Original Article

Changes in Vietnam - China Trade in the Context of China’s Economic Slowdown: Some Analysis and Implications

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Received 20 June 2019
Revised 25 June 2019; Accepted 26 June 2019

Abstract: After three decades of maintaining high and stable GDP growth, China’s economy has shown signs of slowdown since 2012. By comparing China’s growth rates in two periods namely 2002-2011 and 2012-2018, the paper pointed out evidence of China’s economic slowdown and four key reasons underlying this decline including the decrease in China’s export growth, the decrease in China’s investment efficiency, China’s transition to a new growth model and the US-China trade war. The paper then examined the changes in Vietnam’s trade with China in the context of China’s economic slowdown. The results showed a robust evidence that the growth rates of Vietnam’s two-way trade with China have witnessed a downward trend. Both Vietnam’s import and export growth rates reduced over the two periods but imports of Vietnam from China are more seriously suffered. In the coming time, if the Chinese economy is getting worse especially when the US-China trade war continues escalating, the potential impacts of China’s economic decline on Vietnam’s trade with China might be more significant. Vietnam would be more dependent on imports from China and could cope with more difficulties in promoting exports to China, leading to a more serious deficit with China. Based on these results, the paper highlighted some measures to support Vietnam to deal with the possible impacts from China economic slowdown in the future.

Keywords: China, Vietnam, economic slowdown, trade, US - China trade war.

1. Introduction

Over the past recent years, the world economy has witnessed a wide range of fluctuations including President Donald Trump’s decisions to withdraw the United States (US) from Trans-Pacific Partnership Agreement and undertake a plenty of protectionist policies, the exit of the United Kingdom from the European Union (EU), the proliferation of populism, the US - China trade war and the strong development of Industrial Revolution 4.0. All of these events have made...
the world economy to step into a difficult period of time.

In this context, the “economic health” of countries that have substantial influence on the world economy are always concerned. China - the second biggest economy in the world - after three decades of maintaining high and stable economic growth rates of more than 10% per year on average has shown signs of economic slowdown since 2012. According to World Bank (2018a) [1] and Nguyen Cam Nhung, Vu Thanh Huong & Tran Viet Dung (2019) [2], China’s GDP growth rate has gradually decreased from 9.53% in 2011 to 7.86% in 2012 and 6.6% as of the end of 2018. This decrease potentially continues in the near future when trade war between China and the US tends to be escalating. Because of the vital role of China in the global economy, the slowdown of China’s economy is not only China’s issue but also has a significant impact on other countries.

For Vietnam, China is among the biggest trading partners. According to ITC (2019) [3], in 2018, China is Vietnam’s biggest import market and third biggest export market after the US and EU. Because of the importance of China to Vietnam’s trade, China’s economic slowdown will certainly cause two-side impacts to bilateral trade between Vietnam and China.

Despite the important role of China’s to the global economy in general and Vietnam’s trade in particular, there has been limited research investigating the economic slowdown of this country and linking this slowdown with the changes of Vietnam - China trade.

Some of the typical literature analyzing China’ decrease in GDP growth include Lee (2015) [4], Xu (2015) [5], Lin et al. (2018) [6], Wu (2018) [7], Fukao & Yan (2018) [8] and Zang & Bai (2018) [9]. The previous papers analyzed China’s slower growth by using different approaches such as growth model approach [4, 5], productivity approach [7, 9], economic structure approach [8] and cyclical approach [6, 8]. Some notable causes for China’s economic decline were pointed out such as low productivity, slowdown in total factor productivity growth, high-gross saving - GDP ratio, low labor income share, middle - income trap problem, institutional structures, structural contraints, the rebalancing problem, low investment efficiency and transformation to a post-industrial society. Based on the past literature, this paper adopted the growth model approach. However, unlike the previous studies, this paper only focused on key factors of China’s growth model directly affecting China’s trade with the rest of the world. In addition, the paper also covered another factor occurring recently but influencing substantially China’s growth model and the world economy - the trade war between the US and China.

