Int. j. adv. multidisc. res. stud. 2022; 2(6):1000-1009

Received: 30-10-2022
Accepted: 10-12-2022

International Journal of Advanced Multidisciplinary Research and Studies

ISSN: 2583-049X

The US-China trade war and its impact on the Vietnam's economy

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Abstract
The US-China trade war, which was initiated by President Donald Trump in 2018, has caused consumers in both countries to suffer when buying goods from the other, escalating import tax sanctions. Exports have also created disruptions in the supply chain of goods, directly affecting businesses and consumers around the world. The escalation of the world's two largest economies has crossed the border of the two countries, strongly affecting many aspects of the Vietnamese economy. In the short term, Vietnamese businesses have the opportunity to boost exports. However, the trade war in the long term will reduce the world economy and reduce foreign demand for Vietnamese goods, on the other hand, goods exported from Vietnam will be exported to the US market. China will be more difficult because China strengthens the enforcement of measures to protect the domestic market due to the geographical location of excess Chinese goods will flow to the Vietnamese market. Especially for FDI enterprises to foreign investment inflows, Vietnam is considered as one of the important destinations of FDI flows out of China thanks to its strategic location, low labor costs, human resources. Abundant resources, a stable political and macro environment, great economic openness and the recent participation in two free trade agreements (CPTPP and EVFTA) have helped manufacturers better access markets. As the main export, it also affects the financial, monetary and banking markets with high interest rates causing high financial costs, which is the cause of reducing profits for many businesses, which is a big pressure on Vietnamese enterprises. Moreover, in the context of the current COVID-19 pandemic, the economy between China, the US and the world, including Vietnam, is also greatly affected. In this article, we propose some solutions and measures that help alleviate this impact on Vietnam's economy.

Keywords: US, China Trade War, Vietnam, Economy

1. Introduction

From the past until now, the war are no longer strange to us, in an era of development besides health care, education. When a trade war has occurred, a phenomenon in which two or more countries raise or create tariffs or other barriers to trade with each other in response to the trade barriers of the opposing country. Increased protectionism made the production of goods in both countries gradually reach the level of self-sufficiency. On July 6, 2018, Donald Trump imposed tariffs on $34 billion worth of Chinese goods, prompting China to respond with similar tariffs on US products. The Trump administration says the tariffs are necessary to protect the national security and intellectual property of American businesses, and help reduce the US trade deficit with China. However, China argues that it has increased protection of intellectual property rights and that the United States has ignored the effort; that the United States has ignored WTO rules and ignored calls by its industries to reduce tariffs. China firmly opposes these US trade practices, believing that they represent "unilateralism" and "protectionism". Up to now, the two largest economies are still having conflicts with no direction to resolve.

In addition to actively strengthening and diversifying bilateral economic cooperation, disagreements and tensions are also increasing. Especially in the period from 2005 until recently, there were always trade conflicts between the two leading economies in the world. It is feared that a new trade war between these two countries may occur, when one country uses measures to limit the other, there will be retaliation and vice versa. If there really is a trade war, not only the US and China will be harmed, but the global economy will certainly be affected.

Vietnam is a country deeply integrated in a global trading system that is highly interdependent. It is common for neither side to win in a trade war. It is widely accepted that trade wars do more harm to the declarers than they are beneficial. And the consequences of the trade war are also deeply rooted and have the potential to spread to regions of the world. It is important to see the broader picture. A trade war between the world's two largest economies is certainly not good news for Vietnam, a country that is actively integrating into the global economy and is attached to a global trading system.

With the assigned topic "US-China Trade War and its impact on Vietnam's economy", we want to provide an overview of trade between the US and China: from the current situation, the problems, causes of competition, impacts and solutions. In addition, Vietnam is in the process of accelerating industrialization and modernization of the country. This is a relatively difficult and complicated process. Vietnam has carried out industrialization and modernization at the same time, creating more and more difficulties and challenges. All aimed at socio-economic development. However, there are always unpredictable factors affecting the Vietnamese economy, most notably the US-China trade war. Vietnam is China's neighbor, so it will inevitably be affected by this war.

