CHAPTER I

INTRODUCTION

"Vietnam's Strategy in Taking Advantage of Trade War between US-China In 2018-2019". The author chose this title because this case is an up to date case. The case of the application of the Chinese product tax rate policy was set by President Donald Trump on March 8, 2018. In addition, this trade war has a great impact on the dynamics of the world economy. This trade war not only affects the United States and China but also affects Asian countries like Vietnam. Who would have thought that Vietnam would benefit from this trade war? Therefore, this case is interesting to discuss.

A. Background

Vietnam is one of the countries in Southeast Asia that has a fairly long colonial history. Vietnam was ruled by China for dozens of centuries so that the Chinese political culture, which is socialist-communist, is very attached. Vietnam is the most expansionist country in Southeast Asia which had been in a state of constant war since the end of World War II. Vietnam is the only country in Southeast Asia that has succeeded in ousting great colonizers such as the US and France. This is an achievement that has not been defeated by other countries.

The end of the cold war helped shaping Vietnam's foreign policy which was more pragmatic than the previous era (Cipto, 2007). Vietnam's elite is starting to openly acknowledge new realities that are developing throughout the world. They argue that the world began to make the economy as a measure of the success of a country. Therefore, war is no longer the means needed for the state to achieve its goals especially those for the welfare of the people'.

The "Doi Moi" reform which opened up economic privatization in the mid-1980s transformed Vietnam from a poor country into one of the economic tigers of Southeast Asia in only three decades. The economy of this country has been very different and is included in the ranks of developing countries with quite interesting growth.

Quoting an article written by Peter Vanham, Media Lead, US and Industries WEF, Vietnam was one of the poorest countries after the 20-year war that ended in 1975 (Vanham, 2018). In the five years of its reign at the start of the war, Vietnam economic growth was always below the government's target. In the 1980s, the country was trapped in per capita Gross Domestic Product (GDP) of US $ 200 to US $ 300 (Agustiyanti, 2012). Although Vietnam was only able to escape from colonialism in 1975, now this socialist country is able to become one of the stars among ASEAN countries. In 1986, the Vietnamese government introduced Doi Moi, a series of economic and political reforms. The basic concept of Doi Moi is to bring socialist development to objective reality in the transition to socialism in Vietnam, taking into account the current world situation (Kamal, 2015). This policy has brought positive and radical change to the country for two decades. Currently, Vietnam is one of the stars in the ranks of developing countries (emerging markets). Vietnam's GDP reached USD 55.42 Billion from 1985 to 2014. It reached its highest point in 2014, which was USD 186.20 Billion and the lowest in 1989 with 6.30 Billion USD (Kamal, 2015).

According to the Sindonews website, Friday (10/10/2019), Vietnam's economic growth in the first half of 2015 grew 6.28%, this figure is up from 5.18% in the same period in 2014 and 4.93% in 2013 (Sindo news, 2013). Foreign direct investment (FDI) entering Vietnam also jumped US $ 12.35 billion in 2014, up 7.4% from 2013. Vietnam's GDP has increased at a fairly high rate: on average around 7-8% per year. In 2018, exports accounted for 95.39% of the formation of Gross Domestic Product (GDP). Even in

2017 its contribution reached 101.59% (Setiaji, 2019). The Gross Domestic Product (GDP) in Vietnam was worth 244.95 billion US dollars in 2018. The GDP value of Vietnam represented 0.40 percent of the world economy. GDP in Vietnam averaged 73.96 USD Billion from 1985 until 2018, reaching an all time high of 244.95 USD Billion in 2018 and a record low of 6.29 USD Billion in 1989 (Trading economics, 2019). One of the most important, Vietnam's economic growth is quite inclusive. According to the World Economic Forum's Inclusive Development Index, Vietnam is part of an economic group that has done very well in making their growth process more inclusive and sustainable. Vietnam's current economic development, can not be separated from the effects of trade wars.

