Vietnam as China's No.4 Oversea Export Destination Country:

A Beneficiary of China-US Trade Conflicts, a Competitor in Industrial Transfer, or a Collaborator in Regional Value Chain?

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Framework

- Introduction
- Literature Review
- Data and Methodology
- Results
- Further discussion
  - Different tariff lists
  - Goods with different categories
- Conclusion

1. Introduction (1)

- In the past ten years, among the major export destinations (by country/SAR), Vietnam's position has been risen a lot.
  - In 2007, Vietnam ranked 22nd among all exporting countries and SARs of China, and it ranked after Singapore, Malaysia, Indonesia and Thailand among ASEAN countries. It ranked top ten for the first time in 2013 (ranking 9th) and ranked first among ASEAN countries. Vietnam surpassed Germany in 2017 and became China's fourth largest export destination country after the US, Japan and South Korea.

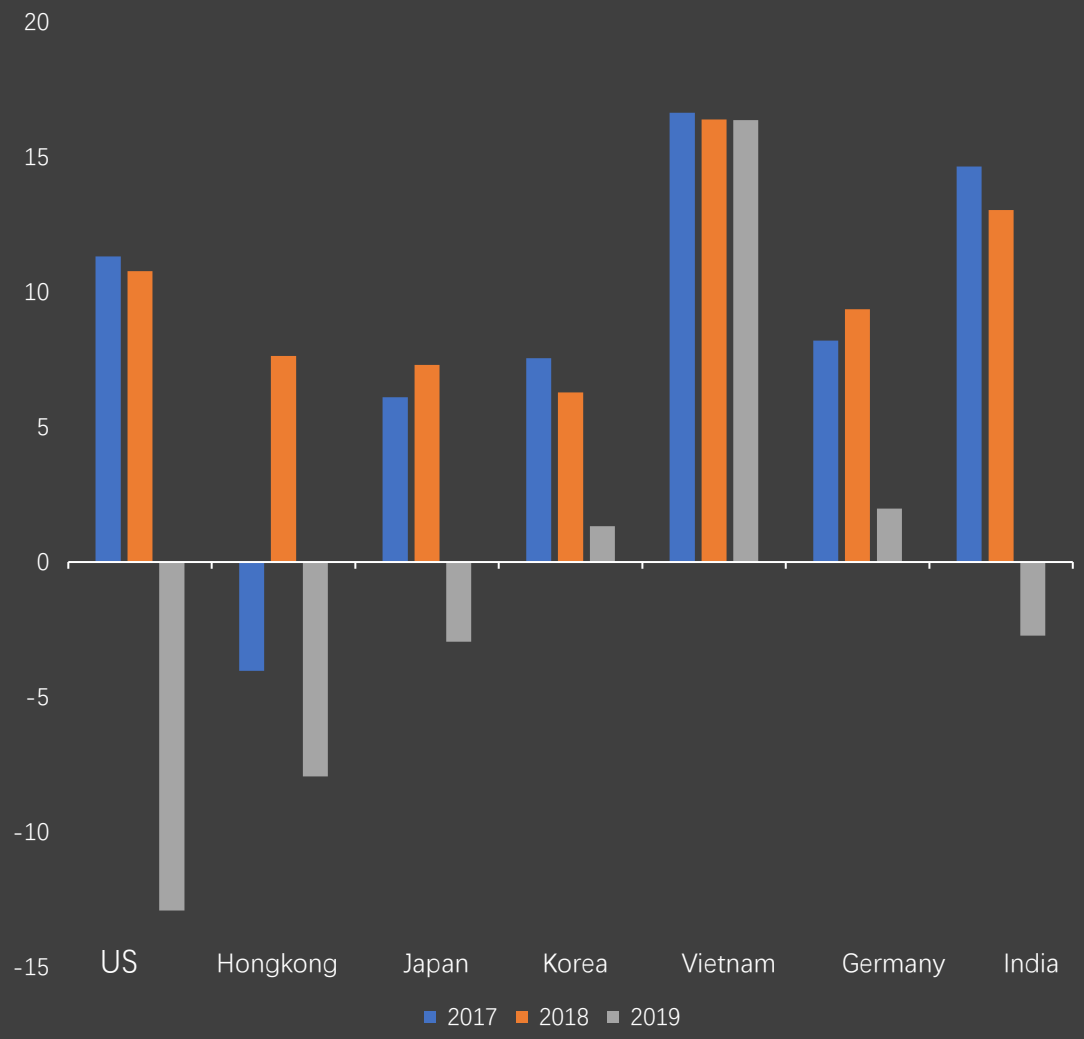
	2007	2010	2012	2013	2014	2015	2016	2017	2018	2019
1	US	US	US	Chinese Hongkong	US	US	US	US	US	US
2	Chinese Hongkong	Chinese Hongkong	Chinese Hongkong	US	Chinese Hongkong	Chinese Hongkong	Chinese Hongkong	Chinese Hongkong	Chinese Hongkong	Chinese Hongkong
3	Japan	Japan	Japan	Japan	Japan	Japan	Japan	Japan	Japan	Japan
4	Korea	Korea	Korea	Korea	Korea	Korea	Korea	Korea	Korea	Korea
5	Germany	Germany	Germany	Germany	Germany	Germany	Germany	Vietnam	Vietnam	Vietnam
6	Netherlands	Netherlands	Netherlands	Netherlands	Netherlands	Vietnam	Vietnam	Germany	Germany	Germany
7	United Kingdom	India	India	United Kingdom	Vietnam	United Kingdom	India	India	India	India
8	Singapore	United Kingdom	United Kingdom	Russia	United Kingdom	Netherlands	Netherlands	Netherlands	Netherlands	Netherlands
9	Russia	Singapore	Russia	Vietnam	India	India	United Kingdom	United Kingdom	United Kingdom	United Kingdom
10	India	Italy	Singapore	India	Russia	Singapore	United Kingdom	Singapore	Singapore	Taiwan
11	Taiwan	Taiwan	Australia	Malaysia						
12	Italy	Russia	Taiwan	Singapore						
13	France	France	Malaysia	Taiwan						
14	Canada	Australia	Indonesia	Australia						
15	Australia	Brazil	Vietnam	Indonesia						
16	Malaysia	Malaysia								
17	UAE	Vietnam								
18	Spain									
19	Belgium									
20	Indonesia									
21	Thailand									
22	Vietnam									