2. Overview of the research problem

A trade war is a phenomenon in which two or more countries increase or create tariffs or other barriers to trade (including import and export permits, import quotas, aid, etc.) for domestic industries, voluntary export restrictions, strict requirements for domestic imports, embargoes, trade restrictions, and currency devaluation) with each other in response to the trade barriers of the independent country.

Increased protectionism made the production of goods in both countries gradually move towards self-sufficiency to meet consumer needs not satisfied by limited imports. The trade war between China and the United States (also known as the China-US Trade War for short) began on March 22, 2018 when US President Donald Trump announced tariffs on $50 billion in goods. China exports to the US, to prevent what it sees as unfair trade practices and intellectual property theft.

In the past few years, the United States and China have retaliated against each other, levying tariffs on many items, such as agricultural products, cars, chemicals, machinery, metals and medical equipment. The trade dispute between the world's two largest economies will have an impact on other countries, including Vietnam. Because the United States and China are Vietnam's top trading partners and Vietnamese goods are in China's value chain, this trade war will have direct and indirect effects.

The General Statistics Office always closely monitors the content and impact of the US-China trade war. From the end of 2018 up to now, the investment capital flow from China and Hong Kong to Vietnam has increased dramatically, the total registered investment capital from Hong Kong and China is estimated at 7.1 billion USD registered investment reached 5.1 billion USD; China reached 2 billion USD), accounting for 42.4% of the total registered foreign direct investment capital in the first 5 months of 2019. If compared with FDI inflows from China and Hong Kong for the whole year 2017 was only 3.7 billion USD; The whole year 2018 was 5.8 billion USD, showing a sudden increase in registered FDI capital of Hong Kong and China in the first 5 months of 2019. This phenomenon reflects the US-China trade war as one of the factors affecting the flow of foreign direct investment into our country. On the other hand, because Vietnam is a member and has committed to implementing free trade agreements, it is also a factor attracting foreign direct investment flows of countries and territories, including Hong Kong. and China enter Vietnam to benefit from the tax policy of these agreements.

Over the years, the Government and localities throughout the country have focused on building a legal environment and concretized it into policies to attract FDI, regardless of countries coming to invest in Vietnam. In the current context, we need to continue to pursue the policy of attracting foreign direct investment, which focuses on investment incentives "based on efficiency" in relation to investment incentives, taking into account the impact on the environment, employing skilled workers, strengthening the system of monitoring and evaluating the effectiveness of FDI projects. Priority will be given to investors who have modern technology lines, advanced management skills in line with the trend of production in chains to develop domestic supporting industries, especially interested in Vietnamese industries. are prioritizing development. At the same time, we also open a number of service industries to absorb technology, improve the competitiveness of the economy, ensure security and defense of the country.

Attracting foreign direct investment capital of localities should be placed in the context of building socio-economic development strategies for the period 2021-2030, socio-economic development plans for the period 2021-2025, in line with in accordance with the overall planning of the locality, the region and the entire economy, in accordance with the advantages, conditions and development level of each locality in the regional linkage, ensuring the overall economic efficiency. - social - environment. To attract FDI capital from localities in the direction of selecting projects with high quality, added value and modern and advanced technology; do not let investors come to Vietnam just for the purpose of taking advantage of the cheap labor market, low utility costs, especially not letting Vietnam be a destination for foreign investors to spread risks. risk in the trade war. For sensitive areas and areas related to national defense and security, border areas, sea areas, islands and exclusive economic zones, the attraction of foreign investment should be considered closely. put the issue of ensuring national defense, security and sovereignty on the top. In addition, it is necessary to perfect mechanisms and policies to create new motivations for attracting and using foreign investment in industrial parks, export processing zones, economic zones, hi-tech parks and hi-tech agricultural zones.

The US-China trade war not only affects these two countries, but Vietnam and other countries around the world are also affected. However, special attention should be paid to the "dangerous" nature of this war that will create a "war" on currency. Currently, many countries around the world are tending to devalue their currencies, leading to the escalation of commodity prices and volatile oil prices. In the context of deep integration and globalization, any developments in the world and regional economies will bring advantages and disadvantages to relevant economies. The US-China trade war gives Vietnam the opportunity to attract foreign direct investment flows from China because Vietnam has an open business environment, security, political stability and emerging countries. to rearrange its investment strategy abroad. The world's major companies investing in China will find solutions to reduce risks by diversifying their investment activities and will move some production or trading facilities to other countries, including Vietnam.

