CHAPTER IV

THE STRATEGY OF VIETNAM TOWARDS WAR TRADE

Currently, various countries are worried because of trade wars between the United States (US) and China. Meanwhile, Vietnam managed to reap economic opportunities over the situation. In this chapter, the author will explain how the Vietnamese government's strategy towards the trade war policies issued by Donald Trump so that Vietnam continues to benefit from trade wars. Because every country must try to achieve its national interests at every opportunity. Vietnam is considered to have a sophisticated strategy in dealing with the issue of trade war.

A. Vietnam as an alternative country due to trade war

In a trade war, President of the United States (US) Donald Trump charges an additional tariff for products originating from China. As a result, companies began moving their production chains outside of China to avoid tariffs. Multinationals daunted by U.S. tariffs on goods shipped from China are moving to Vietnam, analysts point out. China-based wireless earphone maker GoerTek plans to move production of Apple AirPods to Vietnam for an investment of $260 million, SSI Research said in July. In another migration case, Google will shift Pixel smartphone production from China to Vietnam, the Nikkei Asian Review reported in August. Google was unavailable for comment. Some can produce and ship the same goods from just across the border without paying U.S. tariffs on a total $550 billion in goods made now in China (Jennings, 2019).

The ongoing and escalating US-China trade friction is no doubt negative for the world economy. As tit-for-tat tariff hikes between the US and China increase, so does the cost of importing from each other. However, there is a silver lining: the two countries are diverting imports away from each other, potentially benefiting industries in different economies, making suppliers in the rest of the world more competitive relative to US and Chinese firms.

Trade literature found that substitution between any two foreign suppliers is easier than substitution between a foreign supplier and a domestic firm. This substitution effect may be small in relation to the sizes of US and China GDP but the benefits of trade diversity can represent a substantial boost to the exports of third-party countries with smaller economies and can be even more substantial for certain industries within these third countries.

The existence of a trade war is certainly a bad impact on the world economy, even the United States and China are no exception. The volume of world trade fell by USD455 billion and could erode world economic growth by around 0.5 percent. Evidently, the first quarter of 2019 world trade only grew 0.4 percent (yoy), down when compared to the third quarter-2018 which still grew 1.6 percent (yoy). Likewise for the US, although the pressure of the trade balance deficit on China can be relatively suppressed, the US still suffers losses. US economic growth was corrected by 0.1 percent, investment shrank 3.91 percent, and exports fell 8.2 percent. Likewise China, although the trade balance is still a surplus, the country's economic growth fell 0.6 percent, investment fell 2.67 percent, and exports fell 7.09 percent. Ironically, the decline in US exports is mainly due to shrinking exports to China. Based on data from the International Trade Center (ITC), in the first quarter of 2019, US exports to China fell by 18.82 percent (yoy) and Chinese exports to the US shrank 8.8 percent (Hartati, Menggeser Peluang Investasi dari Vietnam, 2019).

Therefore, the winner of the trade war is not the US or China. An economist at CIMB's private banking unit in

Singapore named Song Seng Wun said that Vietnam had become one of the main beneficiaries of diversification in the supply chain after Donald Trump stepped up the trade war (Jennings, 2019). Vietnam Gross domestic product in 2019 rose 7.31% from a year earlier, up from a revised 6.73% in the second quarter, the General Statistics Office in Hanoi said Saturday (Uyen, 2019). Vietnam was affected positively by the trade war because of a surge in orders from US importers. In addition, the country is also a destination for relocation of factories outside China.