Catching up with EU countries

Catching up with ASEAN and EU countries

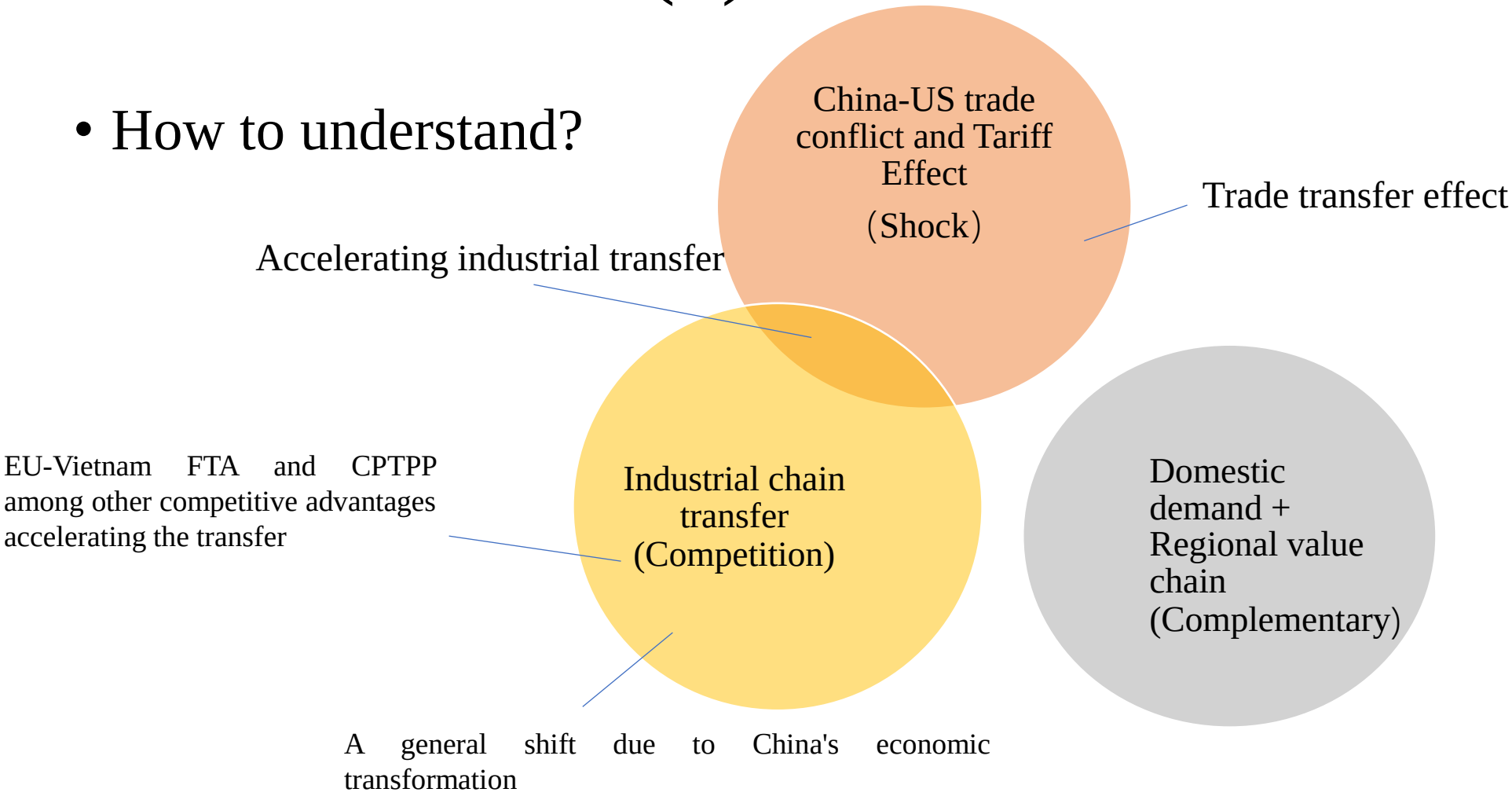
1. Introduction (2)