Some other papers tried to examine effects of China’s slower growth on the rest of the world by using both quantitative and qualitative methods. Deorukhkar & Xia (2016) [10] and Zhai & Morgan (2016) [11] tried to measure the impact of a changing China’s on emerging countries in Asia. By using computable general equilibirum, Lakatos et al. (2017) [12] estimated the impact of China’s economic slowdown on Sub-Saharan Africa while Ohshige et al (2018) [13] used the Global Vector Autoregression model to estimate the impact of China’s GDP slower growth on the Asia - Pacific region via trade linkages. Thorbecke (2018) [14] adopted the gravity model to investigate how slower growth in China can affect exports of East Asia to China. Up to now, there are only some studies mentioning on how Vietnam’s economy changes when China grows more slowly. For example, Deorukhkar & Xia (2016) [10], and Zhai & Morgian (2016) [11] pointed out Vietnam’s changes in different macroeconomic indicators such as GDP growth, external vulnerability, investment and trade. Most of the related analysis are scattered in the form of electronic articles. Therefore, the paper contributes to the existing literature by analyzing and linking systematically changes of Vietnam - China trade given China’s economic slowdown situation and causes over two periods of time: 2002-2011 and 2012-2018.
Given the above analysis, the paper aims at analyzing situation of and reasons for China’s economic slowdown, and then pointing out the changes in Vietnam - China trade in comparison of two periods 2002-2011 and 2012-2018. Under this ground, the paper proposes some implications for Vietnam to develop trade with China in the context of China’s GDP decline.

2. China’s economic slowdown and its causes

2.1. China’s economic slowdown

After joining WTO in 2001, China has experienced a rapid economic development. GDP growth rate achieved 9.13% one year after China became a WTO member and reached a peak of 14.23% in 2007 (Figure 1). Even in the period of global financial crisis, the country maintained a high growth rate of 9.40% in 2009 and of around 10% in the next two years of 2010 and 2011. On average, in the period 2002-2011, China’s growth rate stood at a very high level of 10.86% per year, enabling the country to jump from the sixth to second biggest country in the world.

After 2011, China’s economy has tended to go down noticeably. From the growth rate of 9.54% in 2011, it fell to 7.86% in 2012 - the lowest level within 12 years. In 2013, the Chinese government had to adopted measures to stimulate the economy such as cutting down interest rates and adopting fiscal policies. However, in 2014, China’s growth was only 7.30%, lower than 7.50% as targeted. In 2016, China set a growth target of 7% but the government again could not achieve it. Totally, in the period 2012 - 2018, the growth rate of China has continuously decreased from 7.86% to only 6.68% with the average growth rate of 7.16% per year.

It can be said that the period of magical double-digit economic growth of China was over. The second largest economy now is experiencing the lowest economic growth rate within 30 years. As China has been a major engine of global growth for decades, its economic slowdown has been becoming a major concern for policy makers, central banks, economists, investors and corporate executives around the world. The most concern about the impact of China’s economic decline is on global trade (Lakatos et al., 2017) [12]. It is because China’s economic slowdown leads to the lower import demand and thus commodity prices, which would affect different regions of the world in different ways depending on their exposure. For countries dependent on exports, especially exports to China such as Australia, Brazil, Canada, Vietnam and Indonesia, this slowdown could have a negative impact on their GDP growth and exports. On the contrary, the fall in commodity prices could be beneficial for other countries that are big consumers such as the United States and countries across the Europe.

Figure 1: China’s GDP growth rate, 2001-2018 (%).

2.2. Causes of China’s economic slowdown

Decrease in China’s export growth

The Chinese economy is characterized by investment-driven and export-oriented strategy, leading to the fact that a decrease in China’s export growth is an important factor causing a decrease in its GDP growth rate.

![Figure 2. China’s exports in the period 2002-2018. Source: ITC (2019) [3]](image)

The Chinese merchandise exports rose by nearly 6 times from USD 325 billion in 2002 to nearly USD 1.9 trillion in 2011 (Figure 2), accounting for more than 25% of China’s GDP on average in the same period. In 2002-2011, China’s exports grew at very high rates, which ranged from 20% to 36%. The exceptions were 2008 and 2009, when China was affected by the global financial crisis and therefore the growth rates were only 17% and -16%, respectively. China’s rapidly growing exports have made it to be an increasingly important and even the largest trading partner for many countries and regions. Since 2009, the country has become the world’s largest exporter and second largest importer.