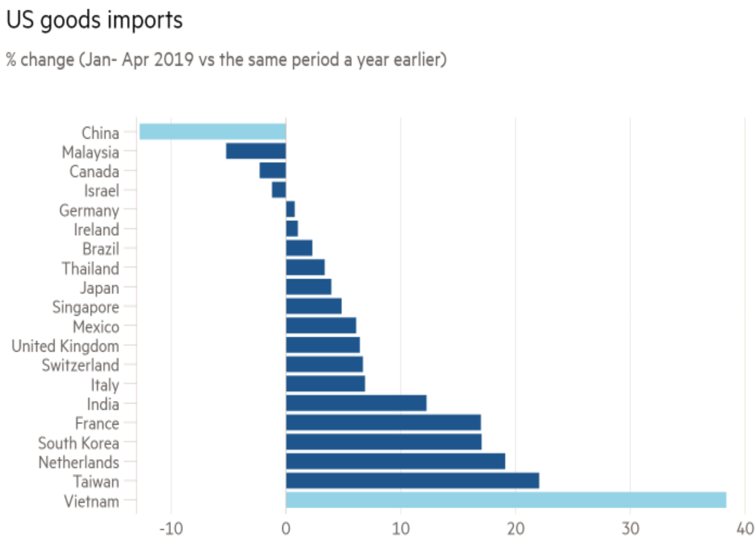

Figure 2: US goods import

Source : Vietnam GDP grows on trade war gain. https://www.ft.com/content/0a483a54-994f-11e9-8cfb-30c211dcd229

We can see in the graph above, according to United states international trade commission's calculations, Imports from Vietnam to the US surged nearly 40 per cent year on year in the first four months of 2019, while imports from China over the same period fell 13 per cent (Shrikanth, 2019). Nobody expects Vietnam to replace China as the world's major exporter, but the Southeast Asian country certainly appears to be taking some of China's business with the United States.

These are the top 10 imports from Vietnam to the U.S. based on the latest trade data from the International Trade Administration.

1. Electric Machinery and Equipment

The U.S. imported $11 billion in electric machinery and equipment from Vietnam in 2018, accounting for 22.4% of all U.S. imports from Vietnam (International trade administration, 2019). The top imported products were:

a) Telephones at 58.3%
b) Electronic integrated circuits at 12.5%
c) Insulated wire at 6%
d) Semiconductors at 3.6%
e) Transmission apparatuses for radio, telephone and television at 3.5% (Universal cargo, 2019)

As Vietnam continues to diversify into more complex segments in the electronics sector, the U.S. can benefit from improved product quality and affordable prices for imported electronic goods.

2. Knit and Crochet Apparel and Accessories

The U.S. remains the top importer of Vietnamese-made knit clothing, with U.S. imports of knit and crochet apparel totaling $7.2 billion in 2018 and $1.8 billion for quarter one (Q1) 2019. The most popular products were sweaters, pullovers and sweatshirts at 32.8%, and women's suits and ensembles at 23.2% (International trade administration, 2019).

3. Footwear

Vietnam is the second-largest exporter of footwear in worldwide. In 2018, the U.S. imported $6.2 billion in footwear, with 46.6% being textile footwear and 33.7% being leather footwear (International Trade Administration, 2019). Footwear companies that import from Vietnam can enjoy low manufacturing and labor costs to increase their profit margins.

4. Furniture

Furniture imports accounted for 10.3% of total U.S. imports from Vietnam in 2018, with a value of $5.1 billion. In Q1 2019, the U.S. imported $1.5 billion in furniture (International trade administration, 2019). U.S. furniture companies typically send design specifications to Vietnamese furniture manufacturers who then build and export the goods. Indoor wooden furniture is a popular import from Vietnam and is affordable and well-made.

5. Woven Apparel and Accessories

U.S. imports from Vietnam of apparel and accessories that are not knit and not crochet totaled $5 billion in 2018 and $1.4 billion for Q1 2019. Women's and men's suits were the top imported products, accounting for 27.8% and 18.1% of all woven apparel imports, respectively (International Trade Administration, 2019).

6. Industrial Machinery

Industrial machinery accounted for 5.7% of all U.S. imports from Vietnam in 2018 with a total value of $2.8 billion. Imported machinery from Vietnam included a wide range of products for both home and factory use. The top U.S. imports of industrial machinery from Vietnam were:

a) Printers and copiers at 36.9%
b) Computers at 30%
c) Washing machines at 9.6%

d) Appliances for thermostatically controlled valves at 5.7%
e) Sewing machines at 4.1% (Universal cargo, 2019)

As with electric machinery and equipment, Vietnam is continuing to produce and export more complex and diversified industrial machinery.