- China’s Notable rise in exports to Vietnam following the China-US trade conflicts
  - From 2017 to 2019, China's exports to Vietnam are still less than exports to South Korea, but the gap between the two was narrowing. In particular, in 2019, China's exports to Vietnam maintained a high growth rate despite a general slowdown or even negative growth in exports to its major trading partners.
  - The gap with South Korea narrowed further in the first half of 2020, to $4.78 billion, compared with $10.49 billion in the same period last year.



1. Introduction (3)

- How to understand?



2. Literature Review

- The economic impacts of the China-US trade conflicts
  - Trade models (Krugman, 2018; Xu, 2019)
  - International macroeconomic models (Berthou et al., 2018; Liadze, 2018; International Monetary Fund, 2019)
  - China-US trade conflicts' impacts on Vietnam
    - Beneficiary (Nomura, 2019; Reed and Romei, 2019; Jung, 2020))
    - Negative impacts (Lam and Nguyen, 2019)

2. Literature Review

- Decomposition of gross exports
  - KPWW method
    - Gross exports to three major categories, namely value-added exports, domestic and foreign content in intermediate exports that finally returns to home.
  - Decomposition on traditional trade flows
    - Classification by Broad Economic Categories (BEC) of the United Nations (U.N.) (U.N., 2003)
    - Manufactured goods by degree of manufacturing groups (United Nations Conference on Trade and Development (UNCTAD), 2020)
    - Conversion tables for different data categories (UN, 2017)

3. Data and Methodology (1)

- Data
  - China's export data to Vietnam, Vietnam exports to the United States, UN Comtrade,HS2012 six-digit level data
    - As the 2019 data on China have yet to be updated in the database when we wrote this paper, we used the data of Vietnamese imports from China as the replacements for the data of Chinese exports to Vietnam.
    - the HS2012 code numbers are used.
    - We have also used the data of Vietnamese exports to the U.S. to accurately match and identify the changes to exports brought about by the trade conflicts.

3. Data and Methodology (2)

- The data used and its sources
  - Us Tariff List document (Yao etal., 2020)
    - Identification of goods on the lists of US tariffs.
      - The release date of the four rounds of tariff lists
      - Round 1 + Round 2 50 billion Released on April 4, 2018
      - Round 3 200 billion Released on July 10, 2018
      - Round 4 300 billion Released May 13, 2019
      - We chose to match and identify products on the first, second and third lists.
    - The paper therefore took the first six digits of the tariff lists and match them with the six-digit HS2012 code numbers of export products.

3. Data and Methodology (3)

- BEC identifies consumer goods, capital goods and intermediate goods, UNSTATS
  - The corresponding codes of BEC and HS2012 are firstly converted and matched, and then consumer goods, capital goods and intermediate goods are identified according to the BEC classification. Finally, several product categories in the BEC classification are to be determined by researchers. 321 and 51 are identified as consumer goods, and 7 is not included (accounting for 0.03%).In addition, the 851712 (mobile phones) has been converted from capital goods to consumer goods.