However, since 2012, China’s economy experienced a sharp decline in export growth rate. From 20.3% in 2011, export growth rate fell dramatically to around 7.9% in the next two years and continued to decrease to only 6.0% in 2014. In 2015 - 2016, China’s exports even declined with negative rates at -2.9% and -7.7%, equivalent to the decrease from USD 2.3 trillion in 2015 to USD 2.27 in 2016. This is the first period in more than 15 years China export values decreased, except for 2009 global crisis.

The decrease in China’s export growth comes from the limitation of Chinese export-led growth model, which has been promoted China to become a manufacturing hub offering cheap labor. This model in fact has encountered with a variety of challenges. The first challenge is increasing wages in China, that has eventually translated into higher labor costs for companies operating assembly lines in China. For example, the average hourly wages in China hit USD 3.60 in 2016, which was 64% higher than that in 2011. That is more than five times hourly manufacturing wages in India, and is more on par with countries such as Portugal and South Africa (Yan, 2017) [15]. A lot of firms in China are therefore now taking their business elsewhere, implying that China could start losing jobs to other developing countries like Sri Lanka, where hourly factory wages are only USD 0.50. The second challenge is declining labor force of China. It is the result of “One child policy” that had been introduced in 1979 to slow down the population growth. Although it helped to prevent around 400 million births but it has resulted in an ageing population in China. Even though China has relaxed “One child policy” but its outcome is limited, causing the increasing growth of wages. The third challenge is the decrease in developed countries’ demand. The low economic growth rates of the EU, Japan and South Korea, who are among the largest trading partners of China, have led to a decline in global import demand. This challenge is incorporated with an increase in the US’s trade barriers imposed on goods from China from 2018, contributing to a decline in China’s economic growth.

Decrease in China’s investment efficiency

Investment, accounting for around half of China’s GDP in the period 200-2017, was mainly made up of investment in manufacturing, real estate and infrastructure (World Bank, 2018a) [1]. A steady increase in the rate of investment as a share of GDP has directly contributed to the high growth rate of China. However, the recent years have witnessed weaker investment in China. In addition, China’s high public investment has
played a role in resource misallocation and loss in productivity. In the period 2002-2007, China’s ICOR decreased from 4.2 to 2.9 (Figure 3). However, ICOR increased rapidly from 4.5 in 2008 to around 6.5 in 2017, showing the decline in China’s investment efficiency.

![Figure 3. China’s ICOR indicator in the period 2002-2017. Source: World Bank (2018b) [16]](image)

The main reason for lower investment efficiency can be explained by the adoption of 4 trillion Yuan economic stimulus package introduced in 2008 by the Chinese government to cope with the global financial crisis. The stimulus package was mainly provided for state-owned enterprises and government agencies, especially local governments through funding and bank loans. The package helped China to promote the economic growth rates in two years later. However, since 2011, the stimulus package has revealed some negative impacts namely a large number of abandoned real estate projects, surplus in production, new fiscal burdens, inflation, asset bubble risks, and huge local government debt. All of these impacts have hold back the development of the economy. In addition, the high growth in infrastructure and housing investment over the same period have been also attributed to the decline in investment efficiency of China [16].

**China’s transition to a new growth model**

Given the problems caused by the stimulus package introduced during the global financial crisis, from as early as 2010, the Chinese government began to reach a consensus view on the need to tolerate slower growth. Under this view, the new potential growth rate of China might be between 6% and 8% for the period 2011-2020 compared to above 10% in the period 2001-2010 in order to support full employment and maintain social stability. For this reason, China has decided to conduct the transition from a fast-growing economy driven largely by investment and exports to a new and more sustainable growth model with domestic demand and innovation as the new growth engines. A wide range of actions have been undertaken. Particularly, China has tried to rebalance the economic structure, let the market play a more important role in economic development and resource allocation, reform State-owned enterprises (SOEs), boost domestic consumption, screen out low-quality SOEs from investing, constrain banks and other financial institutions form issuing further debts, tighten capital outflows, and promote innovation and tech-related services.

