IMPACT
OF VIETNAM-US TRADE
on Vietnam's Economic Performance

GROUP 3

AGENDA

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OVERVIEW

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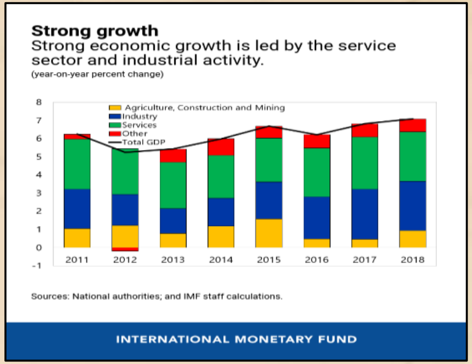
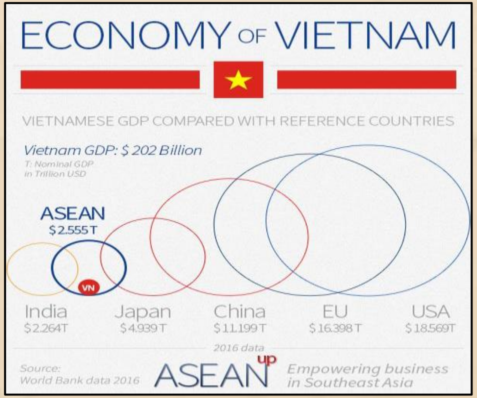
Overview

- Vietnam has evolved as a key industrial center in Asia during the previous decade, rising to become one of the U.S.

- Vietnam become a major trading partner of United States, which were prompted by rising production cost in China.

- The fast development of Vietnam export-oriented manufacturing sector was responsible for country strong economic growth





Vietnam and US Trade Relationship

1975

The Us cut diplomatic ties with Vietnam after the Vietnam war ended.

1995

The Us declared normalization of relations with Vietnam.

2001

The Us and Vietnam signed the bilateral trade agreement (BTA).

2007

Vietnam joined the world trade organization (WTO).

2008 - 2019

Vietnam joined other international organizations: APEC, International Monetary Fund, and World Bank.

2020

Vietnam and the Us celebrated 25th anniversary of diplomatic relations.

Overview

- This is due to the fact that Vietnam has emerged as a prominent agriculture exporter and has become a popular destination for international investment in Southeast Asian

- To provide an example, the development of bilateral trade imbalance between the United States and Vietnam

- Vietnam makes use of certain types of fish that are often referred to as catfish in the international fish market.

Key Challenges

Lack of comprehensive regional trade agreements

Since Trump became president of the United States in 2017, the United States has formally withdrawn from the Trans-Pacific Partnership Agreement (TPP) to create efficient fair markets and higher levels of economic growth.

There are no comprehensive trade agreements between the United States and Vietnam. Without the agreement, it results in difficulty and higher cost on both import and export sectors.

The Vietnam government must negotiate a bilateral trade agreement if America still applies the protectionism policies.

Key Challenges

Pending U.S. Trade Investigations

There was timber seized for violating international law out of the commercial supply chain in the United States; majority of the illegal timber imported from Vietnam.

Vietnam struggles on illegally harvested and traded out of the supply chain and protects natural resources.

The US government seriously faces unfair challenges to the US laborers and companies that avoid illegally harvesting.

Therefore, they made an agreement with the Socialist Republic of Vietnam to prevent illegal action in trade between the United States and Vietnam.

Key Challenges

Bilateral Trade Deficit

Value of trade between the United States and Vietnam has continued to face a trade deficit with Vietnam over the years due to the controlling measure of Vietnamese dong currency value.

The currency injustice is a factor that harm the United States companies to compete with Vietnamese products that are sold at cheaper prices since they deliberately weaken the currency.

Therefore, The United States treasury has added Vietnam to a currency manipulation watchlist. At the same time, Vietnam pointed to the evidence that the United States deficit was soaring as a result of the United States trade war itself.

Until now, the Vietnamese government has shown no harsh response but has expressed its readiness to cooperate with the United States officials.

Key Challenges

Worker shortages
after pandemic lockdown

Vietnam's government is aiming to solve the labor shortage caused by the COVID-19 outbreak by early 2022.

Presently, businesses in Vietnam are facing difficulties in returning to full operations since hundreds of thousands of workers poured out of industrial centers.

Moreover, the 4th wave of the Covid-19 outbreak has a heavy impact on the labor market. The surge of migration from industrial centers to return to their homeland after the government lifted travel restrictions has created problems for businesses and complicated regulations.

Government strategies

Diversified sourcing partners

Lower production cost, so it could export more which will enhance the competitiveness

Partnership with foreign firms

Transfer knowledge and technology needed to make the jump into higher value-added production .

Liberalizing trade

Diversification of risk in the long run through trade contracts which will support Vietnam's export in case US impose barriers.

Conclusion

What's working

Production base shift to Vietnam with more expansion opportunity due to US-China war

What's not working

- Vietnam is easily surrendered to the US.
- Vietnam has low bargaining power compared to the US.

Worker shortage

- Although Vietnam is a country with a high export rate and a manufacturing base for multinational corporations, the country still faces labor problems, which will become an even greater challenge in the future as a result of the growing disparity between economic and productivity growth.
- In addition, wages have increased at a greater rate than productivity growth.

Conclusion

- Vietnam, to achieve sustainable growth in the long run, needs to become aware of developing human capital and sustainable agriculture. Development policies must concentrate on all three aspects of income, health, and education simultaneously in order to improve human resource and productivity.
- With higher skilled laborers, Vietnam will enjoy more power to bargain with the United States. In addition, humans depend on the environment; the government also should participate in controlling illegal forest activities to reduce deforestation.

Conclusion

- Overall, Vietnam's growth is supported by many factors, including the policy to stimulate economic growth to a high level, along with economic structural reforms.
- Due to the country's rising trend of labor growth and a higher proportion of exports, Vietnam's per capita income tends to be higher. As a result, the fiscal position becomes sufficiently stable.
- Vietnam has the potential to become an emerging market country. It is expected that more funds will flow into Vietnam, as well as more foreign investment.

Thank You

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