEP did not allow Vietnam to expand into new markets, but promoted Vietnam's trade with member countries and created a unified market. Taking Vietnam's textile industry as an example, most of Vietnam's textile raw materials are imported from China. If only the "ASEAN+1" free trade agreement or CPTPP, Vietnam's textile exports to South Korea or Japan cannot meet the rules of origin because China is not a contracting party to the CPTPP and cannot enjoy corresponding tariff preferences. Joining RCEP can meet the above needs, thus promoting the development of textile trade between Vietnam and China. At the same time, after the agreement takes effect, Vietnam and other member countries will cancel at least 64% of their existing tariffs. In 20 years, Vietnam will cancel nearly 90% of its tariffs with other member countries, which will greatly benefit Vietnam's trade development with other countries [8].

Intuitively, after the RCEP took effect, there were a total of 57 Sino Vietnamese trains departing from China to Vietnam in the first quarter of 2022, a year-on-year increase of 128%, with a significant increase. Since 2022, China Vietnam cross-border trains have added agricultural machinery, biscuits, glass and other goods. There are nearly 30 types of goods transportation, 20 more than that in 2021. The number of Freight train running every day has increased from the original 3 pairs to 5 pairs [8].

3.2.3. Overall

From the above content, it can be seen that the effective implementation of RCEP will provide more conditions and opportunities for the development of bilateral trade between China and Vietnam, which undoubtedly demonstrates that China Vietnam trade, with the support of RCEP, will play a more important role in Vietnam's GDP growth.

3.3. Trade Friction Between China and the United States Promotes the Increase of Vietnam's Import and Export: Taking the Photovoltaic Industry as an Example

3.3.1. Introduction to China–United States Trade War

The Sino US trade friction began in July 2018 before the epidemic. The then US President Trump imposed tariffs on Chinese Machine element, cars, aircraft and communication equipment, and then

China took relevant countermeasures. Today, with the resignation of the Trump government and the impact of the epidemic, the Sino US trade friction has gone through several rounds of truce friction truce and has gradually developed into a blockade of some of China's industries with advanced technology, For example, the Chinese photovoltaic industry - but in fact, after the United States stopped importing Chinese related photovoltaic products, it was unable to find corresponding substitutes in the international market, which provided valuable opportunities for some countries- such as Vietnam[10].

3.3.2. Opportunities for Vietnam and Sino Vietnam Trade Brought by the China–United States Trade War

Since the United States imposed tariffs on photovoltaic products in terms of "Article 201" on China's photovoltaic industry in 2018, the corresponding Chinese photovoltaic enterprises began to choose to avoid various tariffs and anti-dumping fines by trading with Taiwan, China, China. However, in the following "Article 301", Taiwan, China was also included in the tariff range, so Chinese enterprises focused on Vietnam [11].

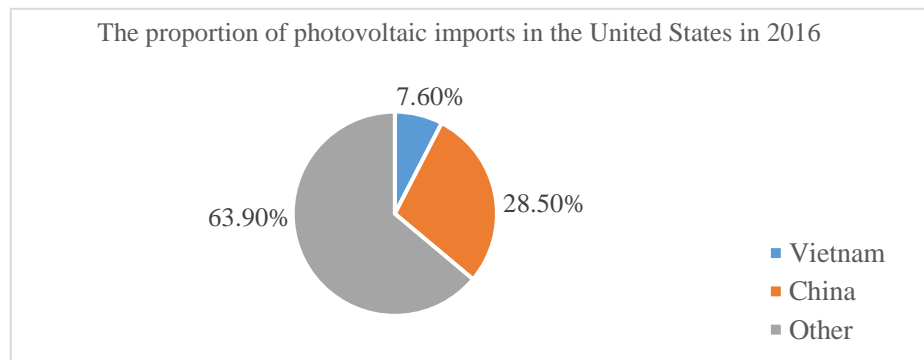


Figure 4: The proportion of photovoltaic imports in the United States in 2016.
Data from the Vietnamese Bureau of Statistics.