China has also adopted policies to cut industrial output to move forwards to sustainable development. For example, in 2016, China reduced its coal output by 290 million tons and steel by 65 million tons, shut down some coal-fired power plants and stopped planning to build new coal-fired power plants. In 2017, as part of a reform program to reduce surplus capacity to contribute to environmental protection, China reduced its coal production by more than 150 million tons and steel production by 50 million tons, and continued to close more than 500 coal mines. These measures have requested China to scarify the “quantity-reliant growth” by “the quality-oriented growth”, and as a result have put pressures on economic growth.

**The US - China trade war**

On 6 July 2018, two biggest economies the US and China officially stepped into a trade war when two parties imposed tariff on billater trade. So far, the US has imposed tariff of 25% on USD 250 billion of China’s goods and vice versa China has imposed tariff ranging from 5% - 25% on the US’s goods worth USD 110 billion. The exposure reasons for this trade war are attributed to the US’s trade deficit with
China, job loss in the US, fairer playing field, national security and intellectual property right issues. However, the underlying reasons are related to “Made in China 2025” plan and geopolitical reasons between two country to capture the 1st dominating position in the world [17].

In the context of US - China trade war, the global economic growth in 2018 fell to 3.6%, lower than a forecast of 0.3% and 0.2% lower than that of 2017. Global FDI flows in 2018 plummeted by 19% compared to that of 2017 and was the lowest level since the 2008 financial crisis. In the same vain, China’s GDP growth rate in 2018 fell to 6.6% (the lowest level since 1990) from 6.9% in the previous year [2]. The trade war would also bring about other negative consequences on China. China’s exports to the US would decline, high-tech Chinese companies would cope with a variety of difficulties to have access to the US and other markets especially the EU as a result of protective measures from the US, capital inflows and outflows of China would be uncertain in the near future, and China’s Purchasing Managers Index (PMI) might continue to decrease. All of these effects would tend to deteriorate China’s economic growth in the coming time.

3. Changes in Vietnam’s trade with China in context of China’s economic slowdown

3.1. Overview of Vietnam’s trade with China

After normalizing relationship in 1991, China has become one of important partners of Vietnam in a variety of sectors. Especially, due to proximity and economic, cultural and social similarities, Vietnam - China trade has proliferated. In the last 18 years, Vietnam’s two-way trade with China has increased nearly 30 times from USD 3.68 billion in 2002 to USD 106 billion in 2018 (Figure 4) with an average growth of 23.95% per year. At the same time, the proportion of Vietnam’s trade with China reached 20% in 2018 compared with more than 10% in 2001, making China become the largest trade partners of Vietnam since 2004. Vietnam was also the biggest trade partner of China among ASEAN countries in 2018. China has recognized to be an important consumption market for Vietnam’s exports and a raw material supplying market for Vietnam as well as an essential element for Vietnam’s industrialization and modernization.

However, the growth rates of Vietnam’s two-way trade with China have witnessed a downward trend starting from 2012 (Figure 4). Therefore, it is of great importance to understand changes in Vietnam’s trade with China when China copes with a decline in economic growth and then find out solutions for Vietnam to minimize negative impacts of this decline.

3.2. Table 1: Vietnam’s trade with China, 2002 - 2018

<table>
<thead>
<tr>
<th>Year</th>
<th>Vietnam’s exports</th>
<th>Vietnam’s imports</th>
<th>China’s GDP growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Value (USD billion)</td>
<td>Growth rate (%)</td>
<td>Value (USD billion)</td>
</tr>
<tr>
<td>2002</td>
<td>1.52</td>
<td>7.12</td>
<td>2.16</td>
</tr>
<tr>
<td>2003</td>
<td>1.88</td>
<td>24.03</td>
<td>3.14</td>
</tr>
</tbody>
</table>

Figure 4. Vietnam’s total trade with China, 2002-2018.
Source: ITC (2018) [3], Vietnam Customs (2019a, 2019b) [18, 19]
In the period 2002-2011, Vietnam’s export turnover to China increased quite fast from USD 1.52 billion in 2002 to USD 11.13 billion in 2011, equivalent to an increase by nearly 3 times and an average growth rate of 24.71% per year (Table 1). Especially in three years 2004, 2010 and 2011, exports grew dramatically by 53.95%, 43.31% and 49.99%, respectively. Correspondingly, the economic growth rates of China in these three years were also high, ranging from 10% to 11%.