Currently, the world economy is entering a crisis due to the trade war between the United States (US) – China. Since being elected as the president of the United States, Trump began issuing several policies. On March 8, 2018, the United States as the largest manufacturing country announced a global steel and aluminum import tariff policy. The policy aims to protect US producers and is a critical form of US national security. Donald Trump has repeatedly criticized China's trade policies and threatened penalties for Beijing by raising import taxes to 45%. Donald Trump also accused China of manipulating the value of its own currency to bring down the competitiveness of American producers. Donald Trump also stated that he would sign a regulation to impose a steel import tariff of 25% and an aluminum import tariff of 10% (Ardhani, 2018).

On March 22, 2018 Trump deferred tariffs on steel and aluminum imports for some countries but not for China and in return China responded by imposing a 15-20% import duty to China on 128 US products if negotiations fail. On May 19, 2018, the two countries announced a draft agreement in which China agreed to reduce its trade surplus significantly. On July 6, 2018, the US imposed a 25% duty on Chinese imports worth US $ 34 billion, including cars, aircraft parts and hard drives. Then China did not remain silent, China also charged the same tariff with the same coverage and included agricultural products, marine products and cars. August 23, US imposed a tariff on Chinese goods worth US $ 16 billion. China also applied a 25% tariff for US goods worth US $ 16 billion for Harley Davidson, Bourbon and other motorbikes. September 24, 2018, US gave 10% tax on Chinese imports worth 200 billion US $. China responded by imposing an import duty on US products worth US $ 60 billion.

Why did China not match the U.S. action in scale in this likely second round of the trade war? The answer is that China's export of goods to the U.S. was $505 billion in 2017, while U.S. exports to China was only $130 billion. Trump continues to threaten to increase tariffs on US $ 200 billion of Chinese goods to 25% from 10% in December. However, the application of tariffs was postponed after Trump held talks with the President of China and the tariff was delayed for three months. In return China also suspended additional tariffs on US-made cars and spare parts for 3 months starting January 1.

Actually, there are three major which concerns drove the U.S. into initiating the trade war, and they are (a) the concern that China's chronically large trade surplus was depressing job creation in the U.S.; (b) the concern that China was using illegal and unfair methods to acquire U. S. technology at an effectively discounted price; and (c) the concern that China seeks to weaken U.S. national security and its international standing (Tao & Woo, 2018). China's journey in external economic engagement has been marked by many disputes, and it is safe to predict that its future course will generate new disputes.

Given the US and China are the two largest economies in the world, US-China trade war provides dynamics for the world economy. The never-ending Trade War between the United States (US) and China resulted in a slowdown in the world economy. As a result, the two countries can also have an impact on world economic growth up to 0.8%. While the target of the International Monetary Fund (IMF) is 3.9 % on world economic growth. The international agency Moody's Analytics estimates that the chances of a global economic recession will increase for the next year to 1.5 years. An economy is called a recession if its growth contracts for two consecutive quarters.

The escalation of the trade war has exceeded expectations and the stakes are high for the global economy. The chances of a global recession for the next 12 to 18 months increased from 40 percent to 50 percent (Cochrane, 2019). In his research, Cochrane revealed the development of trade war between the US-China is increasingly bleak. This will negatively impact the global economy. According to Cochrane, the imposition of such a tariff would hurt the US economy more than China. The reason is, tariffs will make the price of US consumer goods to rise that triggers inflation and weakens consumer confidence.

In Asia, the impact of both trade wars was felt through supply chain disruptions. Currently, export demand in the Asia-Pacific region is declining as demand for semi-finished goods declines from China's manufacturing industry. Exports and imports in Asia have declined throughout 2019, as trade wars have worsened the existing downward cycle (Cochrane, 2019). To withstand the risk of trade war, central banks in several of countries have implemented monetary easing policies. In this way, the central bank hopes to boost domestic demand.

On the other hand, the escalating trade war between China and the US can have a positive impact on the economies of countries whose production costs are low, such as those in Southeast Asia. In this case, centers of low-cost goods production began to shift from China to other countries. In ASEAN, almost all countries prepare themselves to fight over the positive effects of the trade war.