7. Edible Fruits and Nuts

Fruit and bean imports totaled $ 1.3 billion in 2018 and $ 201.7 billion for Q1 2019. The majority were cashews, coconut and Brazil nuts, accounting for 96.5% of US fruit and nut imports from Vietnam with a value of $ 1.2 billion. Fresh fruit is followed by $ 20 million, and frozen fruit and nuts is $ 19.6 million (International Trade Administration, 2019).

8. Articles of Leather

In 2018, the U.S. imported $1.1 billion in leather articles from Vietnam, with the top imports were leather trucks and cases at 92.8%. These items include handbags, wallets, leather cases for jewelry, suitcases, briefcases and more. The second most popular leather import was leather apparel, including leather gloves and belts (International Trade Administration, 2020). Vietnam produces custom-made leather pieces that are popular among U.S. consumers for their stylish designs and high-quality construction.

9. Fish and Crustaceans

U.S. fish and crustacean from Vietnam totaled $1 billion in 2018, with 68.8% was fish fillets and 25.8% was crustaceans (International Trade Administration, 2019). Shrimp was the most commonly imported crustaceans, followed by crab.

10. Iron and Steel

Iron and steel imports from Vietnam to the U.S. totaled $722.6 million in 2018 and $134.9 million for Q1 2019. The top two imports were clad flat-rolled iron and nonalloy steel at 59.3% and not clad flat-rolled iron and nonalloy steel at 24% (International Trade Administration, 2019). By importing resources like iron and steel, U.S. manufacturers can increase their production capacity and boost their profits.

With a growing economy and strong manufacturing base, Vietnam is a valuable trade partner for U.S. businesses in a variety of industries. Importing from Vietnam can allow U.S. businesses to expand their product offerings with high-quality goods or increase their inventory volume with cost-effective products to boost their profits.

Vietnam has now climbed the ladder of the global supply chain and is willing to reform to accommodate free trade agreements, and to become not only cheaper but also a friendly alternative to China in the Trump era. The facts on the ground are very clear. Vietnam, which used to be a country that relied on garments and other cheap exports, has begun to rival China's technology sector. With Asian businesspeople increasingly resigning to protracted trade wars between the American and Chinese governments, companies are more eager than ever to escape tariffs by relocating to smaller southern neighbors of China.

In order to avoid the impact of the US-China trade war, numerous large scale groups have relocated their facilities from China to Vietnam,that shows the potential for strong development of industrial real estate.

Company	Nationality	Status	(Expected) Location in Vietnam	Industry
Hanwha Aero Engines		Moved	Hanoi	Aerospace manufacturing
yokowo		Moved	Ha Nam	Automotive components
huafu		Moved	Long An	Textiles & garments
Goertek		Moving	Bac Ninh	AirPods manufacturing
TCL		Moving	Binh Duong	Electronics - TV manufacturing
FOXCONN		Under consideration	Bac Giang, Quang Ninh	Electronics - TV hardware
Lenovo		Under consideration	Bac Ninh	Electronics - Computer hardware
Nintendo		Under consideration	TBD	Electronics - Gaming consoles
SHARP		Under consideration	Binh Duong	Electronics - Camera modules
KYOCERA		Under consideration	Hai Phong	Electronics - Printers, copiers
asics		Under consideration	TBD	Footwear production

Figure 3: The list of large groups relocating factories from China to Vietnam

Source : Savills publishes list of large factories moved from China to Vietnam https://www.vir.com.vn/savills-publishes-list-of-large-factories-moved-from-china-to-vietnam-70395.html

According to the white paper on Vietnam's industrial real estate in the first half of 2019 that published by Savills Vietnam, until now, three large groups completed the relocation to Vietnam, including aerospace manufacturer Hanwha Aero Engines Co., Ltd. from South Korea, automotive components manufacturer Yokowo from Japan and garment and textile producer Huafu Industrial Co., Ltd.from Hong Kong. And two groups have moved, namely AirPods manufacturer Goertek to a factory in Bac Ninh, and electronics TV manufacturer TCL moved to Binh Duong. Besides, a series of enterprises operating mainly in the fields of electronics, textiles, footwear, and spare parts production, such as Foxcom, Lenovo, Nintendo, Sharp, Kyocera, and Oasis, are under consideration (Oanh, 2019).