Since 2012 when China has shown signs of economic slowdown, Vietnam’s export growth rate to China has also slowed down. From 2012 to 2015, export increased from USD 12.84 billion to USD 16.56 billion, equivalent to the increase by only 9.36% per year on average. From 2016 to 2018, export increased at relatively high growth rates, especially in 2017 but the whole period 2012-2018 recorded an average growth rate of 21.13%, which is lower than that of 2001-2011.

The main export commodities of Vietnam to China are machinery and equipment (computers, telephones, electronic products and components), agricultural products (fishery, rubber, wood and wooden products, rice, cashew nuts, vegetable and fruits), iron and steel, mineral products, and manufacturing products (textile and garments, footwear). Most of these key commodities experienced lower export growth rates in the period 2012 - 2018 compared to the period 2002-2011, for example edible vegetables and certain roots and tubers (1.07% versus 50.54%), wood and wooden products (8.48% versus 59.82%), footwear (29.71% versus 45.87%), mineral products (-6.20% versus 20.32%), rubber (-0.66% versus 48.76%), iron and steel (-3.37% versus 362.52%) and electronic machinery and equipment (62.81% versus 90.08%)\(^1\).

China’s slowdown in economy along with its policy focusing on domestic demand and instable border trade policies have caused a decrease in China’s import demands, creating a difficulty for Vietnam’s exports to China, especially agricultural exports which are difficult to find the substituting markets in the short time. In fact, in recently years, Vietnam has to “rescue” many agricultural products exported to China, such as banana, watermelon, and pork because the Chinese merchants stop buying at border gates. Rice is another

\(^1\) Calculations by authors from ITC (2019) and Vietnam Customs (2019a, 2019b).
agricultural product affected strongly by China’s policy focusing on serving domestic demand through raising tariff on sticky rice and controlling more stringently broken rice imported from Vietnam. Vegetable, fruits and rubber are also commodities that might cope with export decrease in the coming time because China has promoted to trace the origin of products.

3.2. Changes in Vietnam’s imports from China

China has been the largest supplying market of Vietnam since 2004 with the import turnover far higher than export turnover. In the period 2002-2011, Vietnam’s imports from China rocketed from USD 2.16 billion in 2002 to USD 24.87 billion in 2011, equivalent to an increase by nearly 12 times and an average growth rate of 32.61% per year, which is much higher than respective data for exports (Table 1). Especially in two years 2004 and 2007, imports grew dramatically by 41.46% and 71.96%, respectively. Correspondingly, the economic growth rates of China in these two years were also high (10.11% and 14.23%).

Similar to exports, since 2012, Vietnam’s imports from China has plummeted. For the whole period 2012 - 2018, the average growth rate of Vietnam’s imports from China stayed at only 15.05%, which is far lower than import growth rate of 2001-2011 (32.61%) and export growth rate in the same period (21.13%).

The main commodities Vietnam has imported from China are machinery and equipment (computers, telephones, electronic products and components), iron and steel, articles of iron and steel, materials for garments and footwear industries, plastic and plastic products, chemicals, fuels and vehicles. In the period 2012-2018, most of these key commodities had lower import growth rates compared to the period 2002-2011. More specifically, Vietnam’s imports of electronic machinery and equipment grew at only 26.8% in 2012-2018 compared to 68.82% in 2001-2011. The corresponding figures for iron and steel were 9.85% and 35.03%, for plastic and plastic products 23.90% and 51.61%, for articles of iron and steel 12.60% and 35.20%, for man-made staple fibres 10.04% and 43.83% and for organic chemicals 13.70% and 36.18%.

3.2. Overall assessment and discussion of changes in Vietnam’s trade with China

China’s economic slowdown did influence on Vietnam’s exports and imports with China. The clear evidences are the decrease in Vietnam’ export and import growth rates in 2012-2018 compared to 2002-2011, especially with that of key commodities.

However, the effects of China’s economic decline on Vietnam’s exports seem to be relaxed in the last two years 2017 and 2018 when Vietnam’s exports to China have gradually recovered its growth. Therefore, it can be said that even though China’s economic slowdown did affect Vietnam’s exports to China but it has not really a big problem for Vietnam so far.