CLASSIFICATION BY BROAD ECONOMIC CATEGORIES (BEC)	BASIC CLASSES OF GOODS IN SNA
1* Food and beverages	
11* Primary	
111* Mainly for industry	Intermediate goods
112* Mainly for household consumption	Consumption goods
12* Processed	
121* Mainly for industry	Intermediate goods
122* Mainly for household consumption	Consumption goods
2* Industrial supplies not elsewhere specified	
21* Primary	Intermediate goods
22* Processed	Intermediate goods
3* Fuels and lubricants	
31* Primary	Intermediate goods
32* Processed	
321* Motor spirit	(see para. 11 below)
322* Other	Intermediate goods
4* Capital goods (except transport equipment), and parts and accessories thereof	
41* Capital goods (except transport equipment)	Capital goods
42* Parts and accessories	Intermediate goods
5* Transport equipment, and parts and accessories thereof	
51* Passenger motor cars	(see para. 11 below)
52* Other	
521* Industrial	Capital goods
522* Non-industrial	Consumption goods
53* Parts and accessories	Intermediate goods
6* Consumer goods not elsewhere specified	
61* Durable	Consumption goods
62* Semi-durable	Consumption goods
63* Non-durable	Consumption goods
7* Goods not elsewhere specified	(see para. 11 below)

3. Data and Methodology (4)

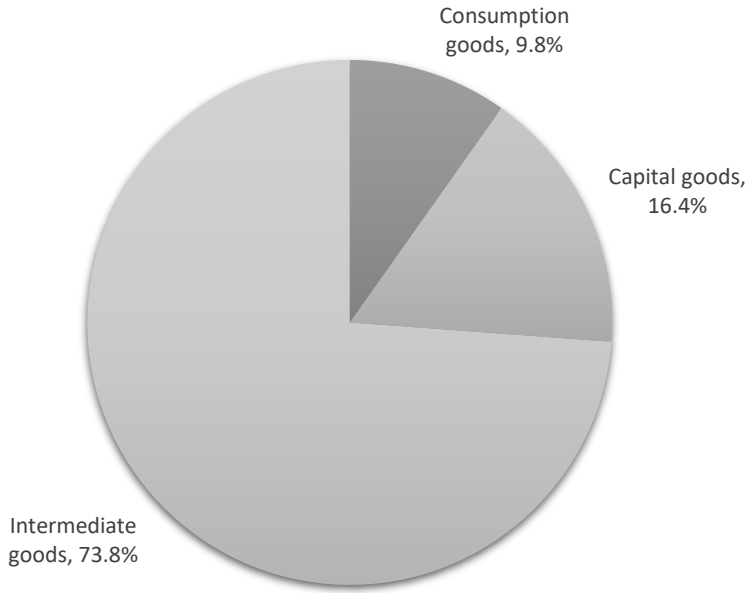
- Products were divided into four major categories, namely labour and resource intensive, low skill and technology intensive, medium skill and technology intensive and high skill and technology intensive.

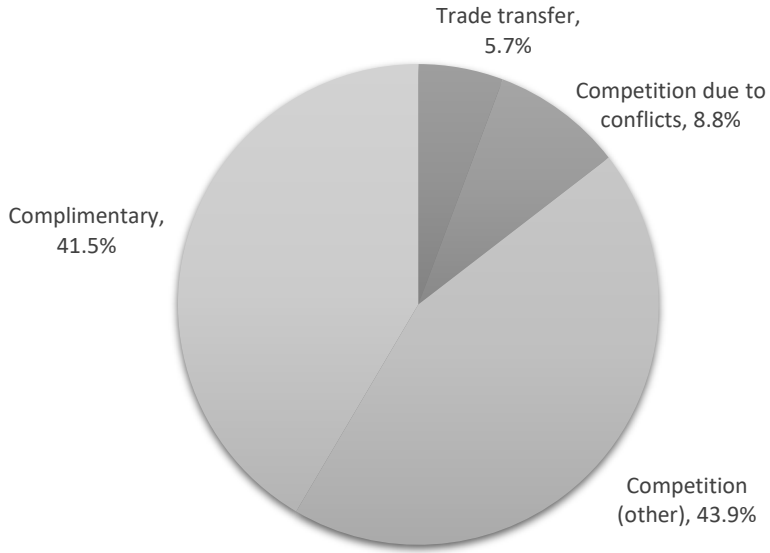
- The decomposed data base enables the following objectives:
  - (1)Differentiating between consumer goods, capital goods and intermediate goods and the sub-goods under these three major categories (for example, capital goods may be further divided into machinery and equipment and transport)
  - (2) HS2012, BEC4 and SITC3 classification of products
  - (3)Identify the products on the tariff lists. The stages and natures of the goods on the tariff lists are clear.
  - (4) Identify different labor technology types of goods