Vietnam became one of the countries in ASEAN that is affected by the trade war (Achmad, 2019). Vietnam, as one of the countries close to China, is trying to use trade war to help the country's economy (Sembiring, 2019). Vietnam is the biggest beneficiary of a trade war because some businesses have shifted their supply chains from China to avoid US tariffs. The similarity of Vietnam's export products with China is so high that the US will divert imports from China to Vietnam (Aninda, Ekonomi Vietnam Tetap Tumbuh di Tengah Perang Dagang, 2019). The General Statistics Office (GSO) released a report stating that Vietnam's gross domestic product for the second quarter of this year grew by 6.71%. According to Vietnamese government customs data, Vietnam's exports to the United States rose 29% to US $ 22.72 billion in the first five months of the year from the previous year (Aninda, Ekonomi Vietnam Tetap Tumbuh di Tengah Perang Dagang, 2019).

Not only exports, Vietnam also benefited from industrial relocation from China. China shifted the position of Japan, South Korea and Singapore as major investors in Vietnam. The majority of foreign investment to Vietnam is mostly invested in the manufacturing sector. Vietnam is considered to have a sophisticated strategy in dealing with the issue. Hereby, this thesis will discuss Vietnam's strategy in facing and taking advantage of the US-China trade war in order to fulfil the national interest.

B. Research Question

From the explanation of the background above, the research question from this study is: How did Vietnam take the advantage of the Trade war between US – China ?.

C. Theoretical Framework

In this thesis the author uses the basis of the concept so that problems or discussions in this thesis remain within the limits of a concept and in accordance with what has been learned and can be easily understood, along with the explanation:

1. Trade War Concept

War indicates hostility or tension between the two parties. Not necessarily in the form of armed fighting, war can also occur in an effort to safeguard and maintain a country's economic stability. In this regard, trade wars can be understood as economic tensions between two countries which previously cooperated with each other or were bound in trade relations.

It is more clearly stated in the economic dictionary that trade war is an economic conflict that is manifested by the application of import restriction policies between countries (Novalia, 2019). These import restrictions include increasing import duties on goods, prohibiting certain goods from being imported, making the standard of incoming goods higher, certain goods must be tested again and obtain additional certification, etc. The purpose of this trade war is to harm the trade of nations with one another. Economists warn that the world is on the verge of an all-out trade war, which features mutual action, heated rhetoric, and calls to the World Trade Organization (WTO), which may not be ready to respond.

Donald Trump's policy related to the escalation of import duty tariffs for products from China especially steel and aluminum sparked a trade war with China. In the trade war between the US and China, the policy set by the US was to increase import duties for products from China. Especially for types of steel and aluminum. The policy increased import duty tariffs for steel imports by 25 percent, and import duty tariffs for aluminum by 10 percent higher. For this policy, China also reacted by increasing import duties for US products. Primarily for soy products, wine, and fruit.

The existence of policies and trade wars will certainly have an influence on the economy. Not only for opposing countries, such policies actually also have an impact and loss on the domestic economy. When a product is restricted in the form of an increase in import tariffs, then the amount of imports of that product will naturally decrease. Because the amount is reduced, the product will be difficult to find and make the production process that requires the item be hampered. For example, in the trade war between the US and China, the US set restrictions on steel and aluminum products from China. Because of these restrictions, of course steel and aluminum products will be difficult to find in the US and the production process involving these two items will also be hampered. If there were any, the price of the two goods would be more expensive than usual. This price increase will of course also affect production costs. Because the cost of production increases, the selling price of goods will certainly increase as well.

In the end, this will be quite detrimental to consumers, because the costs to be paid by consumers will also be higher. The same thing will apply to US-restricted products in China, such as soybeans, wine, fruit, cars, planes, and others. The price of these goods in China will of course increase, and so is the price of products that use these goods as production materials.

US and China are the two largest economies in the world and certainly US-China trade war provides dynamics for the world economy. Trade War between the United States (US) and China resulted in a slowdown in the world economy. Global trade growth is at 2% or the lowest since the 2008 financial crisis due to the impact of the trade war (Sebayang, 2018).

This is not the first time the US has been involved in a trade war. In the 1930s, America also adopted protectionist policies. Congress enacted a tariff regulation known as the Smoot-Hawley Tariff Act. This was done to protect factories in the US that could not compete with factories from various countries to sell products in the US market itself.

European countries affected by the law then retaliated to impose high taxes on various imported products from the US. "Instead of reviving the economy, this has actually aggravated the Great Depression (era of the Great Depression). This makes it harder for the US to get out of the economic crisis at that time, "CNBC reported in early April

2018. This trade war expanded with the emergence of various nationalistic rhetoric from various figures in various countries until finally the impact of armed war with the start of World War II in the 1940s.