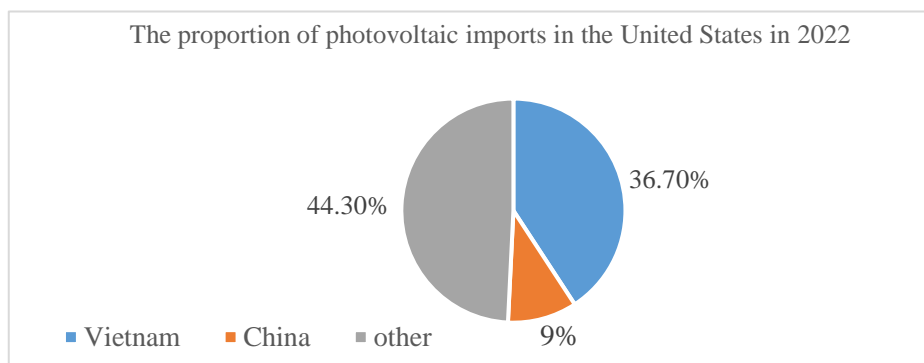


Figure 5: The proportion of photovoltaic imports in the United States in 2022.
Data from the Vietnamese Bureau of Statistics.

From the Figure 4 and Figure 5, it can be seen that in 2016, China was still the largest supplier of photovoltaic products to the United States, while Vietnam only accounted for 7.5% of the total imports of photovoltaic products to the United States; But just four years later, Vietnam and China completely switched identities, and in 2022, the proportion of Vietnamese photovoltaic products in the United States jumped to 36.7%, more than four times that of China.

On the other hand, the author will observe the import and export situation of photovoltaic products in Vietnam.

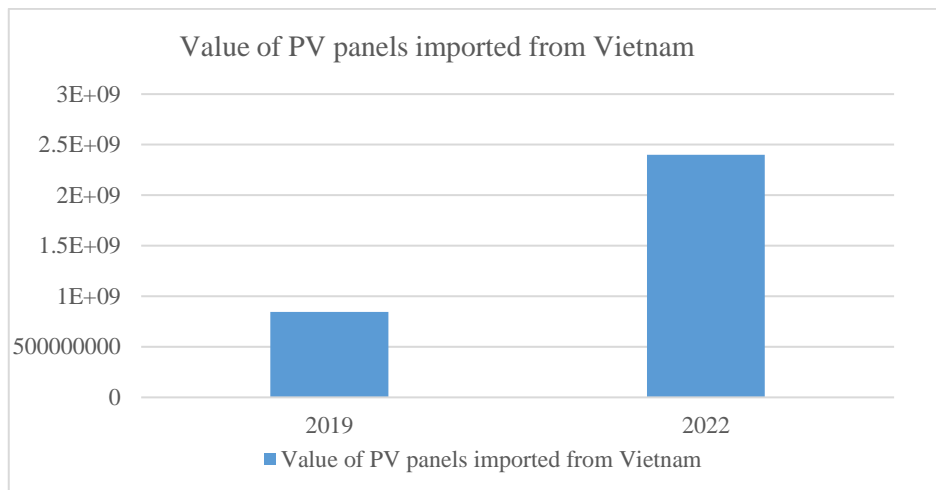


Figure 6: Value of PV panels imported from Vietnam.
Data from the Vietnamese Bureau of Statistics.