3. Data and Methodology (5)

4. Results (1)

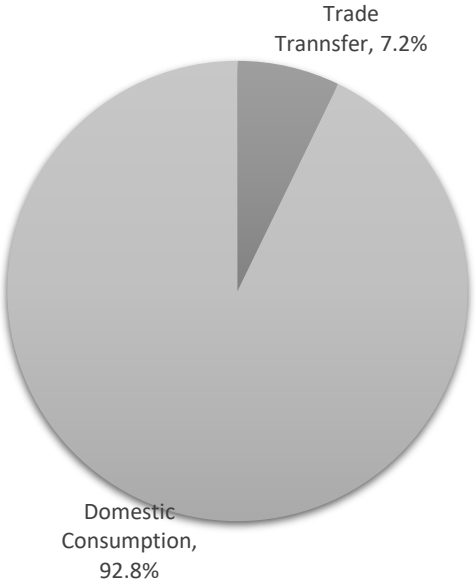
(1) The overall characteristics of exports



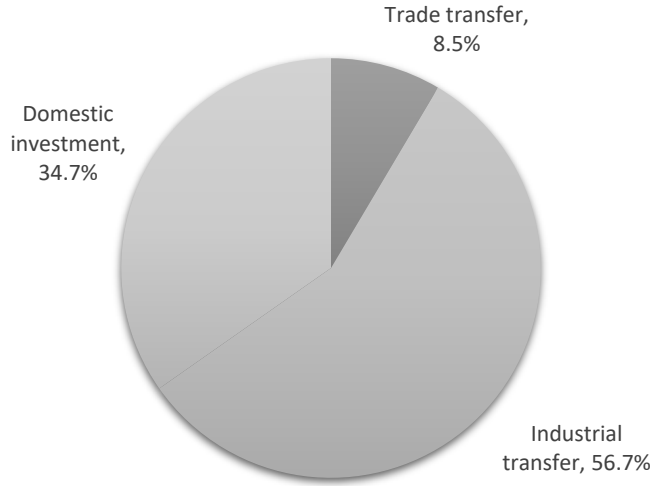


4. Results (3)

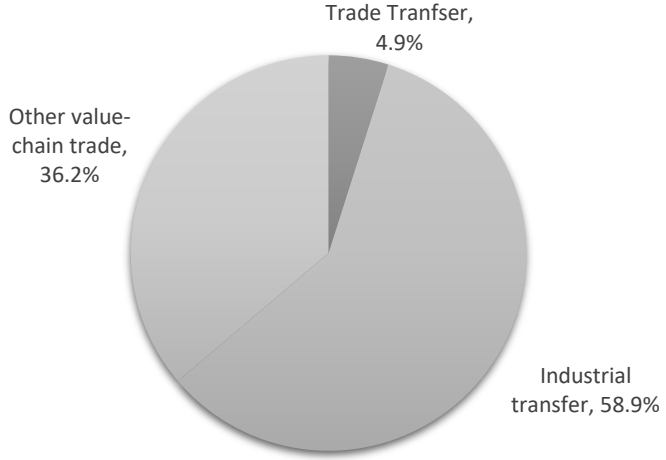
(2) Characteristics of goods category



Consumption goods



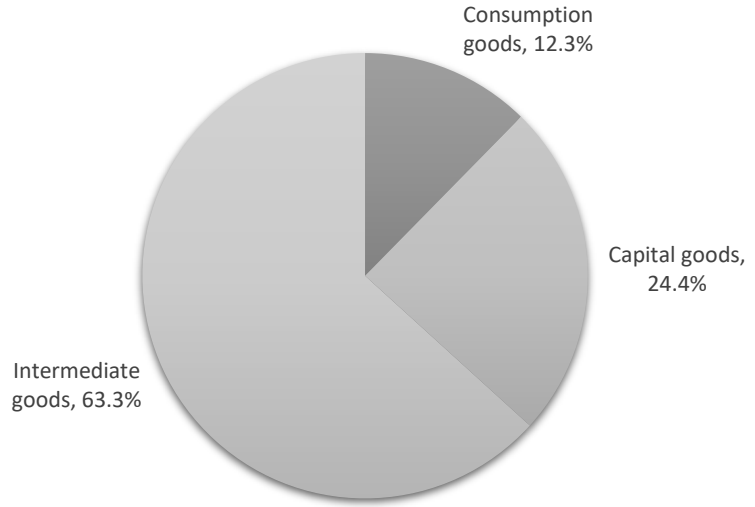
Capital goods



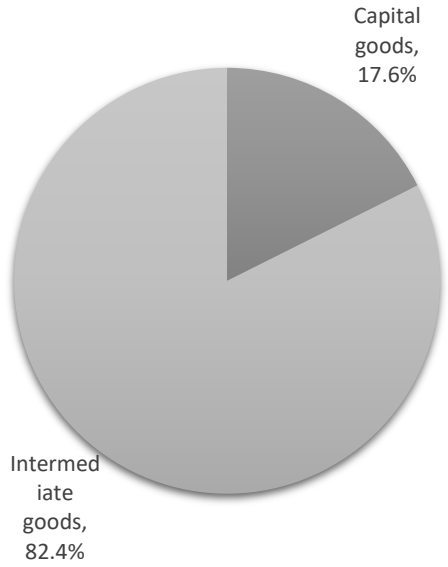
Intermediate goods

4. Results (7)

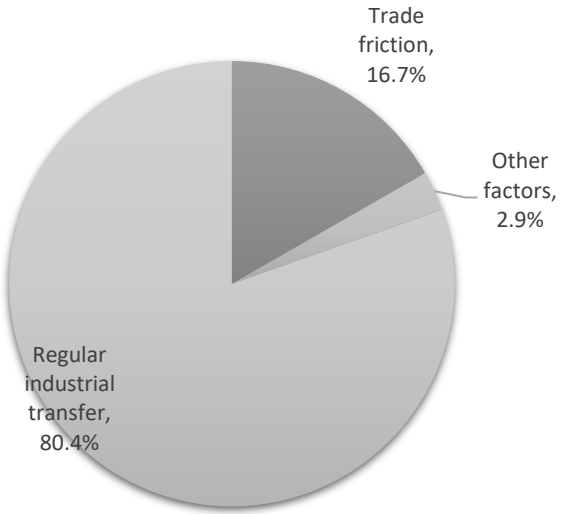
- (3) Characteristics of goods with different factors——Export transfer



Export transfer



Industrial transfer



Complimentary

5.Further discussion