The US is also involved in a trade war with Japan. In fact, US trade pressure on Japan began in the 1950s. At that time, the US was targeting the Japanese textile industry. Famous for the incident, "One Dollar Women's Shirt". Which is the line of fire of the Japan-US Trade War. At that time, many shirts were exported from Japan to the US market. Only one dollar is sold. Much lower than the current US market price. The textile industry in the United States was hit hard. Many small and medium-sized companies were hit and bankrupt. Including the textile factory invested by Warren Buffet did not escape the fate of bankruptcy (Suwarno, 2019).

The US Workers launched an anti-dumping campaign. Demand the government limit Japanese textile imports. And Japan, finally forced to agree to many agreements which then undermine the Japanese economy. In the 1980s by charging high tariffs for a number of imported goods in the era of President Ronald Reagan. It's like steel products and cars from Japan, which sell well in the US. A number of US steel mills became closed. "The US trade deficit with Japan rose from US $ 9.1 billion (around Rp.126 trillion) to US $ 37 billion (around Rp513 trillion) from 1979 to 1984," the Japan Times reported (Riza, 2018).

The US considers the Japanese import protectionist strategy carried out since the 1970s to disrupt trade relations between the two countries. In that period, the US administration led by Jimmy Carter sought ways to open up the Japanese market and the effort continued until the leadership of Ronald Reagan. The Reaganomics trading tactic was then carried by the US which was mired in an economic recession. You do this by limiting imports of cars from Japan. At that time, the US had indeed become a soft export destination market for Japanese manufactured goods, such as cars, auto parts, office machines, and other electronic goods.

Japanese car exports to the US at that time reached 1.8 million units. At the same time, only 4,201 US manufactured cars were sold in Japan according to the 1981 Washington Post report. But restrictions on Japanese car imports have not yet yielded maximum results. The US trade deficit with Japan in 1983 reached USD36.8 billion, up about USD15 billion compared to the deficit in 1982 (Syafina, 2019).

The US government then imposes a 45 percent import tariff on Japanese motorcycle manufacturers, in an effort to save the US motorcycle assembly company Harley Davidson (HOG) whose sales are skydiving due to competition with Kawasaki and Yamaha. Stricter sanctions occurred in 1987 where the US imposed a 100 percent import duty tax on Japanese computer, television and electrical equipment. As a result, the US people finally have to pay a lot for the imposition of the import duty.

This policy is indeed able to stop the bloody US semiconductor industry due to a ban on exports to Japan. Finally, Japan again allowed US companies to sell products to the country. This is considered a victory and the imposition of import duty tariffs is seen as a success by most people.

In 40 years, the US is constantly looking for problems with Japan. Every revival of a Japanese industry, often accompanied by oppression from the US. As US do now with the world's second largest economy, China. There is a positive solution that might be picked for China. From the experience of the Japan-US Trade War.

The first strategy, occasionally back and fight. Japan chose to give up on industries that had been restricted. Japan chose to make concessions to suspend conflict with the US. And, over the past 40 years, Japan has signed many agreements with the US that limit exports. Not long after, the Japanese textile industry began secretly targeting the high-tech textile industry, carbon fiber. Carbon fiber is also known as "black gold". This fiber is much stronger than ordinary fiber. Which is resistant to corrosion and high temperatures. So it can be used to make military products such as body armor. And in the aviation sector.

In the 1960s, US carbon fiber technology had been developed for 10 years. The dominant player in the market is Union Carbide. With the support of the Japanese government, Japanese companies invested a lot of money in research and development. In 1969, a breakthrough of high-performance carbon fiber material was successfully developed. Since then, Toray from Japan has relied on this technology to take control of the market. And successfully ranked first in the global carbon fiber market share. Toray, now the most stable and prime supplier for Boeing. US oppression became a driving force for Japan. Turning cost advantages into technological advantages. This not only increases product competitiveness. But it also helped Japan regain control of foreign trade.