According to Savills Vietnam in the first quarter of 2019, about 326 industrial zones were established, with a total area of 95.500 hectares. 251 of these industrial zones are in operation with an area of 60.900ha, accounting for 74 per cent of the total, while 75 industrial parks are under construction, compensation, and site clearance on a total area of 29.300ha (Oanh, 2019). it cannot be denied that the effects of the trade war between China and the US were greatly enjoyed by Vietnam. Uncle Ho's country enjoys an abundance of export markets to relocation of factories from China.

B. Vietnam profits due to the trade war

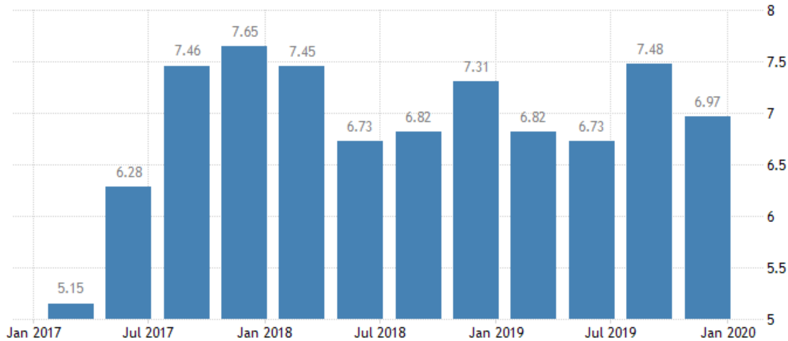

Figure 4: Vietnam GDP Annual Growth Rate

Source: Vietnam GDP Annual Growth Rate https://tradingeconomics.com/vietnam/gdp-growth-annual

Vietnam is a country with good economy despite the trade war. This marks one of the highest rates of growth among the main economies of Southeast Asia. Vietnam's gross domestic product expanded by 6.97 percent year-on-year in the fourth quarter of 2019, following an upwardly revised 7.48 percent growth in the previous quarter. For the full year of 2019, the economy grew 7.02 percent, exceeding the National Assembly's target of 6.6 percent to 6.8 percent. Vietnam's gross domestic product grew by 6.79 percent year on year in the first quarter of 2019, following a 7.31 percent expansion in the previous quarter in 2018. This was the weakest growth rate since the first quarter of 2018. The growth was driven by services sector (6.50 percent from 7.61 percent inn Q4), industry and construction (8.63 percent from 8.65 percent), and agriculture, forestry and fisheries (2.68 percent from 3.90 percent). Vietnam targets an economic growth of between 6.6-6.8 percent in 2019. In the second quarter of 2019 Vietnam's gross domestic product expanded by 6.71 percent year-on-year, following an upwardly revised 6.82 percent growth in the previous quarter. This was the weakest growth rate since the second quarter of 2017, as output of agriculture, forestry and fisheries expanded softer (2.19 percent from 2.81 percent in Q1). Meanwhile, output grew faster for both services sector (6.85 percent from 6.50 percent) and industry and construction (9.14 percent from 8.68 percent). For first half 2019 as a whole, the economy grew 6.76 percent. In the third quarter of 2019, Vietnam's gross domestic product expanded by 7.31 percent year-on-year, following a marginally revised 6.73 percent growth in the previous quarter. This was the strongest GDP growth rate since the fourth quarter last year, as output expanded faster for industry and construction (10.05 percent vs 9.14 percent in Q2) and services (7.11 percent vs 6.85 percent). Meanwhile, agriculture, forestry and fisheries advanced softer (1.53 percent vs 2.04 percent in Q2). For the first three quarters of 2019, the economy grew 6.98 percent (Trading Economics, 2019).

This socialist country actually recorded a glorious investment and export achievement in early 2019. Based on the records of the Asian Development Bank (ADB), Vietnam's FDI grew by 27 percent in the first five months of 2019 which is also the highest achievement since 2016. While exports were still growing around 7,7 percent in June 2019. Data as of November show that Chinese foreign direct investment (FDI) to Vietnam grew by three digits in 2019. Some large companies such as Kyocera Corp, Sharp Corp and Nintendo Co. have been investing in Vietnam since the trade war began, with others actively considering it (Aninda, Vietnam 'Terjerat' dalam Perang Dagang, 2019). FDI to Vietnam is estimated to reach US $ 35 billion in 2019, almost equal to the value of each investment from the previous 2 years. Vietnam is attractive to foreign factory investors. Adding to its appeal, Vietnam is on track to enter a trade pact with the European Union after joining an11-country Trans Pacific Partnership free trade deal in 2019. The trade wars of the United States and China made Vietnam an advantaged country. The large number of Chinese manufacturers avoiding US customs tariffs is the reason for the wave of production shifts to Vietnam. As a result, in August 2019 the trade surplus of goods in Vietnam with the United States swelled to USD 35.6 billion, up 38% from the same period in 2018.

