



## **Project Final Report Presentation**

Factors driving foreign direct investment and the impacts of  
U.S. - China Trade War on Vietnam

# Outline



Literature Review



Hypothesis and Methodology



FDI in vietnam



Export and Import in Vietnam



Recommendations for Vietnam

# Literature Review



- Trade war conflicts
- Relationships among the countries

# Trade tensions

## Tariff on imports of solar panels and washing machine

- US impose tariffs on this sector import from China as an act of trade protection for these industries in the US
- China investigate and import anti-dumping on the US's import of Sorghum

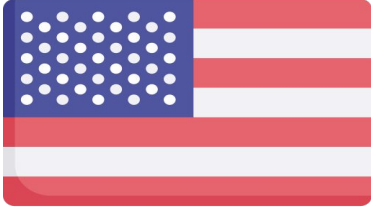
## Tariff on steel and aluminium

- US impose tariffs on these sector for all trading partners claiming the import violate US national security
- Lead to retaliations from trading partners

## China's laws, policies, practices on intellectual property right

- US investigated that this actions potentially harm American intellectual property rights, innovation and technological development
- Lead to back and forth threats towards one another

# Relationships with Vietnam



- Signed Trans-Pacific Partnership (TPP) but later on the US withdrew
- Uncertainty from Trump's intention to make a balance trade
- Vietnam was chosen to be the venue for the second summit of the denuclearisation and peace building



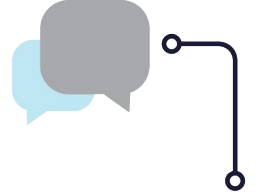
- avoid the overly dependent on China for its export-oriented economy
- Currently, both are economically cooperating with enhanced logistic linkages
- a new special economic zone near the border

# Motivation

- Curious on econ growth of vietnam from this trade war
- Explore change in behaviours and investment of foreign investors towards vietnam



# Hypothesis & Methodology

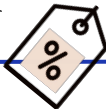


# Hypothesis

The China-U.S. trade war has a **significantly** positive impact on **FDI** in Vietnam.



# Trade and FDI Theoretical framework



## Conventional trade model

Tariffs increase the prices of imported goods.

Causing a reduction in quantity demanded for imported goods

## Tariffs and Trade

## Applied model:

Tariffs are imposed mainly on China, so it may cause trade diversion resulting direct benefits to Vietnam.



Full trade diversion  
Other countries could capture all the deadweight-loss from China

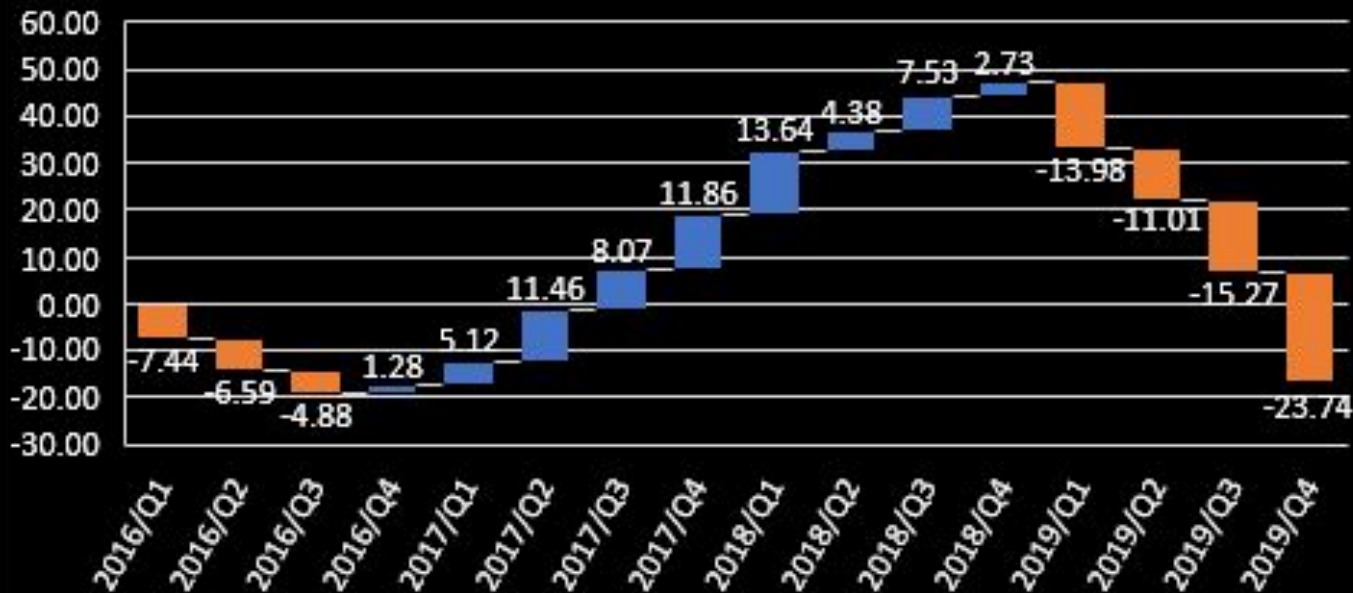


Partial trade diversion,  
Vietnam production potential may not be enough for demand. In addition, there might be some frictions such as non-measure conditions