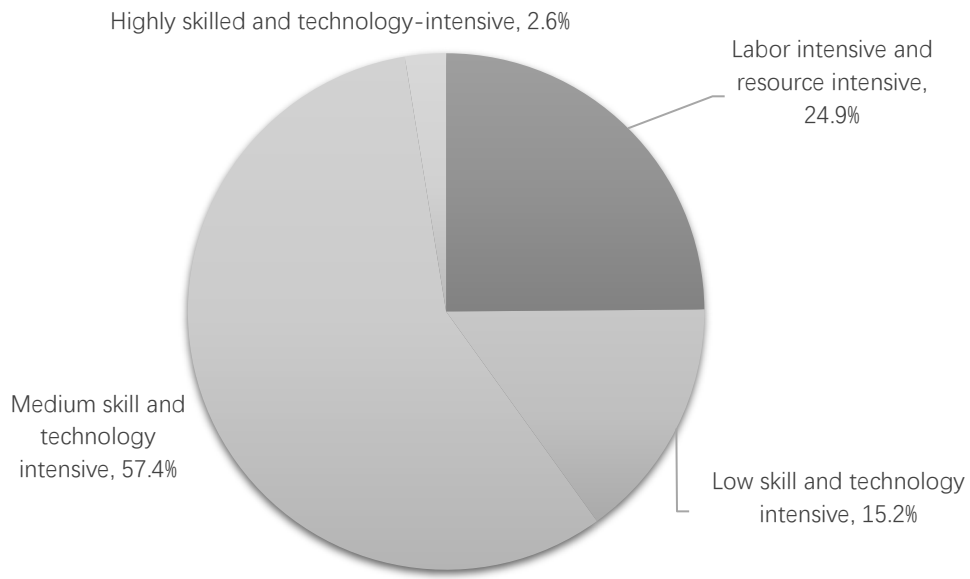
- (1) Characteristics of different Tariff lists

The percentage	list12	list3	list123
Trade transfer effect = 1 + 3 + 6	2.00%	3.72%	5.71%
Competition = 4 + 7	53.36%	53.95%	52.75%
The competitive effect caused by the accelerated transfer of industrial chain due to trade friction =4.1+7.1	4.38%	5.36%	8.82%
Accelerated transfer of production site caused by other factors =4.2+7.2	6.58%	6.18%	1.52%
General place of production transfer =4.3+7.3	42.41%	42.41%	42.41%
Complementary = 2 + 5 + 8	44.61%	42.30%	41.50%
The total impact of trade friction =1+3+6+4.1+6.1	6.37%	9.08%	14.54%