So, why exactly has Vietnam emerged as the winner of the US-China trade conflict to become the destination of choice for relocation beyond China’s frontiers? The answer lies in the following factors:

1. The similarity of Vietnam's export products (export similarity index) with China is quite high, reaching 0.43 far above Taiwan (0.35) and Malaysia (0.32) (Hartati, Menggeser Peluang Investasi dari Vietnam, 2019). According to the OEC, Vietnam's export commodities mostly consist of manufactured goods such as broadcasting equipment ($ 30.3 billion), integrated circuits ($ 10.8 billion), computers ($ 7.29 billion), leather footwear ($ 6.27 billion), and textile footwear ($ 6.01 billion) (Priyoharto, 2018). The composition of the exported goods also makes it a distinct advantage for Vietnam over the changes in the economic structure that occurred in China. Because according to the Asian Development Bank (ADB) at this time China began to shift its production results which were originally manufacturing-based industries

into industries with high-value end products. Changes in China's economic structure like windfall for the Vietnamese economy.

2. Vietnam gets benefit from geographical proximity (one mainland) with China.

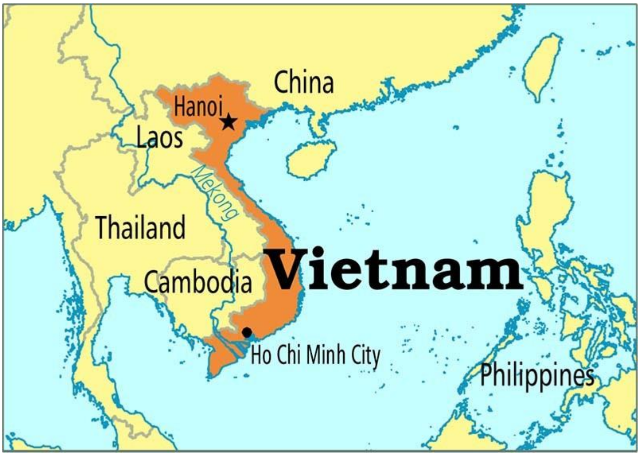

Figure 5: Map of Vietnam

Source : Vietnam’s geography
https://www.itourvn.com/blog/vietnam-s-geography

Because the companies that moved before were in China, business people saw Vietnam as a destination because it was closer in terms of distance. Moreover, the distance from the Chinese manufacturing center in Shenzhen to the country of Vietnam is not too far away. With the distance between China and Vietnam are close, businesses can minimize the costs. Then, the supply chain is maintained due to the distance. Moreover, factories in Vietnam are owned by Chinese, Taiwanese, and South Korean investors, making the transition business run smoothly. In addition to facilitating the supply of imported raw materials, proximity also facilitates quality control and mobility of skilled workers.

3. Vietnam also obtained the Generalized System of Preferences (GSP) facility and Free Trade Agreements

Generalized System of Preferences (GSP) is a program designed to encourage monetary prosperity in developing countries throughout the world. The objective of GSP is to help poorer countries develop further economically by eliminating tariffs on specific exported goods. This program provides preferential treatment to beneficiary countries, those which are underdeveloped, on over 3,500 products. The hope is to give these struggling countries an opportunity to grow through trading with super powers such as the United States. GSP provides exporters with reduced or zero duties when exporting seafood products to one of these states. Vietnam enjoys GSP status with many partners and countries, such as the EU including 28 member states, Australia, New Zealand, Switzerland, Japan, Russia, Canada, Norway, and Belarus, China as well as another 42 states and the MERCOSUR trade bloc under the Global System of Trade Preferences among Developing Countries (GSTP). The EU Market Vietnam does not benefit from GSP+ status. However, it is on the list of GSP countries. Import duties for seafood apply and vary depending on the species and product to be imported. For example, shrimp products are taxed at 7% in any form. While, tilapia and pangasius are taxed at 4.5% when imported whole (fresh, chilled or frozen) and 5.5% in filleted form (Seafood Trade Intelligence Portal, 2019). In 2015 Vietnam and the EU concluded a three years negotiation over a Free Trade Agreement (FTA). The outcome of the negotiations unlock a huge potential market for European companies and supports