# US imports from China (% change YoY quarter)

## US imports from China 2016-2019 (Quartely)

■ Increase ■ Decrease ■ Total

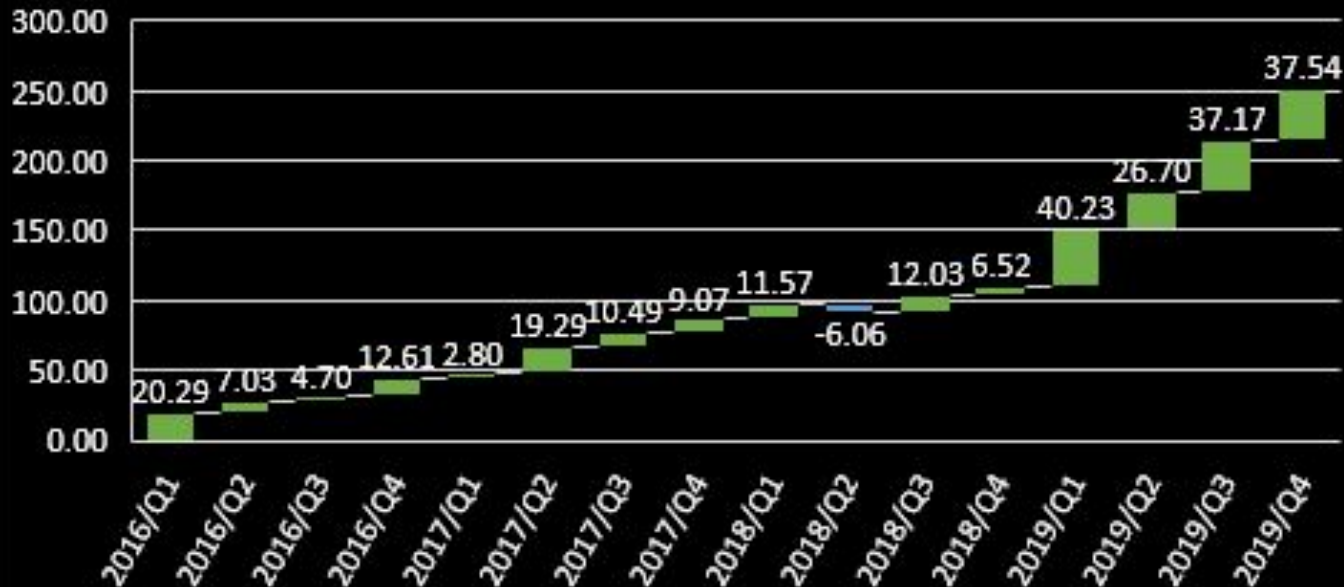


Source: This figure data based on US census bureau *All figures are in millions of U.S. dollars on a nominal basis, not seasonally adjusted*