In addition, the US-China trade war creates opportunities for the import and export of Vietnamese goods. Products that both China and Vietnam have strengths in exporting to the US market, so when the US imposes high tariffs on Chinese goods to limit imports from this country, it will be an opportunity to boost exports. these products from Vietnam to the US, contributing to increase export turnover. Vietnam's export turnover to the US market in 2018 increased by 14.2% over the same period, 4 percentage points higher than the export turnover of the same period to this market in 2017.

China is currently Vietnam's largest two-way trade market. Besides increasing tariffs on goods imported from the US, one of the measures China uses to deal with US sanctions is to devalue the renminbi against the US dollar to boost exports. and restrict imports to reduce China's export deficit of goods, while encouraging domestic consumption and ensuring economic growth. The devaluation of China's domestic currency will create benefits for Vietnam in Vietnam-China trade relations on the basis of US dollar transactions, because with a certain amount of US dollars, we We will be able to buy a larger amount of goods than before China devalued the renminbi, but exporting Vietnamese goods to China will be more expensive.

Besides the advantages, the US-China trade war also poses significant challenges for our country's economy to face in the coming time. First of all, trade competition between Vietnam and China is more intense. When China devalued the renminbi, the competition for export goods between Vietnam and China in non-US markets became increasingly fierce; on the other hand, exporting Vietnamese goods to China will be more difficult because the price of Vietnamese exports becomes higher in the Chinese market. In addition, when the US imposes high tariffs on Chinese goods exported to the US, China will redirect part of its export strategy to serve the domestic market, creating competitive pressure on Vietnamese exports. to China; at the same time, China can redirect exports to other countries, including Vietnam. In addition, the trade war launched by the US with the goal of hitting China's industrial production industry, currently Vietnam's trade deficit with China is mainly industrial products. Therefore, the risk of a trade balance deficit with China continues to increase, Vietnam's trade deficit from the Chinese market in the first 5 months of 2019 is still in the leading position with an estimate of 16.1 billion USD. up 45.9% over the same period in 2018.

Based on the report from KPMG on investment in Vietnam in 2021, GDP growth rate is nearly twice higher than 2020. Vietnam is one of the countries with the highest economic growth rate in the world thanks to on the stability of economic markets as well as the promotion of investment and development by the government. Notably, on November 15, 2020, Vietnam and 14 other countries signed the Regional Comprehensive Economic Partnership (RCEP), which is considered the largest free trade agreement in history between the two countries. Asia-Pacific countries account for about 30% of the world's population and 30% of global GDP, making it the largest trading bloc ever.

In the international media in 2021, "confrontation", "tense", "competition" between the US and China are all too familiar phrases. However, 2021 has brought a new state of relations between these two countries. Not only covering the globe with a gray color, COVID-19 also greatly transformed the strategic relationship between the two great powers, the United States - China. Since Joe Biden took over the White House, it seems that trade tensions between the US and China have changed in the direction of cooling down. This comes from two factors, on the one hand, both Washington and Beijing have grown tired of the trade war between the two countries in the past time, as well as see the downside of continuing to maintain confrontation on the full front. this. But perhaps the consequences of the COVID-19 pandemic are the reason for forcing the US and China to make concessions to each other. In fact, the Joe Biden administration understands that the tariffs the Trump administration has launched on China so far have not been effective against the impact of the COVID-19 pandemic. While Beijing adopts a dual-circulation strategy, promoting technological self-reliance and relying on the domestic market for growth.

One of the biggest entanglements between the US and China is the implementation of the phase one agreement to end the trade war between the two countries. The deal requires Beijing to adjust its rules on intellectual property and other areas, and commits to buying an additional $200 billion in Washington goods between 2020 and 2021. December 31 will be the deadline. but China is falling too far behind the target of buying US goods (only 60%).

The US economy has been making progress in rebuilding and recovering from COVID this past year. On the other hand, Vietnam is the worst-affected country due to an increase in COVID-19 infections and low vaccination rates. Although Vietnam had good control in the early stages of the outbreak, however, when the Delta variant appeared and arrived in Asia last spring, Vietnam was severely affected when only 25% of the population is vaccinated and mainly in the south, where many manufacturing plants and labor are concentrated.