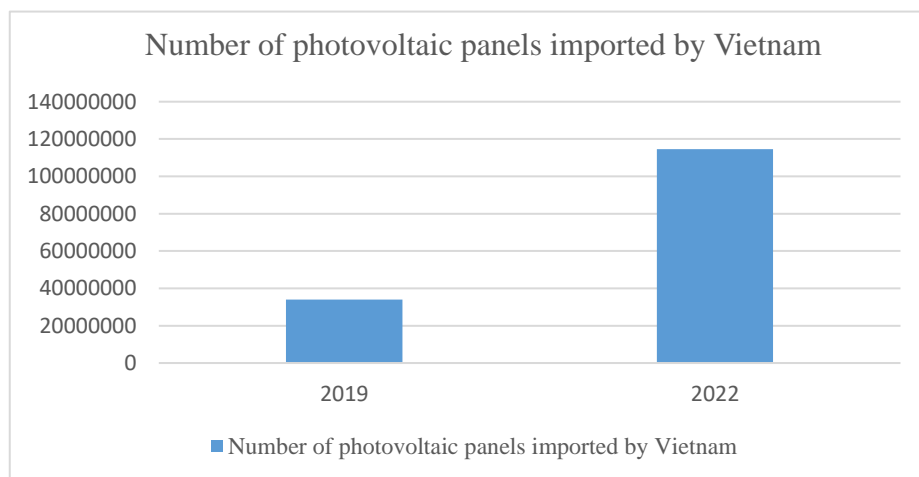


Figure 7: Number of photovoltaic panels imported by Vietnam.
Data from the Vietnamese Bureau of Statistics.

From the figure 6 and 7, it can be seen that Vietnam's import quantity and total import value of photovoltaic panels increased significantly between 2019 and 2022, with the data for 2022 being approximately three times that of 2019. Taking into account the significant increase in Vietnam's photovoltaic products to the United States mentioned earlier, it is not difficult to draw a conclusion - in fact, Vietnam plays a role as an intermediary in the Sino US trade in the photovoltaic industry. On the one hand, Chinese photovoltaic companies must choose to "bypass" exports to the United States in order to avoid sanctions, and on the other hand, the United States cannot directly import from China without the Chinese photovoltaic market, while Vietnam uses intermediaries as a means, The substantial benefits earned from it with almost no cost have greatly increased one's import and export trade volume.

3.3.3. Overall

Through the photovoltaic industry, the author can see that in the case of direct trade obstruction between China and the United States, only indirect trade through a third country, Vietnam through the "reselling" of Chinese products, that is, to promote the development of Sino-Vietnamese trade, but also promote the US-Vietnam trade, greatly enhance its import and export volume, so as to promote its own economic development, the author can see the important impact of Sino-Vietnamese trade on Vietnam.

4. Conclusion

Through a comprehensive analysis of the impact of China's economic transformation, the impact of RCEP, and the impact of Sino US trade frictions, the author believes that since Vietnam's reform and opening up, China–Vietnam relations have been warming up, China Vietnam trade relations have been deepening, and China Vietnam trade has increasingly become one of the main drivers of Vietnam's GDP growth. China Vietnam trade has actually become the most important part of Vietnam's trade, and thus has become one of the pillars of Vietnam's economy, The impact of China on the Vietnamese economy does not stop at the growth rate of GDP. Whether it is the industrial transfer to Vietnam or the ability of Vietnam to undertake some of the "Made in China" under Sino US trade, it has greatly promoted Vietnam's industrial transformation and in fact helped Vietnam to carry out economic transformation. And China's large amount of basic manufactured goods such as textiles from Vietnam has helped Vietnam meet the shortage of daily necessities for the people. In summary, China Vietnam trade has a significant promoting effect on Vietnam's economic development.

This article aims to demonstrate the impact of China Vietnam trade on the Vietnamese economy by analyzing the current situation of China Vietnam trade, thereby providing certain guidance for China Vietnam trade and providing some economic inspiration for Vietnam's economic development.

In the current era of deepening economic ties between China and Vietnam, it is expected that trade between China and Vietnam will maintain an upward momentum in the coming years. At the same time, China and Vietnam should uphold a win-win cooperation and mutually beneficial attitude, fully carry out various cooperation, and promote common economic development between the two countries.

At present, research on Sino Vietnamese trade is still limited to the economic level. If future research can introduce international relations variables and construct a model different from the current mainstream models, relevant conclusions will be further supplemented and improved.

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