# US imports from Vietnam (% change YoY quarter)

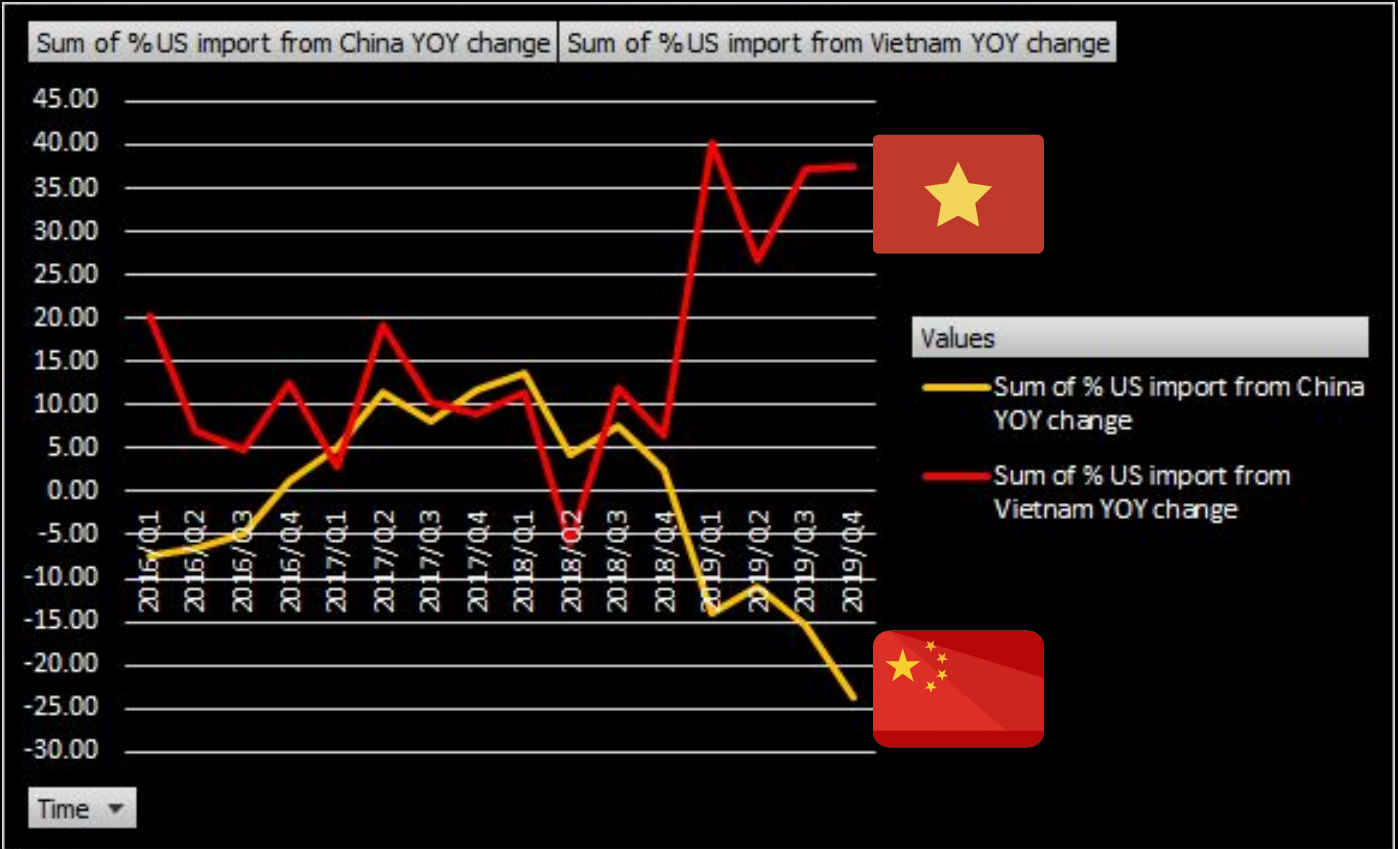
## US imports from Vietnam 2016-2019 (Quarterly)

■ Increase ■ Decrease ■ Total



Source: This figure data based on US census bureau *All figures are in millions of U.S. dollars on a nominal basis, not seasonally adjusted*

# Statistics Summary



Source: This figure data based on US census bureau *All figures are in millions of U.S. dollars on a nominal basis, not seasonally adjusted*

# Correlation Analysis

Hypothesis testing for  $\rho$  (correlation)

$$H_0: \rho = 0$$

$$H_a: \rho \neq 0$$

Testing procedure

The computed value **falls** into rejection region area. That is the  **$H_0$  is rejected** at 0.01 level of significant.

Therefore, US-China and US-Vietnam import has a negative direction by -0.706. If US-China import decreases by 1%, US-Vietnam import increases by 0.706%

Coefficient ( r )	-0.706230473
N (Number Observations)	15
Degree Freedom	13
T statistics	-3.596631223
P-value	0.001626375**

# Vietnam FDI from China and US imports from Vietnam

### CHINA FDI IN VIETNAM & US imports from Vietnam



The China-U.S. trade war has a significantly positive impact on FDI in Vietnam. According to trade diversion framework, we quantify US trade war using US imports from Vietnam. We see the positive relationship that US-China Trade war has a significantly impact to FDI in Vietnam.

Source: CEIC and World Bank

# Correlation Analysis

Hypothesis testing for  $\rho$  (correlation)