5.Further discussion

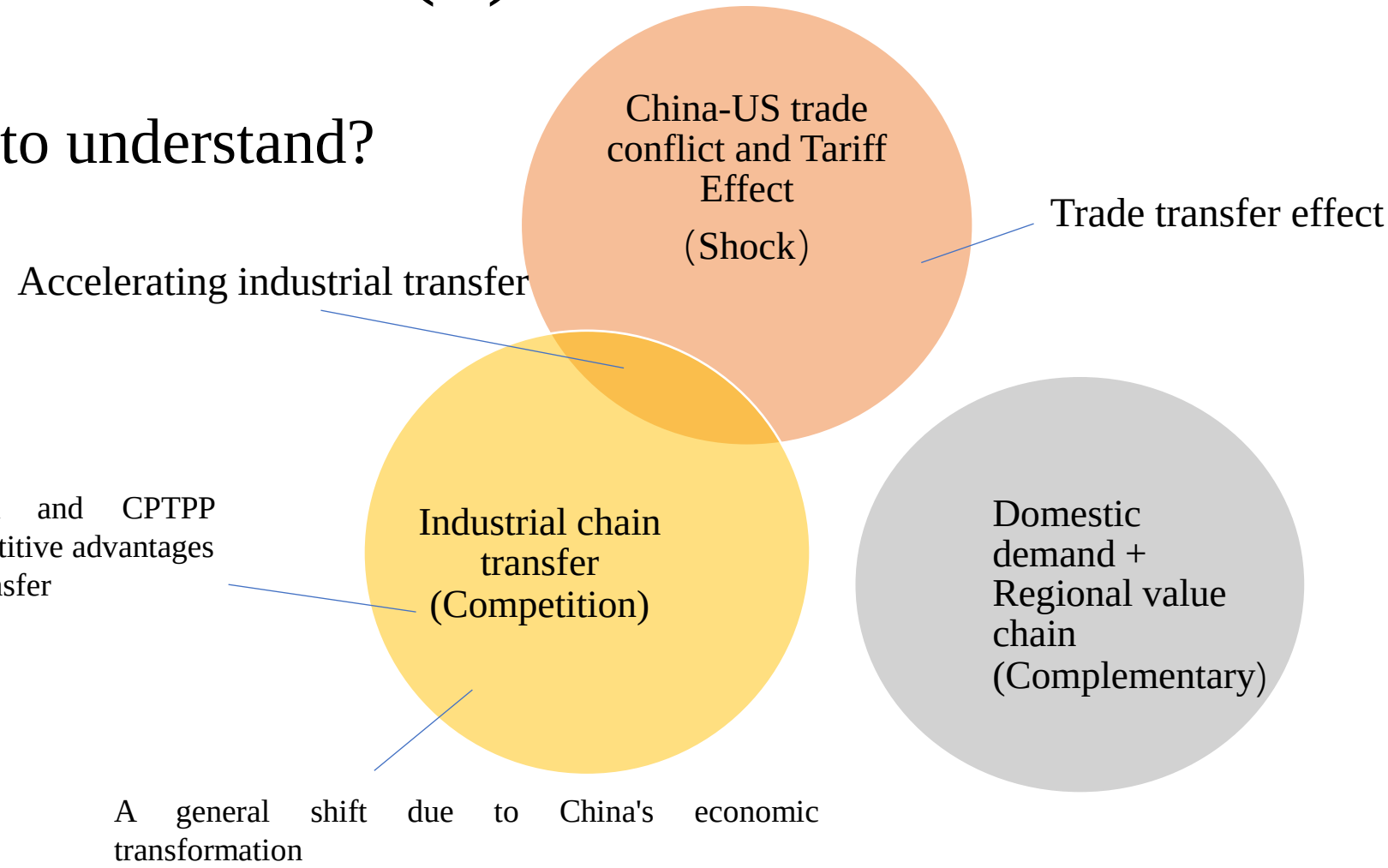
- (2) Characteristics of different types of goods