3. Current status of research problem

The US-China trade war, which was initiated by President Donald Trump in 2018, has caused consumers in both countries to suffer when buying goods from the other. The escalation of import tax sanctions has also created disruptions in the supply chain of goods, directly affecting businesses and consumers around the world.

In January 2020, the US and China signed a phase one trade agreement, in which Beijing committed to increase the amount of goods imported from the US by US$200 billion in the period 2020-2021, with a comparative milestone. is the import value of 2017. But in the past year, China has only fulfilled about 60% of this commitment. The administration of President Joe Biden affirmed that it will continue to pursue the phase one agreement and expect China to comply with its trade commitments.

Over the past four years, the US has in turn launched a trade war, a technology war, and a public opinion war against China. The series of actions of President D. Trump's administration is aimed at pressuring and preventing China, bringing the relationship between the two countries to a new stage - comprehensive strategic competition, more fierce confrontation.

Based on the new stages of strategic competition between the US and China today, some key characteristics can be seen as follows:

First, the US "wakes up" in its perception of the global threat from China - actively pushing competition into a new form of comprehensive confrontation. In the more than 40 years since the US and China established diplomatic relations (1979), "US policy towards China has been mainly based on the view that a deeper connection will promote open economic and political fundamentals in China and led to the country's emergence as a constructive and responsible global actor with a more open society". Therefore, many previous US presidents have implemented a policy of active engagement with China, that is, with cooperation and restraint; at the same time, entice China to participate in the existing international system, according to the rules of the game set by the US.

Conflicting development orientations: Observing changes in US policy, analysts say that, after the Cold War, China and the US followed two different development paths. China believes that the world has turned to an "age of peace and development", and should proactively and persistently stick to the reform and opening-up policy, focusing on economic development, becoming the world's second largest economy. (2010), build a network of global partners, begin to participate and have more influence in international affairs.

Contradictions in economic development models: According to experts, covering the US-China strategic competition is an uncompromising confrontation between the US free market economic model and the state-owned economic model. controlled by China. The profound differences between the two economic models of the US and China have led to conflicts that are difficult to control, especially in some strategic areas, and difficult to find solutions. The current problems in China's economy are mainly caused by the contradiction between domestic supply and demand, financial bubbles and unstable economic cycles. The recent external difficulties for the economy of this country are mainly as a result of the COVID-19 acute respiratory infection, which has led to a drop in demand in the global market.

Ideological contradictions: From the US perspective, China's rise is not only a challenge to US interests and international standing, but also a threat to institutional stability. with the same values created by the United States. From the perspective of China, it believes that the US has never given up on the plot to overthrow the socialist regime led by the Communist Party of China.

Second, in competition, there is a dangerous form of confrontation and separation: Currently, the form of strategic competition between the two great powers is evolving in the direction of confrontation and separation. Analysts say that political calculations, economic recession, broken trust and growing nationalist resistance are the catalysts that make the two governments unable to enact. informed policy decisions.

The US-China strategic competition is falling into a state of "new cold war": Overall, the relationship between the US and China during the term of President D. Trump shows that competition The US-China strategic war has entered a new form of "Cold War". The US-China strategic competition is currently the main axis that dominates the international political chessboard, this relationship is always dynamic, changing and unpredictable.

It must be mentioned that Vietnam's export activity to the US will increase in the context of the war. Vietnamese enterprises have the opportunity to expand their market share in the US because the number of Chinese industries affected by the 10% tax rate is quite similar to the main export groups of Vietnam to the US. Therefore, it is expected that some industries of Vietnam can directly benefit. Second, investment capital from foreign enterprises will tend to flow out of China and find more stable neighboring countries, including Vietnam. A typical example can be seen in the case of some US enterprises investing in China that have shifted their production to Vietnam (for example, Procon Pacific, which previously produced all products in China, now allocates 25% of its production to Vietnam). in India and 5-10% in Vietnam). Or like the case of Kingsmead Hedge Fund leaving the Chinese stock market, turning to Vietnam. Singapore-based Kingsmead Fund manages about $60 million, focuses on investments in Asia, and also manages client funds in multiple other single accounts that have divested all of their capital in Chinese stocks.