Besides, China’s economic slowdown has contributed to substantially lower growth rate of Vietnam’s imports from China. The figures also point out that Vietnam’s imports from China are more affected than Vietnam’s exports to this country as imports of Vietnam from China suffered from a bigger decline in growth rate. Besides China’s economic slowdown, this can also be partially explained by the fact that in the recent years, Vietnam has well taken advantage of Free Trade Agreements (FTAs) such as Vietnam - Japan Comprehensive Economic Partnership Agreement (VJEP) or Vietnam - Korean Free Trade Agreements (VKFTA) to diversify markets towards reducing gradually the dependence on Chinese market.

As analyzed above, the US - China trade war might be among the key reasons for not only China’s but also the world’s economic slowdown in the near future. Therefore, it is of great importance to examine the potential effects of the US - China trade war on Vietnam - China trade, especially when this trade war is now seriously escalating. In fact, Vietnam’s trade

2 Calculations by authors from ITC (2019) and Vietnam Customs (2019a, 2019b)
with China would be affected both positively and negatively in context of the trade war.

Firstly, Vietnam would have more chance to import inputs from China at lower prices. Under imposition of the US’s trade restriction, the Chinese enterprises are under pressure to replace the US by other markets to promote exports. As a result, China’s commodities from consumption goods to materials might be sold at lower prices to reduce the tension of large inventory. With the advantages of proximity and traditional partner, Vietnam is likely to be a highly substituting market for the US. At present, Vietnam is largely reliant on Chinese raw materials and equipment to produce key exported products such as electronic products, computers, telephones, garments and textile, and footwear. Therefore, the US - China trade war could create the opportunity for Vietnam to import more from China at lower prices to eventually promote exports.

Secondly, Vietnam could cope with more difficulties to increase exports to China. If China in the short term can not find the market to replace for the US, a part of Chinese commodities would be kept for domestic consumption and therefore it would be more difficult for not only Vietnam but also other countries to promote exports to China.

Thirdly, Vietnam can become an intermediate gate for China to export to the US. As the Chinese commodities are imposed high tariff, the Chinese enterprises would try to find the third destination through that to export to the US which is still a promising and profitable market for China. The Chinese goods with low prices would be easy to enter the Vietnamese market and then be exported to the US under Vietnam’s origins. This would create difficulties for Vietnam to control the quality of goods exports to the US and as a consequence Vietnam might be punished by the US when the US strengthens supervision of tracing the origin of goods imported from Vietnam (Nguyen Anh Thu & Vu Thanh Huong, 2018).

Fourthly, Vietnam’s trade balance with China would be in a more serious deficit as Vietnam is more dependent on China’s goods. As mentioned above, to compensate for reduction in exports to the US, the Chinese enterprises would divert their exports to other markets and Vietnam would be a good choice. In the one hand, it would be good for Vietnam when having more chance to import raw materials and inputs for producing exported products. In the other hand, the influx of Chinese commodities into Vietnam would worsen Vietnam’s trade balance and also might alter the import structure of Vietnam with China, by which Vietnam would tend to import more consumption goods and eventually create more competition for domestic enterprises. In coroporating with the possibility of being a third destination through which China exports to the US, the trade balance of Vietnam with China is likely to be in a deficit at a higher level and Vietnam’s domestic production would be under higher pressure of competition from China.

Finally, the increase in China’s FDI flows into Vietnam as a result of the US - China war might indirectly affect Vietnam - China trade. This flows of FDI can turn Vietnam into a “backyard” for the Chinese companies to make production and then export to the US. To serve for FDI inflows from China, Vietnam could also import more labor, commodities, technology, machinery and equipment from China. This situation might also result to other unexpected impacts for example environmental pollution and national security.

4. Conclusions and implications

By comparing China’s growth rates in two periods: 2002-2011 and 2012-2018, the paper points out that China has experienced economic slowdown since 2012. On average, in the period 2002-2011, China’s growth rate stood at a very high level of 10.86% per year, enabling the country to jump from the sixth to second biggest country in the world. However, in 2012, China’s growth rate felt to only 7.8% - the lowest level within 12 years and then continuously decreased until the end of 2018. The average growth rate of 2002-2018 was only
7.16%, which is much lower than the previous period. There are several key reasons underlying the economic slowdown of China namely: (i) the decrease in China’s export growth, (ii) the decrease in China’s investment efficiency, (iii) China’s transition to a new growth model and (iv) the US-China trade war.