The second strategy adopted by the Japanese government, is to take advantage of trends. And look for other growth points. In the 1970s, Japan's conflict with the US was largely concentrated in the field of household appliances, steel, and cars. At this point, Japan began to divert and develop the semiconductor and information industry. Initially, Japanese semiconductor technology was far behind the US. However, since the mid-1970s, the Japanese government began implementing innovative integrated circuit projects. This project brings together five large Japanese companies, Hitachi, Mitsubishi, Toshiba, Fujitsu, and Nippon Electric. With an investment of more than 70 billion yen in R&D. These five companies usually compete with each other. But at that moment they must unite their goals. United fight to achieve breakthroughs in semiconductor core technology. Likewise, Chinese cellular companies such as Xiaomi, Oppo, Ovo, Lenovo, meiju to collaborate with OS Huawei, Hongmeng against Google Android. As a result, in only four years, the project has obtained more than 1,000 patents. Japan has captured the global chip market. And technology in the field of microelectronics has matched the US. In the late

1980s, Japanese chips dominated the 53% global market share. Compared to the US which is only 37%.

In 1978, Japan also introduced a temporary measure to revitalize the information industry. With a focus on electronic computers, high precision equipment, and the knowledge industry. Companies in this sector not only receive special government subsidy funds, but also tax easing and financial concessions. Finally, there arose a large number of companies that we know today, such as Sony, Sharp, etc.

Another strategy, "internationalization". Japan began to set up factories in other countries. Turning another country into an export processing place for Japanese products. In the 1970s, Japanese carmakers began investing directly on a large scale in the US. Such as Honda, Nissan, Mazda, Mitsubishi, Fuji Heavy Industries etc. This car company succeeded in setting up factories in the United States, and investing in local R&D institutions (Suwarno, 2019).

In one hundred years the US as the world's number one economy, has toppled 5 countries with the second largest economy in the world. Whenever the manufacturing of the second economy of the country approaches 70% of total US manufacturing, the US will surely use all means to subvert its opponents. Like the current US-China trade war.

Cochrane said in his article “living in the tail risk” that the development of the US-China trade war had worsened and would have a negative impact on the global economy. According to Cochrane, the imposition of such tariffs will hurt the US economy more than China because, the tariff will make the price of US consumer goods to rise so that it triggers inflation and weakens consumer confidence. In fact, consumption is one of the main motors of the US economy. If consumption slows, the risk of recession in the US increases and ultimately drags global economic growth.

The impact of trade wars is also felt in Southeast Asia. The economy of the ASEAN countries is reported to be lethargic due to that. In ASEAN, almost all countries prepare themselves for negative impacts or even fight over the positive effects of the trade war. A Japanese investment bank, Nomura has conducted research related to the impact of the trade war. The result is that there are a number of countries in Asia that could actually benefit if the US and Chinese tensions heat up (Budi, 2019). Vietnam became the country in Asia that benefited the most from trade wars. Because, Nomura predicts that Vietnam's gross domestic product can increase dramatically by 7.9 percent. 7.9% of Vietnam's gross domestic product (GDP) currently comes from increased exports, both to China and to the US.

Vietnam receives the most trade diversion benefits because of the similarity of Vietnam's export products (export similarity index) with China is quite high, Vietnam also benefits because of its geographical proximity to China. Vietnam also obtained the Generalized System of Preferences (GSP) and Bilateral Trade and Investment Framework Agreement (TIFA) facilities with the US since 1994. There is also the potential for relabeling Chinese products to be made in Vietnam. There are also opportunities for the practice of transhipment of Chinese exports through Vietnam so that Chinese products are listed as Vietnamese products.

This was done by Chinese exporters to avoid increasing import tariffs from the US. However, the Vietnamese Government has committed to fighting the practice of illegal transhipment and relabeling Chinese exporters to maintain good relations with the US.

Vietnam has a sophisticated strategy in taking advantage of dealing with trade war issues. In the short term, Vietnam may benefit from trade tensions between the US and China through the temporary boost in exports and foreign investment. because of the similarity of Vietnam's export products (export similarity index) with China, Vietnam's strategy to deal with this trade war is that Vietnam must be able to meet what was once supplied by China to America. That switch was supplied by Vietnam. by boosting domestic production for export to the US. Some products that can be exported and imported to the US are soybeans (Sembiring, 2019).

