Proposal Presentation

Impact of China-U.S. Trade War and the recent economic growth of Vietnam

Hypothesis

Hypothesis 1

US-China trade war has a **significantly** positive impact on **FDI** in Vietnam.

Hypothesis 2

US-China trade war causes a **remarkably** higher **CO2** emissions.

Hypothesis 3

US-China trade war helps to **reduce** the **poverty rate** in Vietnam.

Why is this research **important**?

What:

What have been done

Economic Impact

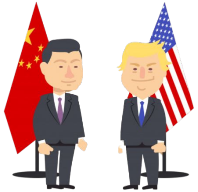
China - U.S. Trade War Timeline

Trump announces tariffs on solar panels & washing machines

Jan 2018

U.S. places a 25% tariff on $34 billion Chinese imports, **China responds** back by placing a 25% tariff on $34 billion US goods

Jul 2018



U.S. and **China** agree to pause tariff increase

Dec 2018

U.S. adds Huawei to its entity list

May 2019

U.S. and **China** sign a phase 1 trade deal resulting in some tariff suspension

Jan 2020

Trump threatens to bring back tariffs

May 2020

Source: PIIE, SCMP

Vietnam- One of the biggest winner in the China-U.S. Trade War

Hypothesis	Why	What	How

Due to the uncertainties caused by Trade war, Chinese businesses shifted their production to VN

During the first 7 months of 2019, foreign direct investment in Vietnam by China jumped by:

134%

About China Plus One Strategy

International business strategy that involves **China investing** in South East Asian countries for **cost control**, **risk diversification** and **new market access**

The idea came in 2008, but **hit high record during the trade war conflict**

Some of the biggest deals include ACRT's steel and tire manufacturing ($280M), Geortek's electronics ($260M) and Guizhou Advance Type Investment's rubber manufactoring ($214.4M)

Source: ChinaInvestIn, Caixia

Vietnamese tech startups flourish as Trade War continues

In 2019, tech startups received a lot of investment from both the U.S. and China:

- 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**

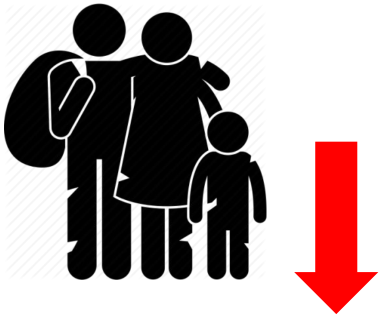
- In December 2019, Ant Financial made an unannounced strategy move to **invest in Vietnam's e-wallet startup, eMonkey**
- With this deal, Ant Financial is **looking to attract Vietnamese Gen-Y to for e-payments and mobile banking**

Source: NBC news, Nikkei Asian Review

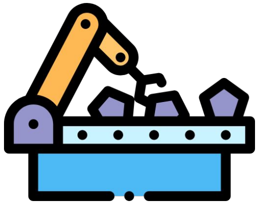
Social Impact

Social Impact

Potential Social Impacts



Economic growth leads to **lower poverty** and **criminal rate** while **rising the income inequality** in the society



Labor **moves to work in manufacturing** sector as manufacturing in vietnam grew by 12.3 percent

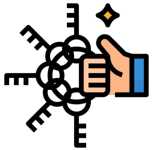
Reduced unemployment rate as most of industries move into labor intensive work

In long term, the trade war can cause problems such as **inflation, resource and labor shortage**

Environmental Impact

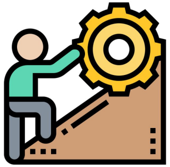
Opportunities and Challenges

Opportunities



1. Enhance fuel efficiency and the use of renewable energy
2. Enhance participation in international negotiations and cooperation

Challenges



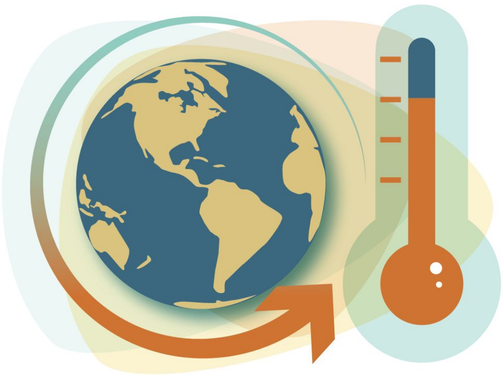
1. Trade off between economic growth and strict environmental regulations
2. Few application of advanced technologies to reduce GHG emission

Vietnam's current-under development and future policies

Current Policies

- Law on Environmental protection (6/2014)
- National strategy for green growth (9/2012)

Under Development



- Intended Nationally Determined Contribution of Vietnam (INDC)
- Second Biennial Updated Report of Vietnam (BUR2)