Tariff impact

In order to avoid high tariffs, both Chinese and American companies have reduced the import of some goods from other countries and started looking for supplies from Vietnam, the competitiveness of Vietnamese exporters will increase. increased and opened up high demand for goods, especially textiles. For investors, Vietnam can also be another option instead of China. Vietnam is benefiting from China's +1 strategy, in which investors in China transfer and expand to other countries to increase market access, diversify risks and reduce costs. labor. This ever-expanding trade war will only spur investment transfers, particularly for labor-intensive consumer goods such as clothing, footwear and electronics. As an export-oriented economy, Vietnam's foreign direct investment (FDI) market accounts for the majority of exports. Vietnam will attract more investors as manufacturers continue to restructure their supply chains to reduce the impact of US tariffs on China. Besides the positive effects, Vietnam also will suffer some adverse effects from the US-China trade war.

Although Vietnam and China have the same structure of goods exported to the US, this does not mean that Vietnamese goods can easily replace Chinese goods in the US market. The reason is that China has large manufacturers and a competitive cost advantage. When the US market faces difficulties, Chinese companies will switch export markets to other countries, including Vietnam. At that time, Vietnamese companies will face direct competition from Chinese companies, including not only the export market, but also the domestic market. In addition, cross-border supply chains will be shaken if the US imposes tariffs on China more widely.

This will affect Vietnam's exports to China, because China has to focus on consuming domestic goods. The Sino-US trade war directly caused a slowdown in global economic growth and caused an increase in trade protectionism, adversely affecting Vietnam's open economy. According to statistics, Vietnam's exports of electronic products, mobile phones, computers, seafood and agricultural products to China in the first 6 months of 2019 showed a decreasing trend. problems such as fraud and tax evasion. In June 2019, Vietnamese customs seized a large number of forged certificates of origin and illegally transported agricultural products, textiles, steel and aluminum. This makes Vietnamese goods may face higher import taxes from the US. Before the higher tax rate, enterprises in China will direct the export of raw materials to Vietnam to maintain the balance. This will affect Vietnam's domestic industry.

In the long term, Vietnam is concerned that the US is based on the trade war to introduce tax and technical barriers to countries that have a trade surplus with the US, including Vietnam. In 2017, the proportion of exports to the total turnover of Vietnam with the US was 19.4%. The proportion of imports to the total turnover of Vietnam with the US is 4.3%, so Vietnam has a trade surplus with the US of 15.1%.

This will affect Vietnam's export goods, especially, some key export products of Vietnam to the US such as textiles, electronics, telephones may be targeted objects.

The financial and monetary environment will have unfavorable developments. That is the drop in stock prices, the threat of devaluation of the VND in the face of the pressure of the US dollar's interest rate hike and China's renminbi devaluation. The pressure to depreciate VND will increase in the same direction as the increase in trade deficit and scarcity of foreign currencies, as well as the size of the reverse flow of USD across the border due to the attraction of the difference in interest rates on USD deposits of Vietnam (currently at present). equal to 0% and no sign of increasing) with the US (from 1.75 - 2% and will continue to increase slowly). If the trend of exchange rate stability is prolonged (that is, increasing the nominal value of VND), the export disadvantage of Vietnamese goods will be more pronounced and the resistance to attracting foreign direct investment (FDI) flows into the country will be prolonged. Vietnam will also grow up. This means the ability to shrink production and exports of the foreign direct investment sector, because of exchange rate losses when investing in Vietnam. If it is forced to increase the exchange rate, ie depreciate the VND, to increase FDI attraction, cost-push inflationary pressure and domestic currency inflation will appear. It can be seen that if the trade war continues for a long time, Vietnam's economy will be more severely affected in the long term. According to an analysis by the British Financial Times, among the five ASEAN countries with the largest economies in the region, Vietnam, the Philippines and Indonesia will suffer serious damage when the US-China trade war continues to escalate. Vietnam is the worst hit because its economy depends on exports to the US the most at $43.7 billion.