Besides having the advantage of the trade side, Vietnam is also good at capturing investment transfer opportunities. Vietnam's economic growth accelerated from 5.03 percent in 2012 to 7.1 percent in 2018 (Hartati, Menggeser Peluang Investasi dari Vietnam, 2019). One of them is due to the rapid increase in direct investment as a result of the transfer of production. Some Chinese manufacturing companies moved their production bases to avoid protection from entering the US. Even the World Bank data shows, at least 23 US companies moved their investments from China to Vietnam. This was confirmed by the data of the Vietnam Foreign Investment Agency, in which foreign direct investment in the first five months of 2019 reached USD16.74 billion, and was also the highest foreign direct investment (FDI) in the past four years (Hartati, Menggeser Peluang Investasi dari Vietnam, 2019). Vietnam getting an abundance of investment is certainly not without cause. The strategy offered is ease of investment, especially ease of licensing, labor productivity, stability, and security. Investors only need two months to get an operating and investment permit. Labor wages in Vietnam are only USD 220 per month or half of labor wages in China. The government also provides electricity subsidies to industries up to a price of USD0.07 per hour (Hartati, Menggeser Peluang Investasi dari Vietnam, 2019).

2. International Trade

In international relations, aspects of international trade are one of the important aspects. Many international relations are established on the basis of economic or trade interests. With international trade, the economy will intertwine and create an economic relationship that influences one country and another and the traffic of goods and services will shape trade between nations.

International trade is an economic activity carried out by residents of one country with residents of another country.

International trade is an activity that aims to improve the welfare of the people of a country. It is undeniable that international trade is a factor in increasing a country's GDP, although international trade has been carried out for thousands of years but the impact of international trade has only been felt in recent centuries with very significant impacts in the economic, social and political fields (Rosyidah, 2006).

International trade can be interpreted as a trade transaction between the subjects of one country's economy and the subjects of another country's economy, both regarding goods or services. The economic subjects in question are residents consisting of ordinary citizens, export companies, import companies, industrial companies, state companies or government departments that can be seen from the trade balance (Sobri, 1999). Whereas according to Huala Adolf in his book said that what is meant by international trade is the exchange process based on the voluntary will of each country. The motive is to obtain trade benefits or gains off trade (Adolf, 2013).

Mankiw in his book stated that trade between countries in the world was based on comparative advantage (Mankiw, 2008). This means that the trade is profitable because it makes every country speculate. International trade is also defined as a process of exchange based on the voluntary will of each party which must have the freedom to determine whether he wants to trade or not. Trading will only occur if no one party gains and no other party is disadvantaged.

Basically, international trade is an activity that involves supply (export) and demand (import) between countries. When exporting, the country receives foreign exchange for payments. This foreign exchange will be used to finance imports. One country's exports are imports for other countries, and vice versa (Boediono, 1999).

The following are some of the factors driving international trade.

1. Mastery of Science & Technology.

   Countries with high mastery of science and technology will be able to produce goods, services that are more quality, and certainly efficient compared to countries that are slow in science and technology. This can happen because the use of technology greatly saves production costs and is able to produce more goods.

2. Difference in Wealth of Natural Resources
   Each country has different geographical conditions, so that these differences make each country has a different wealth of natural resources.
3. Taste Differences.
   The differences in culture, political system, outlook on life, and social order have led to a taste for various types of commodities.
4. Desire to Expand Market & Add Profit.
   There are times when producers run their production less optimally because they are afraid that it will lead to excess production, causing losses. However, some producers deliberately carry out large-scale production to increase profits so that it will encourage them to conduct international trade.
5. Excess Product or Deficiencies Product in a Country (Novia, 2017)
   Excess products in a country (surplus) and cash shortages in a country (deficit) are things that occur because of differences in natural resources and progress between one country and another. The occurrence of a surplus causes the country concerned will sell its products to other countries, while countries that experience a deficit will buy goods from abroad through international trade (Novia, 2017).

The concept of international trade has emerged since the seventeenth and eighteenth centuries regarding international trade which gave rise to an economic philosophy called mercantilism. Mercantilists believe that the only way for a country to become rich and strong is to do as much as possible of exports and as little as possible of imports (Salvatore D. , 1997).