Vietnam’s transition towards a more competitive, smarter and green economy.

Vietnam is becoming an important hub for seafood processing, importing large quantities of raw seafood from India, Ecuador and other countries to process and sell as value added products. This resulted protests from Vietnamese seafood processors who are currently facing high import duties. According to the Vietnam Association of Seafood Exporters and producers (VASEP), current import tariffs are 10-15% for shrimp, 12-24% for tuna and 10-17% for squid and octopus. This will likely change under some of the major Free Trade Agreements (Seafood Trade Intelligence Portal, 2019).

Vietnam has agreed on four Free Trade Agreements of which three have already been signed and are in effect:

a) Vietnam – Japan Economic Partnership Agreement (EPA) status: signed in December 2008, effective entry into force since 1 October 2009
b) Vietnam – Chile FTA Status: signed n 11 November 2011, effective entry into force since 1 January 2014
c) Vietnam – South Korea Status: signed in 5 May 2015, effective since 20 December 2015
d) Vietnam – Eurasia Economic Union (Members: Vietnam, Russia, Belarus, Armenia, Kyrgyzstan and Kazakhstan) Status: signed in 29 May 2015, effective since 5 October 2016

4. Bilateral Trade and Investment Framework Agreement (TIFA) with the US.

The U.S.-Vietnam Bilateral Trade Agreement (BTA) is a comprehensive document covering trade in goods, protection of intellectual property rights, trade in services, investment protection, business facilitation and transparency. When the BTA went into effect on December 10, 2001, the U.S. immediately provided Vietnam's goods and companies access to the U.S. market

Over the past decade, U.S.-Vietnam economic relations have expanded rapidly. According to Vietnam's trade statistics, the United States was the nation's 3rd largest trading partner in 2018, but according to U.S. trade statistics, Vietnam was the 17th largest trading partner (Congressional Research Service (CRS), 2019). 2019 marks the 25th anniversary of the normalization of trade and investment relations between the United States and Vietnam. During this period, the two countries have significantly strengthened their economic, political and securities. These milestones have transformed the bilateral relationship and spurred robust economic growth and development in Vietnam. Bilateral goods trade grew from $1.5 billion in 2000 to $59 billion in 2018 (US Chamber of Commerce, 2019). The size and rapid growth of economic ties and the tremendous economic interests both sides have in maintaining and expanding the relationship make it incumbent upon Washington and Hanoi to develop a vision for the future of the commercial relationship. The business communities in both countries want to be partners in developing this vision.

US- Vietnam recognize that the business community's ambitions sometimes run into political headwinds, but it is our strong position that the United States and Vietnam must consider options for deepening trade and investment ties. After reviewing possible approaches, they launching an initiative to intensify commercial engagement under the auspices of the existing Trade and Investment Framework Agreement (TIFA). Using the existing institutional TIFA framework, which both sides have found productive, would facilitate immediate resolution of key bilateral issues, detailed below, building confidence and paving the way for future FTA negotiations. This initiative could also help promote bilateral trade and investment in areas of key interest to both countries.

5. The country's cheap labour costs.

Labor costs are a major consideration for any investment in labor-intensive products, because they generally cover around 30 percent of production costs. And, rising labor costs remain a major factor driving manufacturing from more developed countries to less developed countries in Asia. Low wages continue to be the biggest benefit of many developing countries to attract industry. The amount of wages in Vietnam is said to be lower than wages in China. Vietnam's monthly minimum wages in 2019 vary by region from $125 to $180, with the highest rates in urban areas like Ho Chi Minh City and Hanoi. These wages are sometimes half of China's which vary by province from about $140 to $346. And Vietnam's minimum wage growth is showing signs of stability. Minimum wages increased by an average of 5.3 percent in 2019, a lower increase than in 2018 (6.5 percent (Burkhart, 2019)

6. Vietnam's membership of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CTPP), which grants access to North America (Canada and Mexico) and Oceania (Australia and New Zealand) since 2015.