4. Mitigation solutions of the trade war to the Vietnamese economy

Firstly, to minimize risks arising from trade disputes, Vietnam must focus on expanding market access. Vietnam has participated in many free trade agreements (FTAs), two of which will come into force in the near future, namely: the Comprehensive and Advanced Trans-Pacific Partnership (CPTPP) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Vietnam - EU Free Trade Agreement (EVFTA). In this way, Vietnam will have the opportunity to increase exports to other markets. However, Vietnam has been affected by underdeveloped supply chains, severe dependence on imported raw materials and lack of supporting industries. To survive the trade war and make the most of the upcoming Free Trade Agreement (FTA), Vietnam needs to work to remove these barriers.

Secondly, the authorities also need to apply effective trade remedies soon, use measures to deal with and control the quality of goods, in order to prevent them at border gates and at customs. mandarin. Closely prevent smuggling and smuggling of goods and the market management teams need to tighten the organization to monitor and stick to the area. Along with that, the authorities also need to carefully study Chinese goods that can be imported into Vietnam in case China's exports to the US are restricted, this country will transfer goods to Vietnam, then exported to the US market with the label of goods from Vietnam. In addition, it is necessary to quickly approach major investors in the world and take advantage of the affected Chinese market opportunities to promote investment in Vietnam.

Third, focus on environmental protection and skill improvement. Vietnam should step up the value chain to attract high-tech industries, environmentally friendly companies, clean energy, advanced medical equipment and the healthcare industry. Vietnam is emulating the export-oriented economic growth model of emerging industrial countries (NICs) such as Thailand and South Korea. This model is dominated by heavy industry, chemicals and other resource-intensive industries, which rely on strong foreign investment flows and productivity growth. This development model will bring great pressure on the environment and society, promote the development of labor-intensive industries, and lead to the suppression or distortion of the development of technical labor. will impede the long-term development of society. Some experts believe that Vietnam needs to conduct more legal reforms to control the negative impact of businesses and low-cost production on the environment. Improved infrastructure will allow Vietnam to enjoy the benefits of development in a more balanced way. For example, railways and deep-water ports can increase investment opportunities, and green technology and renewable energy are potential areas that can promote long-term development.

Fourth, strengthen the role of Vietnamese enterprises: Vietnamese businesses need to be aware of the negative impacts of the trade war on the market as well as the businesses themselves. Enterprises need to accompany the State in the process of dealing with bad fluctuations from the war. First of all, enterprises need to enhance the quality of goods, diversify forms and models, with suitable prices to increase the competitiveness of domestic manufacturing enterprises and export enterprises. Next, it is necessary to orient to improve its import-export strategy in a sustainable way, in which export growth is both in breadth and depth. The trade war between the US and China has shown no sign of stopping. This has had a significant impact on the economies of both countries, as well as other open economies in the world. Vietnam is an open economy, so it is difficult to avoid the effects of this war. In that context, Vietnam needs to make good use of opportunities, and at the same time, Vietnamese businesses also need to actively improve quality to turn difficulties into opportunities for themselves. Facing challenges caused by the US-China trade war, Vietnam needs to have countermeasures to avoid negative effects from this war.

- Make good use of the large Vietnamese market: with nearly 100 million middle-income consumers, it is an attractive market and will be interested by many countries.
- Strive non-stop to preserve and develop our export markets. In the immediate future, the direct impact of the above war is the difficulties introduced by the US government to prevent the export of steel, aluminum, and catfish to this market. To avoid falling into an awkward and dangerous situation for national sovereignty, the best way is not to take sides, that is, to keep the position of "economic neutrality".
- To maximize the multilateralization of economic relations, in addition to signing the CPTPP is a very good step, but we need to go further to add markets that no longer exist. On the other hand, we must prevent the domination, in any form of a country or economic bloc, on the Vietnamese economy.