Intermediate product attributes for accelerated transfer parts



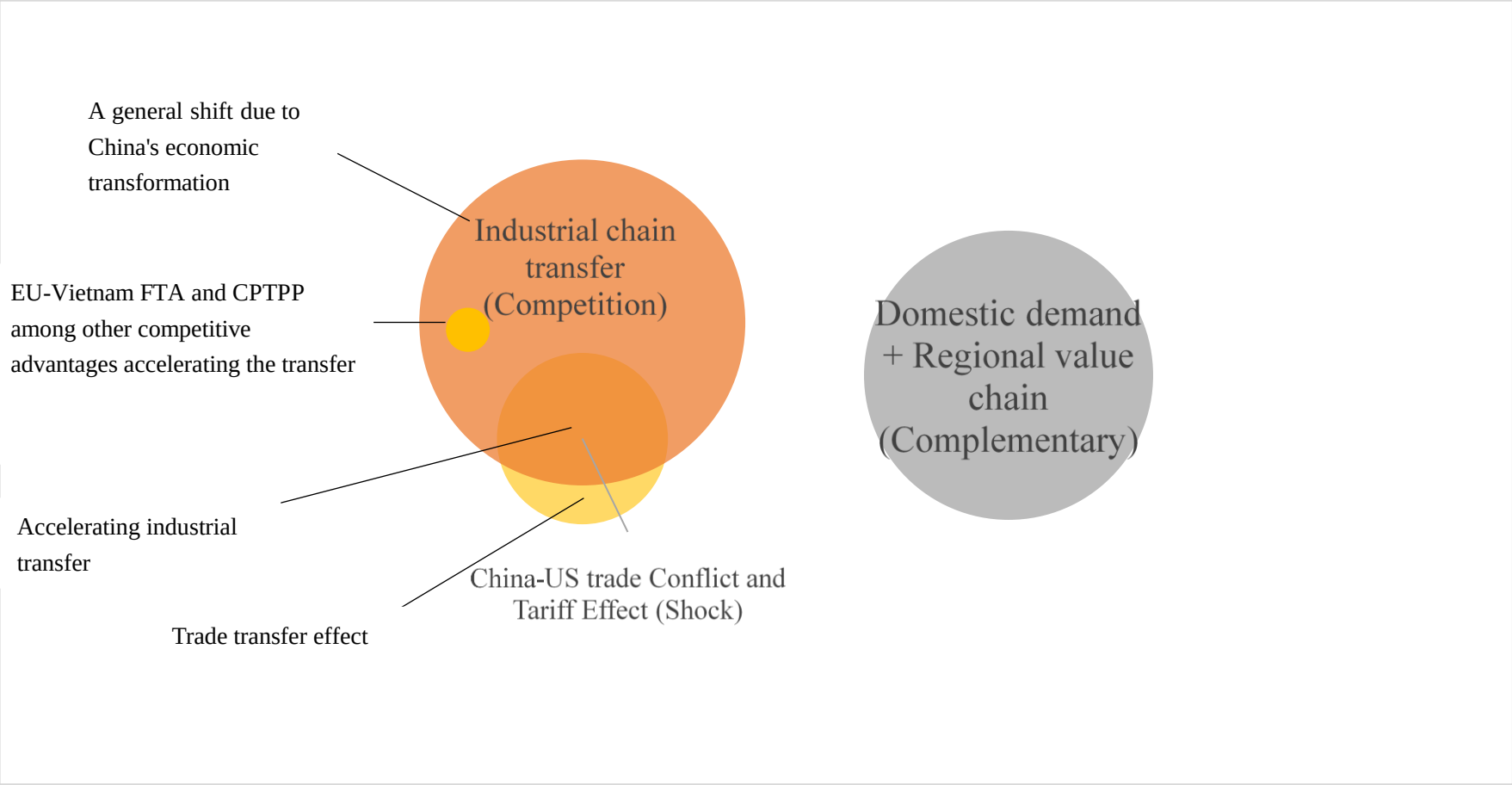
6. Conclusion (1)

- How to understand?



6. Conclusion (2)

- How to understand? (The reality)



6. Conclusion (3)

- This paper decomposes Chinese exports to Vietnam in 2019. As China's major export destination country, Vietnam is markedly different from China's major traditional trade partners.
  - Notably different from China's traditional export destination countries including the EU and the U.S.
    - most Chinese exports to Vietnam are not to satisfy Vietnam's final demand.
  - Also differs from those of China's traditional export destination countries in the regional value chain such as Japan and South Korea.
    - shows more participation in the global production networks by Chinese firms.
  - The current Sino-Vietnamese economic and trade relation is comparable to the earlier Sino-Japanese economic and trade relation.

6. Conclusion (4)

- We should learn from Japan’s experience when thinking about the economic relationship of China and Vietnam.
  - Firstly, China and Vietnam need to engage in negotiations for bilateral-investment agreements as Japan did in early time with China, and China should adopt a “home” perspective.
  - Secondly, learn from the experience of Japan and create institutions similar to the Japan External Trade Organization (JETRO) that focus on promoting investment and supporting the foreign expansion of Chinese businesses. The first overseas representative office may be set up in Vietnam.
  - Thirdly, relations with Vietnam need to be improved in existing mechanisms, including intensified economic and trade cooperation with Vietnam within the framework of the Regional Comprehensive Economic Partnership. The China Council for the Promotion of International Trade may set up a representative office in Vietnam to reflect its new status as China’s trade partner. An official trade- and investment-promotion institution may also be set up in Vietnam, while negotiations for China to join the CPTPP continue.
  - Fourthly, the competition characteristics in the Sino-Vietnamese economic and trade relation need to be objectively defined, so regional economic integration may be promoted to form a production network that is favourable for China while avoiding excessive industrial transfer and de-industrialisation.

Thank you!