With the agreement, Vietnam can freely penetrate the United States (US) market and 10 other countries. These agreements have pushed Vietnam into a competitive business environment. Moreover, in these agreements, product quality standards, manufacturing, and employee rights are truly guaranteed by Vietnam. It is possible that Vietnam will become a manufacturing center and export base. The agreement has already impacted Vietnam's export destinations, 21% of which are to the US with a value of more than $ 38.1 billion (Priyoharto, 2018).

7. Vietnam has a strategic location.

Vietnam's location is good for regional shipping routes and positions in Asia. Vietnam itself is known to have a coastline of 3,200 km and has around 114 ports. The three largest ports are located in Hai Phong (north), Da Nang (center) and Saigon (south). Then Vietnam has a railroad network that is connected to China, namely Kunming (China) - Hai Phong (Vietnam). This network is used as cargo transportation (Boby, 2019).

C. Vietnam’s strategy in taking advantage of dealing with trade war

Vietnam is one of the few Asian nations to have clearly benefited from the US-China trade war, as Chinese and other manufacturers have shifted their supply chains south across the border, where wages are lower and trade infrastructure suitable for large-scale international shipments. Then, how about Vietnam's efforts to maximize the use of trade wars? here are the answers

1. Boosting the domestic product to export

Vietnam is one of the countries that has successfully utilized trade war to help the country's economy, especially exports. 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. For example the plastics industry, speaking to Việt Nam News, Hồ Đức Lam, its chairman, said exports saw impressive growth last year to $3 billion while overall revenues jumped to $12 billion. Exports in the first nine months of 2019 increased by 5 per cent and will continue to enjoy good growth in the rest months of the year. The US-China trade war has offered opportunities to Vietnamese plastics firms to boost exports. According to the association, exports go to more than 150 countries and territories, with the US and Japan being key markets.

The government is trying to gradually build a complete supply chain that covers all stages from raw material production to final processing, increasing the ratio of locally sourced raw materials to reduce dependence on imported raw materials. The Government needs to have policies to encourage investment in raw material production and develop supporting industries

Vietnam's real gross domestic product rose 6.71% on 2019 in the April-June quarter, marking one of the highest growth rates among key Southeast Asian economies as it shapes up into an alternative export hub to China. Shipments from Vietnam to the U.S. are on the rise as companies move production here from China. But the trend could widen Vietnam's trade surplus with America. GDP growth outperformed second-quarter expectations in data out Friday from the General Statistics Office. This follows the 6.82% growth for January to March. Haiphong, a major shipping hub near the Chinese border, has especially thrived since the U.S. implemented its first round of punitive tariffs on China last July. The city logged a 16% jump in real GDP in 2018 (Onishi, 2019).

Many representatives from Chinese corporations have been spotted at Deep C, Haiphong's largest industrial park, scoping out potential sites for new factories. New Chinese investment in Vietnam, based on approved projects, has topped $1.67 billion so far this year -- roughly quintupling from the same period in 2018. Vietnam has long been a top choice in "China plus one" manufacturing, where companies set up production bases in one other market in addition to mainland China, thanks to its relatively cheap labor costs. U.S. tariffs on China have only solidified its position.

Vietnam's trade with the United States rose to $70.9 billion through the first 11 months of 2019, according to a WorldCity analysis of latest U.S. Census Bureau data. That's 30.58 percent above its total trade during the same time period last year. U.S. exports to Vietnam increased 12.7 percent while U.S. imports from Vietnam rose 34.07 percent. The U.S. deficit with Vietnam was $50.9 billion. Vietnam ranked No. 13 among the United States' top trade partners through the current period. In the same period on 2018 ago, it ranked No. 17 (US Trade Numbers, 2019).