- The first step will be to maximize the multilateralization of economic and trade relations through new generation FTAs. At the same time, no one partner will have a position that can dominate the national economy. This policy applies not only to the demand source but also to the supply source for the national economy.
- Limited to the extent that they cannot govern economic and trade relations with current countries and economic blocks. To take this step, the Government will amend the Competition Law in accordance with the spirit of the market economy, ensuring fair competition and prohibiting the domination of the market by an enterprise, a country or a country. economic block.
- It is necessary to study to actively adjust the exchange rate slightly and pay attention to inflation. The pressure on exchange rate fluctuations from geopolitical events will increase rapidly in the near future, especially in the context that the RMB may continue to depreciate deeply.
- Inflationary pressure from the outside can be reduced due to the decrease in import prices, however, it is necessary to avoid taking advantage of the decrease in import price index to increase the prices of some essential goods due to the great impact on the lives of farmers in the near future. The condition that the export price of agricultural products may decrease due to the decrease in demand and recently, China's reduction of unofficial imports to the official quota.
- Although export opportunities with the US increase rapidly, it is necessary to actively study import opportunities to reduce the trade deficit and avoid trade conflicts. Actively negotiate to resolve disagreements on trade deficits, foreign exchange reserves and exchange rates to avoid the US being included in the monitoring list of currency manipulators.
- Review and reduce investment incentives in case FDI inflows show signs of rapid increase by mid-2019, especially financial incentives in the direction of minimizing incentives for industry groups and geographical locations. less priority (currently priority projects are quite a lot, causing loss of budget revenue).
- Better prepare conditions to receive the wave of high-quality investment and investment in supporting industries in the event of a shift from China. Continue to improve and upgrade infrastructure, especially logistics infrastructure to reduce investment and circulation costs.
- Research to take advantage of opportunities as well as challenges to improve the supply chain of Vietnam today. Vietnam is expected to benefit greatly from trade and investment, however these benefits are short-term. The long-term bottleneck is still to improve the supply chain to increase export value, take advantage of opportunities from the FTA as well as bring higher value to domestic enterprises.
- Vietnam needs to actively learn and approach investors in this field who intend to move to Vietnam for investment promotion.
- Review and complete the legal framework on environment. Because the investment boom can easily lead to environmental overload, it is necessary to continue to improve and improve the effectiveness of environmental and social regulatory documents of FDI investment in Vietnam. This is the most effective tool at present to regulate FDI attraction in the context that other opportunities are limited due to commitments in FTA agreements.

Take advantage of opportunities from foreign investment flows

Good policies that create favorable conditions for business and investment are key to attracting investment flows from China. In the long term, Vietnam's traditional competitive advantages such as cheap labor will find it difficult to attract FDI because the future industry will require less labor and more skilled labor. Enterprises need to clearly define their competitive advantages in the future to focus on reform. It is necessary to further promote vocational training, improve human resources, and promote linkages between vocational training institutions and enterprises. Vietnam needs to continue to improve and upgrade infrastructure, especially logistics infrastructure to reduce investment costs and circulation costs, and create favorable conditions for businesses to do business. In addition, the Government needs to take measures to review FDI projects from China to limit the use of Vietnam for the purpose of avoiding export taxes to the US.

Reducing risks for domestic enterprises

In the context of escalating trade risks, exchange rate risks may increase, the Government needs to research and optimize regulations on risk provisions for banks and manufacturing enterprises. It is necessary to provide information widely to businesses on issues surrounding trade conflicts (movements as well as the list of taxed goods) so that businesses can be proactive and flexible in their actions. production, search for markets, partners and provide timely and appropriate solutions. The government needs to support businesses to find more stable and favorable export directions to take full advantage of opportunities from the war as well as free trade agreements that Vietnam has been aiming for. In particular, it is necessary to support enterprises to improve their qualifications and invest in production technology to help them cope with challenges in the era of science and technology and the 4.0 technology revolution.

5. Conclusions

The impact of the trade war on the world in general with Vietnam in particular is not clear because it depends a lot on the scale and evolution of the war, on the upcoming action scenarios of the US and China. as well as the response of other countries. With Vietnam, there may appear markets that suddenly become vacant when the US and China impose tariffs on each other, creating new competitive opportunities for Vietnamese goods. But it could also be that the trade flows of the US and China shift to alternative markets, making competition more complicated in other import-export markets of Vietnam and in Vietnam's own market.

