

VIETNAM'S STRATEGY IN TAKING ADVANTAGE OF TRADE WAR BETWEEN US-CHINA IN 2018-2019

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Abstract

The trade war between the United States versus China began in early 2018 after the US imposed tariffs on washing machines and solar panels originating from China and since then, economic warfare has increased rapidly. Vietnam is the fastest economic growth country for the past eight years. This newly opened country is blessed by the China-US trade war because Chinese manufacturers are beginning to shift production to Asia which is cheaper, such as Vietnam and Bangladesh. In response to this event, this thesis aims to describe and analyze the response and strategy of the Vietnamese government towards war trade between US and China.

This paper use Trade War concept, and International Trade. This study found that the strategy of Vietnam's national interests in taking the advantage of US-China trade war, by boosting export product and accepting foreign direct investment (FDI) widely. FDI inflows in particular have been very strong and have provided a good balance for the Vietnam economic.

Keywords: War Trade, Vietnam, Strategy, Economy.

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.

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).

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.

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.

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).

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 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.

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. 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. Another strategy, "internationalization". Japan began to set up factories in other countries. Turning another country into an export processing place for Japanese products.

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.

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 transshipment of Chinese exports through Vietnam so that Chinese products are listed as Vietnamese products.

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.

2. International Trade

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
2. Difference in Wealth of Natural Resources
3. Taste Differences.
4. Desire to Expand Market & Add Profit.

5. Excess Product or Deficiencies Product in a Country (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. 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. 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.

Research Methodology

This research is formulated in two methodologies: method of data collecting and method of explanative research. The method of data collecting is conducted through the library research and also through the media; printed and electronic media, internet, articles or journals and some reference books.

The other method is the method of explanative research; a research which studies the connectivity of cause and effect between two phenomenon or more. The explanative research is used to decide whether the connection of the cause and effect is true or false. Referring to the research question, the aim of the explanative research is able to explain the strategy of Vietnam in taking the advantage of trade war between US-China in 2018-2019.

Results and Discussion

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.

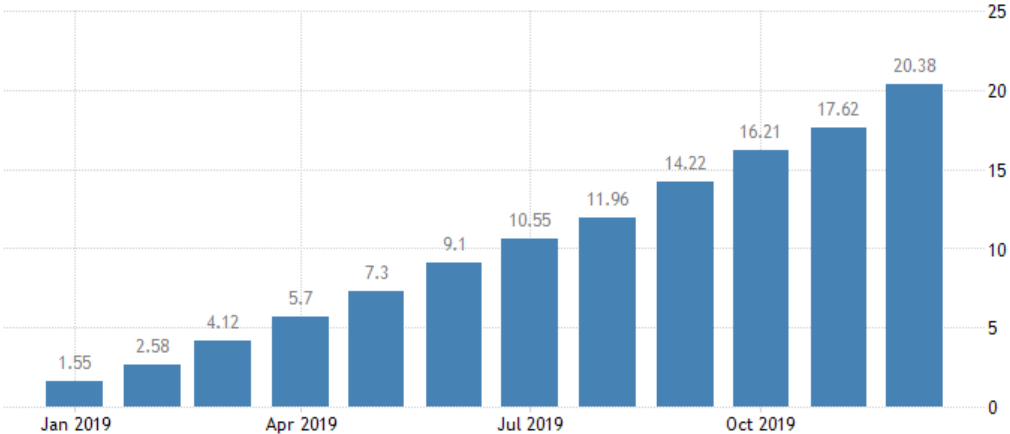


Figure 1: Vietnam Foreign Direct Investment 2019

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).

Conclusion

With the concept that the author has described in Chapter I. Then this thesis concludes the following analysis: Vietnam made a strategy by looking at the function of the existence of a trade war as a tool that can be used to take advantage to achieve its interests. Vietnam utilizes trade by making strategies in the form of boost in exports products and open widely foreign investment.

From the discussion of this thesis it was found that with the US-China trade war it turned out to be beneficial for Vietnam. and Vietnam has a strategy to be able to make the most of the benefits gained by boosting the domestic product to export. because Vietnam must be able to meet the product was once supplied by China to America. That switch was supplied by Vietnam. The Vietnamese 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 and policies to encourage investment in the production of raw materials and develop production support industries.

Other than by boosting the domestic product to export. Vietnam's strategy to take advantage of the trade war is to open investment widely. Some Chinese manufacturing companies move their production bases to avoid tax rates going into the US. at least 23 US companies moved their investments from China to Vietnam. Vietnam facilitates the investment process, especially licensing convenience, investors only need two months to get an operating and investment permit. Vietnam also considers opening three new special economic zones (SEZs) to foreign investment in 2019, and proposing offering 99 year leases and tax exemptions to spur further investment.

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