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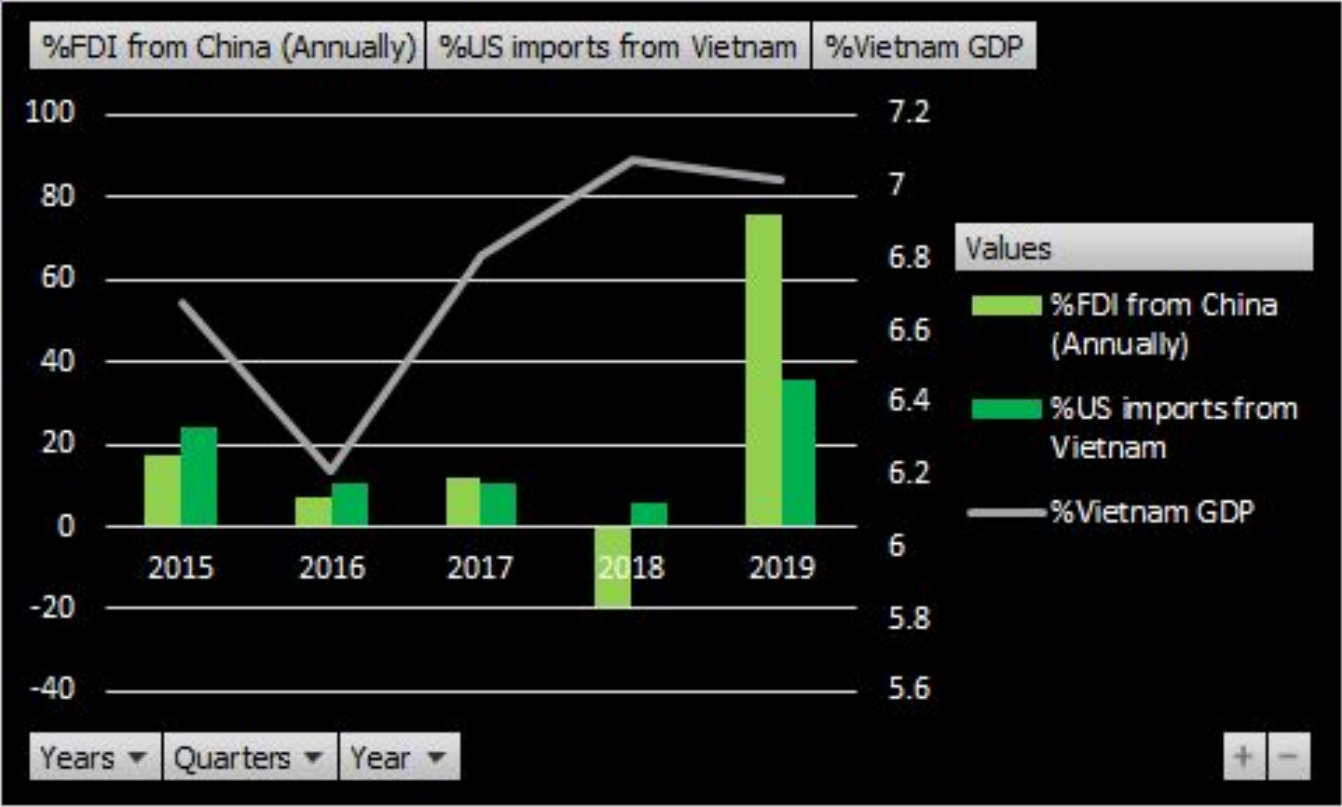
Testing procedure

The computed value **falls** into rejection region area. That is the  **$H_0$  is rejected** at 0.05 level of significant(95%).

Therefore, US-China and US-Vietnam import has a positive direction by 0.93. If US-China import increases by 1%, FDI increases by 0.93%

Coefficient ( r )	0.926539803
N (Number Observations)	5
Degree Freedom	3
T statistics	4.265890195
P-value	0.98818217

# Summary



Source: This figure data based on US census bureau *All figures are in millions of U.S. dollars on a nominal basis, not seasonally adjusted and CEIC*

# Factors driving foreign direct investment (FDI) to Vietnam



# Factors driving foreign direct investment in Vietnam

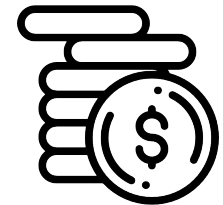
→ **Advantage of Vietnam:** growing steadily, low labor cost, a welcoming business environment, education reform



→ **Trade agreement** between Vietnam and other countries



→ **Ease of doing business :** In 2019, Vietnam is ranked 70th among 190 economies in the ease of doing business



# Overview of Foreign Direct Investment (FDI) in Vietnam



# Vietnam's fastest growing sector from the Trade War- Manufacturing

## Samsung Relocation Timeline



As of April 2018, Samsung has poured over **17 billion** into R&D and manufacturing facility in Thai Nguyen and employ over **60,000 workers**



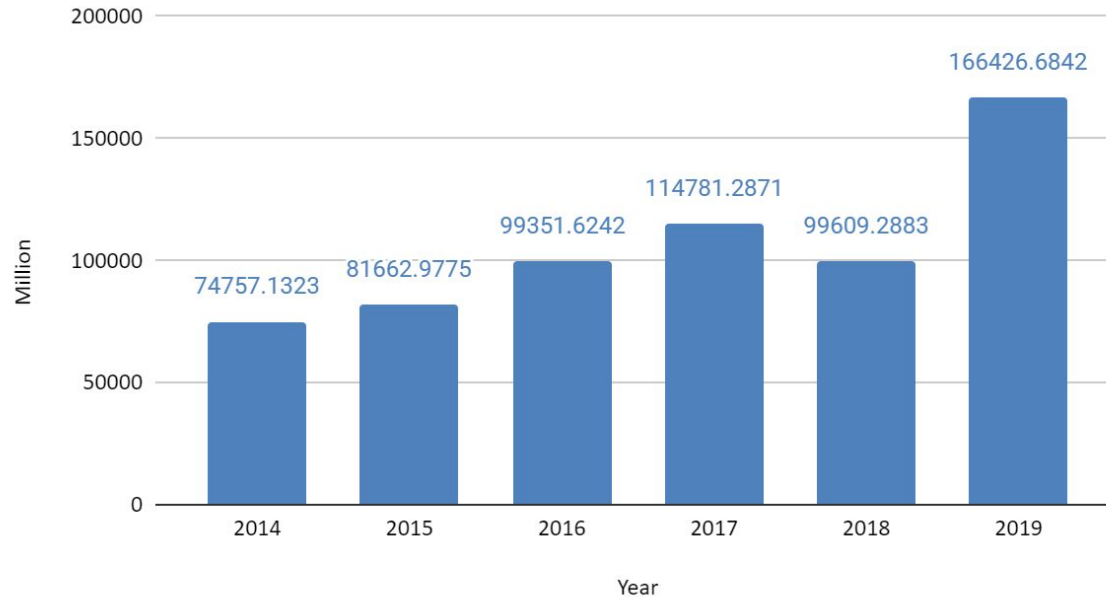
In June 2019, Samsung Vietnam General Director had a meeting with prime minister Nguyen Xuan Phuc to discuss building the **largest R&D centre in SEA in Hanoi**