In the context of China’s economic slowdown, Vietnam’s trade with China has undergone some notable changes. The growth rates of Vietnam’s two-way trade with China have witnessed a downward trend. Both Vietnam’s import and export growth rates with China reduced over the two periods. More specifically, Vietnam’s average export growth rate for the period 2002-2011 was 24.71% and reduced to 21.13% for the period 2012-2018. The corresponding figures for Vietnam’s average import growth rate were 32.61% and 15.05%. A deeper look at these figures suggests that even though China’s economic slowdown did affect Vietnam’s exports to China but it has not really a big problem for Vietnam so far. On the contrary, it seems that imports of Vietnam from China are more seriously suffered. In the coming time, if the Chinese economy is getting worse, especially when the US-China trade war continues escalating, the impacts of China’s economic decline on Vietnam’s trade with China might be more significant.

The on-going US-China trade war would slowdown both China and the world’s economic growth and therefore could affect Vietnam’s trade with China both positively and negatively. Vietnam would have more chance to import raw materials and equipment from China at lower prices. However, Vietnam could cope with difficulties to promote exports to China as a part of Chinese commodities that find difficult to be exported to the US are likely to be kept for domestic consumption. Vietnam can also become an intermediate gate for China to export to the US, creating difficulties for Vietnam to manage the quality of goods exported to the US and therefore can become the future target for the US’s trade punishment. The US-China trade war could also result to the more reliance of Vietnam’s on Chinese goods and higher trade deficit of Vietnam with China. These findings imply that the slower growth in Vietnam’s import from China as a consequence of China’s economic slowdown might be partially compensated by the impact of trade war between the US and China.

Through analysis and evaluation of China’s economic slowdown and the changes in Vietnam’s trade with China in this context, the following implications are highlighted by this paper to support Vietnam to deal with the impacts from China economic slowdown in the future.

Firstly, in order to continue reducing the reliance on import from China’s market, Vietnamese enterprises should diversify and find out new sourcing markets of inputs such as India, Bangladesh, Thailand, and Malaysia and focus more on markets with high technology and innovation such as Japan, Korea, the EU and the US. It is also essential to increase local content of imported inputs and at the same time develop the supporting industries for key exported products that have been dependent largely on China’s input supply such as machinery and equipment, garments and textile, and footwear.

Secondly, to boost exports to China, the Vietnamese enterprises should diversify the types of goods exported, improve productivity and quality, and pay more attention to the copyright and trademark development. The agricultural exporters should change approach to food safety issue to meet higher demand of the Chinese consumers by investing more in preservation technology, controlling better origin of agricultural inputs as well as final commodities, managing more carefully packaging, and understanding better China’s technical barriers and inspection requirements. In addition, it is of great importance for enterprises to know more about the harvest time in China to select the appropriate time to export agricultural products to China.

Finally, in order to cope with the US-China trade war, the Vietnamese government should have a close watch on responses of these two nations, produce predictions of possible
scenarios of the trade war and prepare strategy for each scenario. The government needs to update regularly and promptly the list of goods two countries impose tariff as well as the USD/RMB exchange rate, and have a quick information channel to businesses on these changes. At the same time, Vietnam should also consider a number of measures to control influx of the Chinese goods being diverted to the Vietnamese market such as applying non-tariff measures appropriately, strengthening the inspection of Chinese goods at border gates, and improving the quality requirements for imported Chinese goods. For Vietnamese enterprises, it is necessary to closely observe the global market changes, movements of Chinese and the US markets, and decisions of current and potential trading partners. In addition, businesses need to make full use of FTAs that are or will be in effect, especially CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership) and the EVFTA (the European-Vietnam Free Trade Agreement), to proactively adopt appropriate measures to take advantage of FTAs opportunities or avoid losses from China’s economic slowdown.

The paper pointed out situation and main causes of China’s slower economic growth and showed evidences of changes in Vietnam - China trade under this slowdown by linking the causes and the changes. The limitation of the paper is to ignore quantifying the impact of China’s GDP slowdown on imports and exports of Vietnam with China. Therefore, the future research can use quantitative methods such as the gravity model or Computable General Equilibrium model to separate the impact of different factors on changes in Vietnam - China trade in which GDP growth rate is used as an variable.

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