The US-China trade relationship always has many potential risks of conflicts, disputes, even technology trade wars and leads to currency wars, so Vietnam must always be ready to prepare optimal solutions to reduce the risk of conflicts. minimize negative impacts on trade, investment and monetary finance,... The USD continued to appreciate due to the high growth of the US economy, low unemployment rate and the Fed's reduction in USD interest rates while the yuan lost Strong prices due to the consequences of the US-China trade war will put pressure on Vietnam's exchange rate management policy. But in fact, compared to the yuan, the dong is getting more expensive, making the price of Chinese goods cheaper in Vietnam, and the competitiveness of Chinese goods is increasing. In that context, if the VND is allowed to depreciate at the rate of the Chinese yuan to maintain the competitiveness of exported goods in the international market, it may cause a loss of confidence in the VND, increasing the risk of foreign capital withdrawal, impact on growth and inflation. If the VND continues to remain at the current level, the export of Vietnamese goods will face difficulties, imports will increase, Chinese goods may overflow into Vietnam, the balance of payments may fall into a state of disrepair. uglier

The US-China trade war as well as that of some major countries will create a stronger impetus in deploying economic links, multilateral investment, promoting cooperation and multilateralization in finding markets to consume products. Vietnamese products. On the other hand, when the dollar appreciates, the yuan's depreciation will benefit Vietnam's exports in the short term, because the VND is mainly pegged to the USD price. Besides, the flow of foreign direct investment (FDI) into Vietnam may also increase in the context that FDI inflows into countries subject to high taxes by the US will tend to slow down. The US-China trade war affects the Vietnamese economy in two directions, favorable and unfavorable. The problem is that we clearly identify these things, so that the Government has timely solutions to overcome the shortcomings and take advantage of the trade war to develop the country.

The Vietnamese government needs to closely monitor the actions of these two major trading partners in anticipation of the scenarios of the US-China trade war. Plan out solutions for each of those scenarios to be prepared for all possibilities, including survival. Especially, the Government needs to regularly and quickly update the List of goods subject to tariffs of the US and China, as well as the USD / RMB exchange rate and have a quick information channel for businesses to have a timely response. . Vietnam also needs to continue to improve the investment environment to attract foreign businesses, including American and other foreign businesses, investing in China. If there is a shift of investment from these enterprises out of China, Vietnam should also consider a number of measures to prevent Chinese goods from shifting to the Vietnamese market, but using the exchange rates apply non-tariff measures that are reasonable and in accordance with international law such as strengthening the quality control of Chinese goods at border control points, improving quality requirements for imported goods In China, the government's reduction in efforts to reduce costs for exporters as well as manufacturing enterprises by minimizing licensing procedures At the same time actively supporting enterprises Finding new markets is also Necessary solution The government needs to support businesses to find more stable and favorable export directions to take full advantage of opportunities from the war as well as free trade agreements that Vietnam has been aiming for. In particular, it is necessary to support enterprises to improve their qualifications and invest in production technology to help them cope with challenges in the era of science and technology and the 4.0 technology revolution. In addition, businesses need to make full use of FTAs that are or will be in effect, especially in anticipation of the EVFTA and CPTPP to proactively calculate appropriate measures to take advantage of opportunities or avoid losses at a reasonable level.

If the US-China trade war continues, it will open up new market opportunities for Vietnamese importers and exporters. Accordingly, Vietnam can increase exports to the US market and import high-tech goods from China on the basis of comparative advantage. In terms of investment, Vietnam will also be a new destination for both the US and China when they are forced to choose to redirect investment, so that when exporting from countries with an intermediary role like Vietnam to the US, they will not suffer high tax rates. Economic experts said that it is likely that China and the US FDI investment in Vietnam will increase, thereby reducing damage from the trade war. On the other hand, the US - China raised tariffs will create holes for the markets of both countries, giving Vietnam the opportunity to buy raw materials, components and spare parts at cheap prices, increasing the export of machinery goods. machinery, electronic equipment and high-tech products into the US market to replace the shortage caused by Chinese goods being prevented by new tariff barriers, if Vietnamese goods have comparative advantages and quality assurance. The US-China trade war is in the "ceasefire" phase. However, the bad consequences for the two leading economies in the world due to the recent moves to impose tariffs on each other have also caused significant damage to the global economy, including Vietnam. President Trump's administration probably understands well that it is not possible to "make America great again" with this war. China also certainly does not want the "advantages and disadvantages" war to be prolonged. However, the US-China trade war is no longer purely an economic goal, it is intertwined with global political ambitions of "grand strategic friction" and mutual restraint. Therefore, Vietnam still has to actively exploit the favorable factors (opportunities) and actively limit the negative factors (challenges) caused by the consequences of the US-China trade war.

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