In December 2019, Samsung **ended its 3-decade factory in China** and shifted their production to Vietnam and India

# Vietnam's fastest growing sector from the Trade War- Manufacturing

Vietnam FDI: Total Registered Capital in the Manufacturing Sector



## Key Highlights and benefits for Vietnam



- North Vietnam is becoming a main industrial hub for electronics, heavy industry and automotive for various foreign firms such as Samsung and Foxconn Taiwan
- South Vietnam- a main industrial hub for textile and electronics
- In 2018, the Vietnamese government opened 2 new terminals to accommodate foreign firms.
- As part of the Samsung - Vietnam deal, Vietnam will receive technology transfer, e-government development and skill training

# Vietnam's second fastest growing sector from the Trade War- Real Estate Activities

In 2018, two mega projects were carried out in Vietnam:



## Dai Phoc Lotus Ho Chi Minh

- Led by China Fortune Land Development
- A mega resort style residence with villas, office buildings, shopping centres, facilities, a hotel

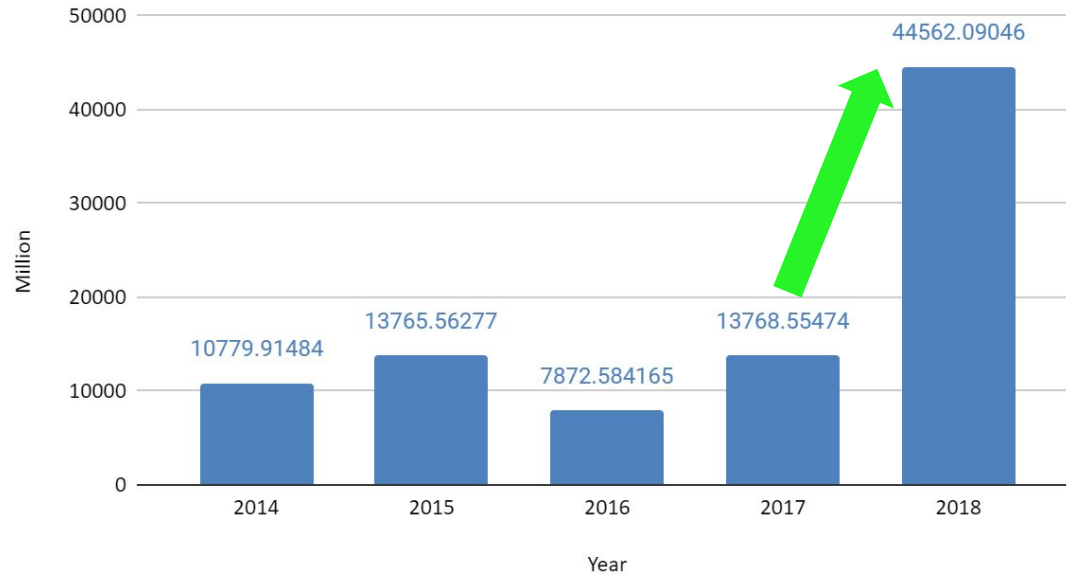


## Smart City Project

- A partnership between Hanoi People's Committee, BRG Group and Sumitomo Corporation Group
- The main objective is to turn Hanoi to be the financial centre of Vietnam, and ultimating SEA
- The city will be built around the concept of IoT and AI