Plan to be developed

- Guiding circulars for GHG emission management and reduction

Methodology & Data sources

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

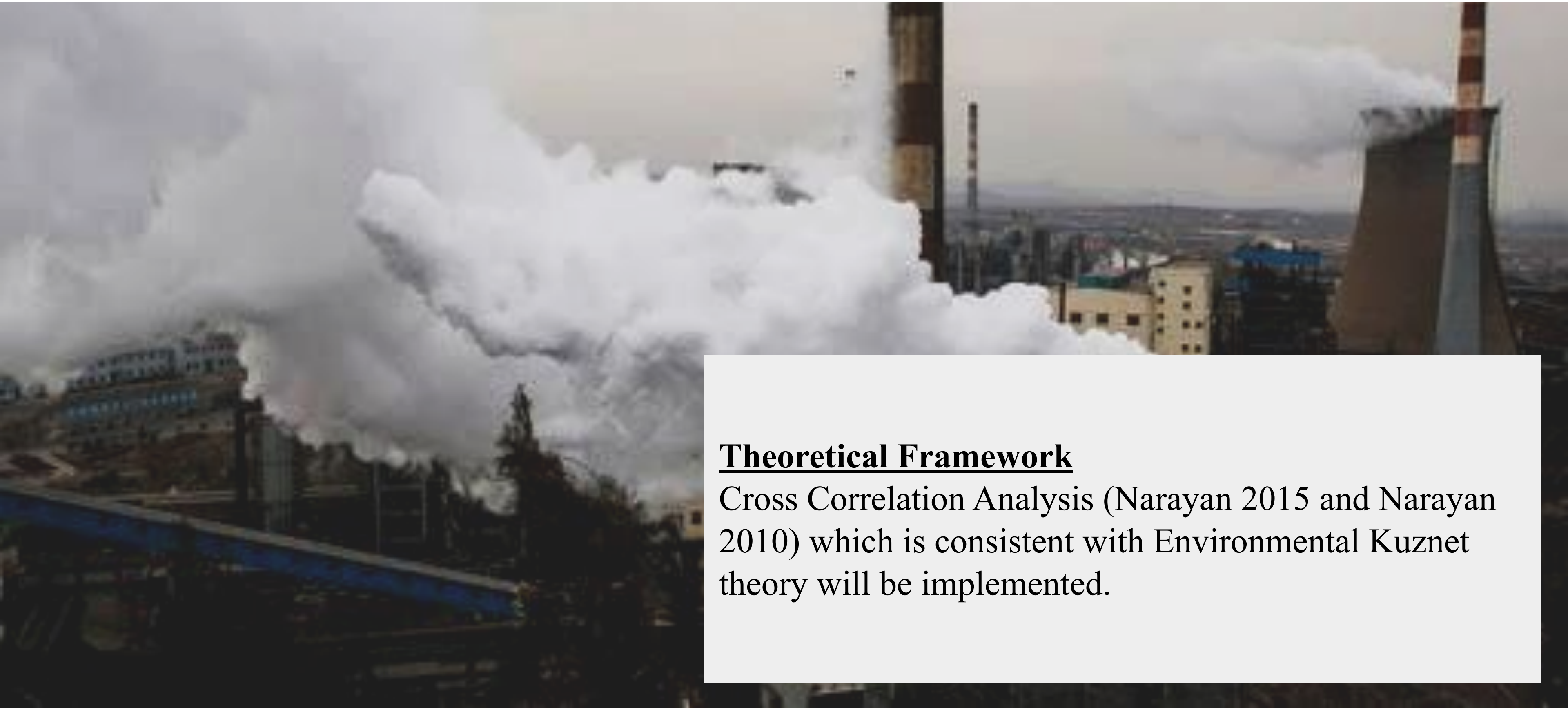
Applied model:

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

GDP growth and CO2 emission rate Theoretical framework

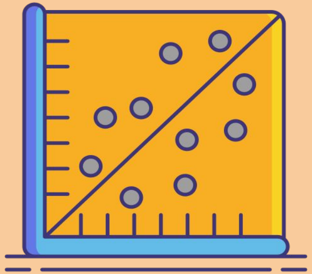


Theoretical Framework

Cross Correlation Analysis (Narayan 2015 and Narayan 2010) which is consistent with Environmental Kuznet theory will be implemented.

Hypothesis	Why	What	How

Methodology



Multiple Linear Regression Method

Dummy Variables

Quarterly Data

Fixed/Random Effect check

HS Classification

ln-function (%)

Data Sources

Policy Suggestion

Variables of Interests

- Using Cross-sectional data (Quarterly) (Q1/2017 to Q4/2019)
- Dependent Variables: %FDI(To avoid measurement errors, we will use million dollar), %CO2 emission [All of them will be implemented in ln-function]
- Independent Variables:
  - Ti, goods (i) affected by Trade war which is produced by China and imported by USA
  - Control variables
  - Fixed Effect variables (In different sectors)
- Overall test using F-test
- Individual test using t-test (P-value)
- R^2
- We also may need to use LR test to ensure there is no Random Effect, if any, we need to change from FE to RE model.

Winner today, loser in the future?

Hypothesis	Why	What	How