The top five categories of U.S. imports from Vietnam are : Cell phones, related equipment; Furniture, parts; Athletic, other textile shoes; Sweaters, pullovers, vests, knit or crocheted; and Leather shoes — accounted for 40.45 percent of all inbound shipments. Looking more closely at U.S. imports from Vietnam:

a) Cell phones, related equipment rose 112.71 percent compared to 2018 to $12.88 billion.
b) Furniture, parts rose 25.84 percent compared to 2018 to $4.09 billion.
c) Athletic, other textile shoes rose 11.1 percent compared to 2018 to $2.95 billion.
d) Sweaters, pullovers, vests, knit or crocheted rose 12.11 percent compared to 2018 to $2.46 billion.
e) Leather shoes rose 16.64 percent compared to 2018 to $2.26 billion.

In the latest annual figures available, Vietnam recorded $54.65 billion in trade with the United States (US Trade Numbers, 2019).

2. Open investment widely

Vietnam's economic growth accelerates from 5.03 percent in 2012 to 7.1 percent in 2018. One of them is due to the rapid increase in direct investment as a result of the transfer of production. Some Chinese manufacturing companies move their production bases to avoid protection from entering the US. Even World Bank data shows, at least 23 US companies moved their investments from China to Vietnam.

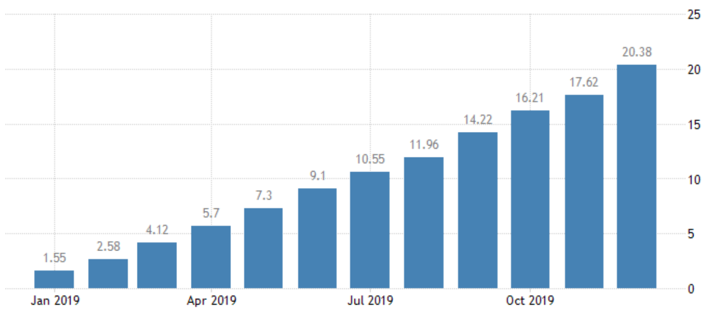

Figure 6: Vietnam Foreign Direct Investment 2019

Source : Vietnam Foreign Direct Investment https://tradingeconomics.com/vietnam/foreign-direct-investment

This was confirmed by data from the Trading Economics, Foreign direct investment into Vietnam rose 6.7 percent to USD 20.38 billion in 2019 from USD 19.10 billion in 2018. Foreign direct investment into Vietnam rose 6.8 percent year-on-year to USD 17.62 billion in January to November of 2019 (Trading Economics, 2019).

In addition, FDI pledges for new projects, increased capital and stake acquisitions which indicate the size of future FDI disbursements increased 7.2 percent in the year to USD 38.02 billion. The manufacturing and processing industry are set to receive the largest amount of investment 64.6 percent of total pledges followed by the real estate 10.2 percent. South Korea was the main source of FDI pledges in the period, followed by Hong Kong and Singapore. Foreign Direct Investment in Vietnam averaged 6.66 USD Billion from 1991 until 2019, reaching an all time high of 20.38 USD Billion in December of 2019 and a record low of 0.40 USD Billion in January of 2010 (Trading Economics, 2019).

According to the Vietnam Foreign Investment Agency, in which foreign direct investment in the first five months of 2019 reached USD16.74 billion, and was the highest foreign direct investment (FDI) in the last four years. Moreover, most of them are in the manufacturing, processing, retail and property sectors. As a result, Vietnam's manufacturing sector growth was able to reach 13 percent, and total exports increased by 13.8 percent yoy.

Vietnam getting an abundance of investment is certainly not without cause. The key factor for ease of investment, especially the ease and speed of licensing, Investors only need two months to get an operating and investment permit. The government provides electricity subsidies for industry up to the price of USD0.07 per hour. Therefore, it is not surprising that textile products (TPT) from Vietnam can shift Indonesian textile exports to the US market. The reason, textiles are products that hungrily electric.

Vietnamese officials are also considering opening three new special economic zones (SEZs) to foreign investment in 2019, though anti-China political protests have stalled a decision thus far. The government is proposing offering 99-year leases and tax exemptions to spur further investment. One area where Vietnam actually ranks better than China is in terms of ease of doing business ranking 69th place to China's 46th place on the World Bank's metrics (Burkhart, 2019).