# Vietnam's second fastest growing sector from the Trade War- Real Estate Activities

Vietnam FDI: Total Registered Capital in Real Estate Activities

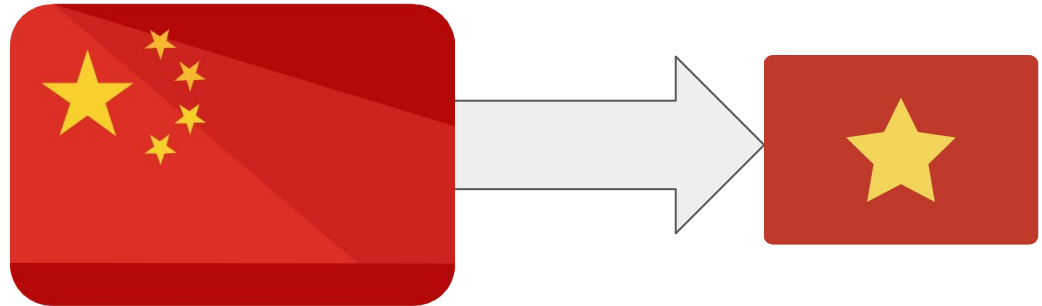


## Key Highlights and benefits for Vietnam



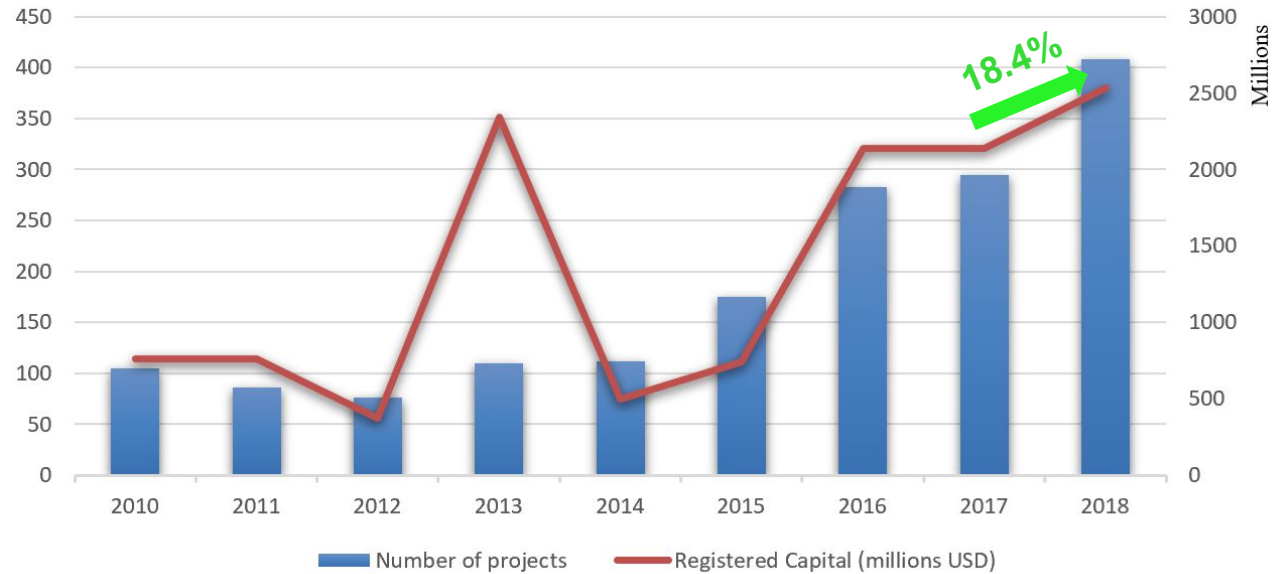
- The 2 main recipients for real estate FDI are Hanoi and Ho Chi Minh City
- In a recent survey by the real estate consulting firm Savills, Ho Chi Minh City has been ranked third out of 50 cities worldwide for property rental growth and fifth in terms of investment prospects.

# Foreign Direct Investment from China to Vietnam



# Due to the uncertainties caused by the U.S.- China trade war, Chinese firms shifted their production to Vietnam

### Number of projects and total registered capital from China to Vietnam (2010-2018)



### Key Highlights

- In 2018, the total registered capital amounted to approximately 2.5 billion USD
- China became the fifth biggest investor in Vietnam, behind Japan, South Korea, Singapore, Hong Kong

Source: General Statistics Office of Vietnam, CEIC

# China Plus One Strategy and the rise of Vietnamese tech start ups



Why did China pick Southeast Asia to be their top FDI destination?

SEA have affordable wages, rising GDP growth and is part of **“China Plus One Strategy”**

International business strategy that involves China investing in SEA for cost control, risk diversification and new market

**Not only that China has been heavily involved in FDI, they also made an indirect investment by purchasing Vietnamese stocks**

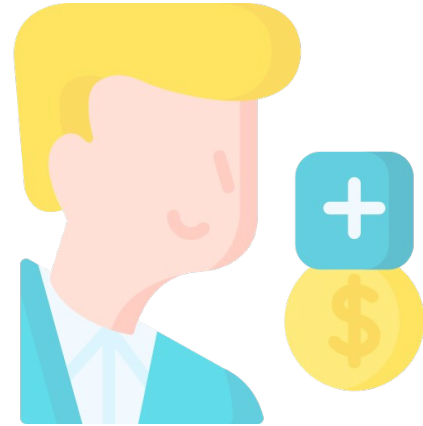


- In January 2018, Jd.com became the largest shareholder in Vietnamese e-commerce Tiki
- JD will partner with Tiki in merchandising, cross-border trade, logistics, technology, financing, operations