According to Salvatore, one of the economic activities that cannot be separated from international trade is the activity of capital flows, both in and out of nature, from a country (Salvatore D. , 2007). Salvatore also states that in general, a country should not only expect international trade, especially exports as the sole engine of economic growth at the present time (Salvatore D. , 2007). Therefore, the government must start to think of other alternatives to cover up the existing shortcomings. One of the efforts the government can do is attract foreign investors to invest their capital in the form of Foreign Direct Investment (FDI).

The incoming FDI flow is basically expected able to increase productivity which will ultimately have an impact on increasing national income in the form of Gross Domestic Product (GDP) and in the form of increased exports. In other words, in order to improve the performance of international trade, investment is absolutely necessary. In addition, the development of the industrial sector and infrastructure development are also needed to encourage the competitiveness of production national. The industrial sector that is open to foreign investment can also be a special attraction for foreign investors.

The concept of international trade is often used by countries to achieve their interests in meeting the needs of their countries, as well as seeking profits to increase state revenue. As companies grow, state revenues will also increase, both from tax and non-tax revenues such as employment, investment and infrastructure development.

International trade can also boost a country's production of goods to increase its gross domestic product. This may occur because international trade opens new markets in other countries. This is continuous with the experience of the Vietnamese government in utilizing international trade. In order to take advantage of international trade, Vietnam must be careful and meticulous in adopting an appropriate strategy to take advantage of international trade.

In relation to the concept of International trade, the Vietnamese government becomes an actor who acts as a policy maker on how to achieve its goals. here the Vietnam government finally made a strategy by looking at the function of the existence of a trade war as a tool or means that can be used to take advantage to achieve its interests. Vietnam utilizes trade warfare by making strategies in the form of boost in exports products and open widely foreign investment through simplify investment regulations.

D. Hypothesis

Based on the background of the problem and the theoretical framework that has been presented, a temporary hypothesis or answer can be obtained from the main point of this research: the Vietnamese government in its attempt to take advantage of the trade war between US-China, has made a strategy to promote macro stability through :

1. Boost in exports product
2. Opening foreign investment widely.

E. Research purposes

This research was conducted to explain the strategy by the Government of Vietnam in facing a trade war between US-China in order to achieve its national interests.

F. Research methods

Research methods are the means of collecting and obtaining data. This research was carried out by using qualitative methods, which was by elaborating existing facts, supported by previous facts, and then concluded. The techniques used to collect data were library study techniques, where the data obtained came from various sources which include books, journals, reports, newspapers, internet sites, online news, international agreement documents and other sources, both in print and electronic forms, which were considered relevant to this research.

G. Scope of Research

To limit the analysis, the scope of this research is limited to the term of time. The review in this study was carried out from 2018 since United States as the largest manufacturing country announced a global steel and aluminum import tariff policy. Until 2019, the US increased import duties on Chinese imports US $ 200 billion and the US government banned US companies from using foreign telecommunications equipment. Vietnam economy is affected by the protectionist agenda of the President of the United States (US) Donald Trump. With economic growth reaching 6.76 percent in the first semester of 2019, Vietnam became the country with the largest economic growth in ASEAN.

H. Outline

This research has five chapters which are arranged as follows;

CHAPTER I: Introduction

This section provides a brief overview of the reasons for choosing a title; background of Vietnam's strategy in taking advantage of trade war between US-China; research question; theoretical framework; hypothesis; research purposes; research methodology, and scope of research.

CHAPTER II: Vietnam's Economy

In this chapter, the author discuss the economic conditions of Vietnam before and after the trade war. Started from doi moi reforms until 2019.

CHAPTER III: The US Trade War with China

In this chapter, the authors explain how US and China trade relations before and after Trump administration; chronology of trade war; triggers of US-China trade war and the impact of trade war.

CHAPTER IV: Vietnam's strategy towards war trade.

In this chapter, the author explain Vietnam's strategies for taking advantage of the US-China trade war. Before that, the author described Vietnam as an alternative country due to trade war and Vietnam profits due to the trade war.

CHAPTER V: Conclusions

This section contains conclusions from the discussions that have been exposed from previous chapters, especially in summarizing analyzes aimed at answering the author's questions.