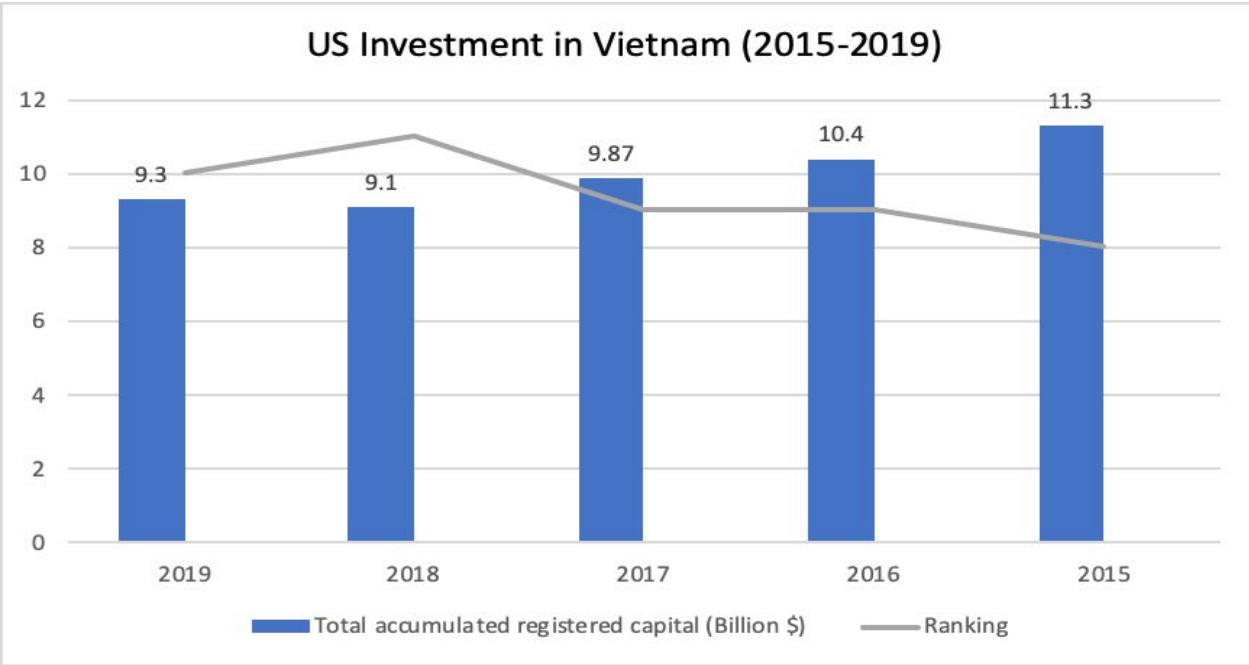


- In December 2019, Ant Financial made an unannounced strategy move to invest in Vietnam's e-wallet startup, eMonkey
- With this deal, Ant Financial is looking to attract Vietnamese Gen-Y to for e-payments and mobile banking

# FDI in Vietnam by US investors



# US Foreign Direct Investment in Vietnam

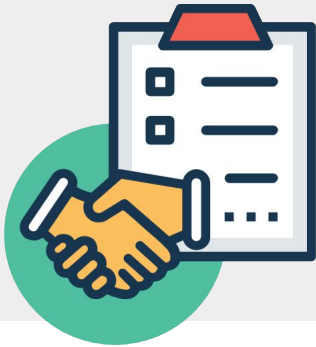


In 2018, **ranking 11th**, reached **920 projects** with total accumulated registered capital of **\$9.1 billion**

Source: MPI (Ministry of Planning and Investment Portal)

# Due to the uncertainties caused by the U.S.- China trade war, American firms shifted their production to Vietnam

- Some US corporations work with the Vietnamese government to seek solutions on the concerns over **public-private partnership (PPP)**



- **Many US companies move their production from China to Vietnam**  
For example: Lovesac company, Apple (airpods)

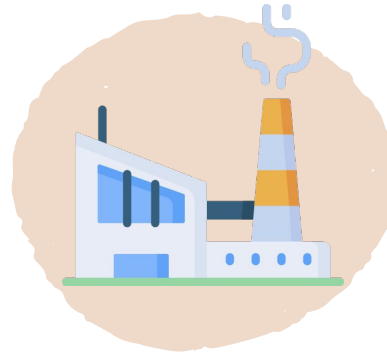
**LOVESAC**<sup>®</sup>  
Designed for Life™ Fur



# Export and Import growth in Vietnam



# Vietnam Growth during Trade War



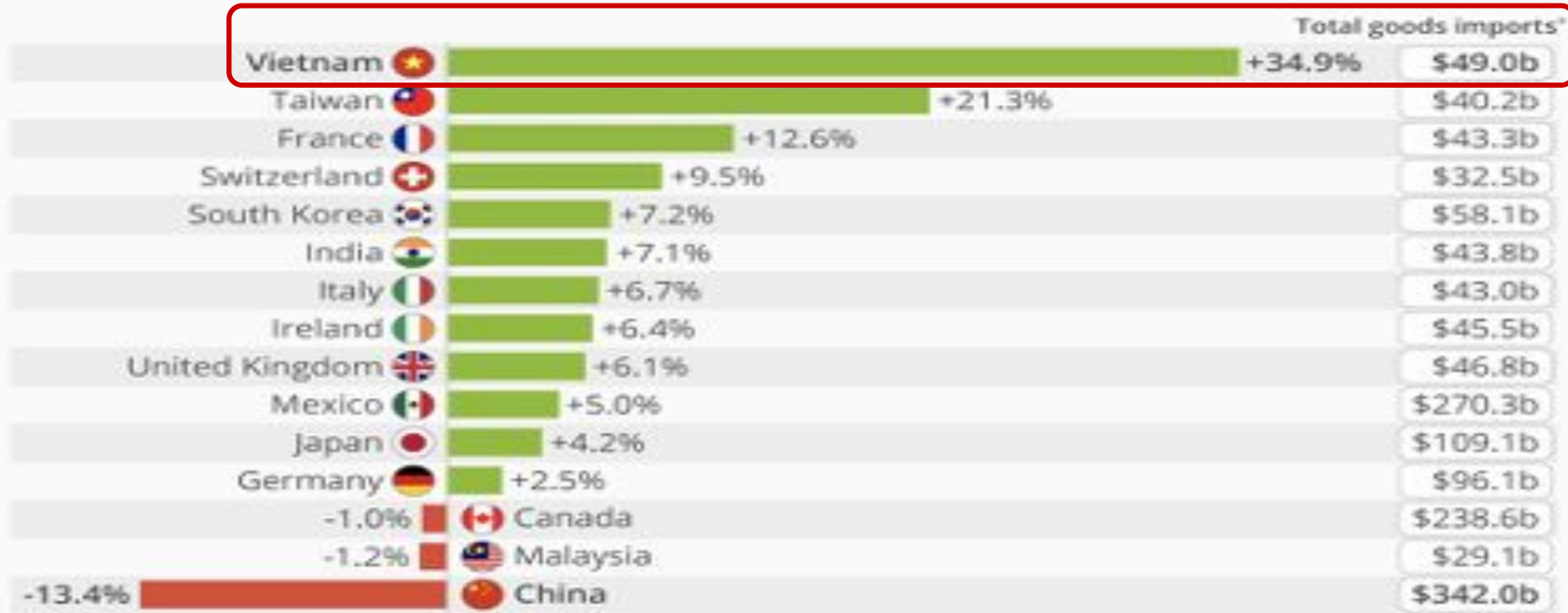
- Manufacturing, posting a **9.14%** rise. Services output rose **6.85%**, against **2.19%** for agriculture



- US imports from Vietnam increased by nearly **40%** in the first four months of **2019** compared to the same period last year

# U.S. Imports From Vietnam Surge at China's Expense

% change in U.S. goods imports from its top import partners (Q1-Q3 2019 vs. Q1-Q3 2018)



# Vietnam Growth during Trade War

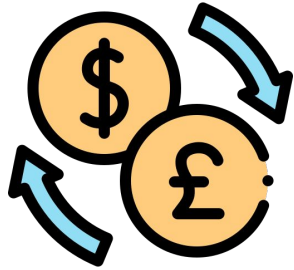


- US imports of **mobile phones** from Vietnam **more than doubled** year-on-year, while imports from China declined by **27%**
- **Computer** imports from Vietnam rose by **79%**, against a **13%** drop in Chinese imports
- **The trade war has accelerated a longstanding**
- Foreign direct investment in Vietnam reached a record **\$18 billion last year**, up nearly **20%** to **58%** of GDP which is topping most other southeast Asian countries.

# Recommendations for Vietnam



# Recommendations



- The Government needs to **regularly** and **quickly update** the list of taxable goods and exchange rate
- **Transparency** of exchange rate regime



- improving **investment environment** to attract foreign businesses
- Improve **domestic infrastructure** to facilitate FDI



- **Promote** better domestic industrial structure
- Improve its position in the **global industrial** chain

The image features a vibrant background with wavy, overlapping bands of orange and red. The top portion is a bright orange, which transitions into a darker red towards the bottom. The text 'Q&A' is centered in a bold, white, sans-serif font. The 'Q' has a thick, rounded tail that curves downwards and to the left. The ampersand is stylized with thick strokes and rounded terminals. The 'A' is also bold and sans-serif, with a slightly rounded top and a thick vertical stem.

**Q&A**