

# “China’s pain, Vietnam’s gain?”

OEET-AISSEC

Torino, 4th October, 2019

Kim Anh Hoang (University of Parma)

Augusto Ninni (University of Parma)

## A short index

1 Vietnam - ASEAN comparison

2 Impact of trade war between the United States and China on Vietnam's economy:

3 Solar trade wars

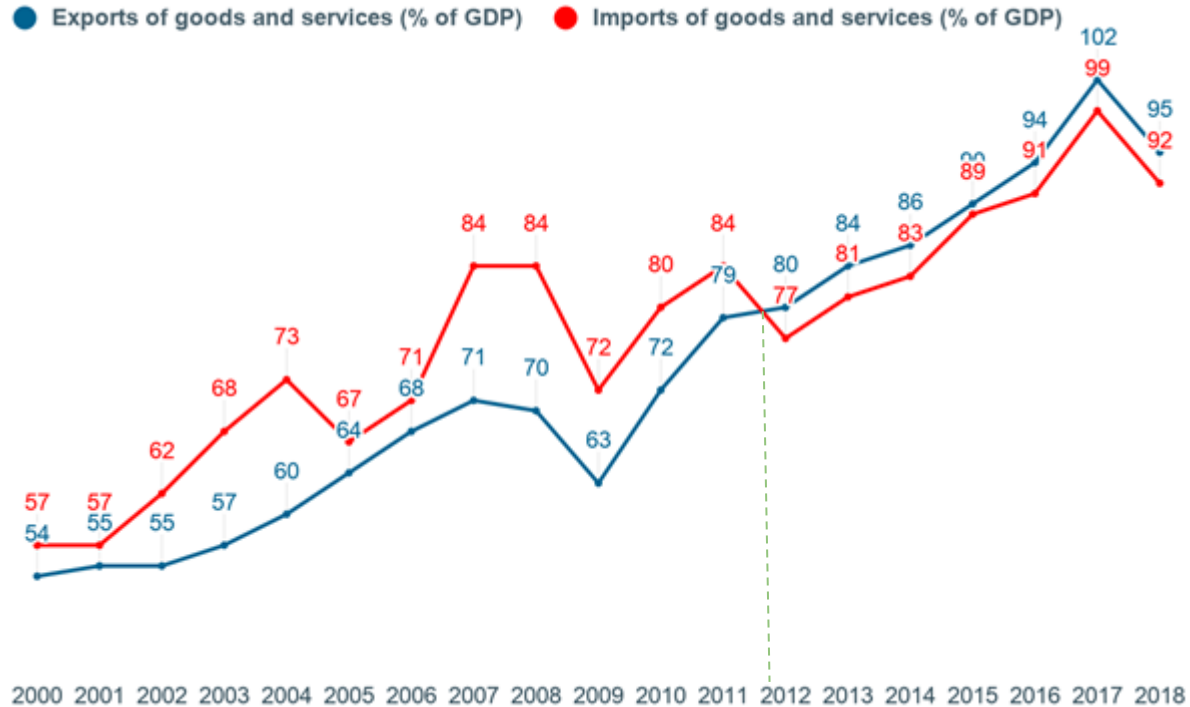
Why the title ?

# VIETNAM - ASEAN COMPARISON



	Vietnam	ASEAN (Association of Southeast Asian Nations)
GDP per capita (current US\$)	2551	4539
GDP growth (annual %)	7,08	5,08
Exports of goods and services (% of GDP)	95,4	57,4
Imports of goods and services (% of GDP)	92,1	53,3
Industry (including construction), value added (% of GDP)	34,3	36,3
Inflation, GDP deflator (annual %)	3,27	3,73
Population, total (Mil.)	96	654
Foreign direct investment, net inflows, % of GDP (BoP, current bil. US\$)	6,33%	5,23%

# VIETNAM BALANCE OF TRADE



Vietnam had trade deficit until 2012 before becoming an export-oriented country.

# VIETNAM EXPORT

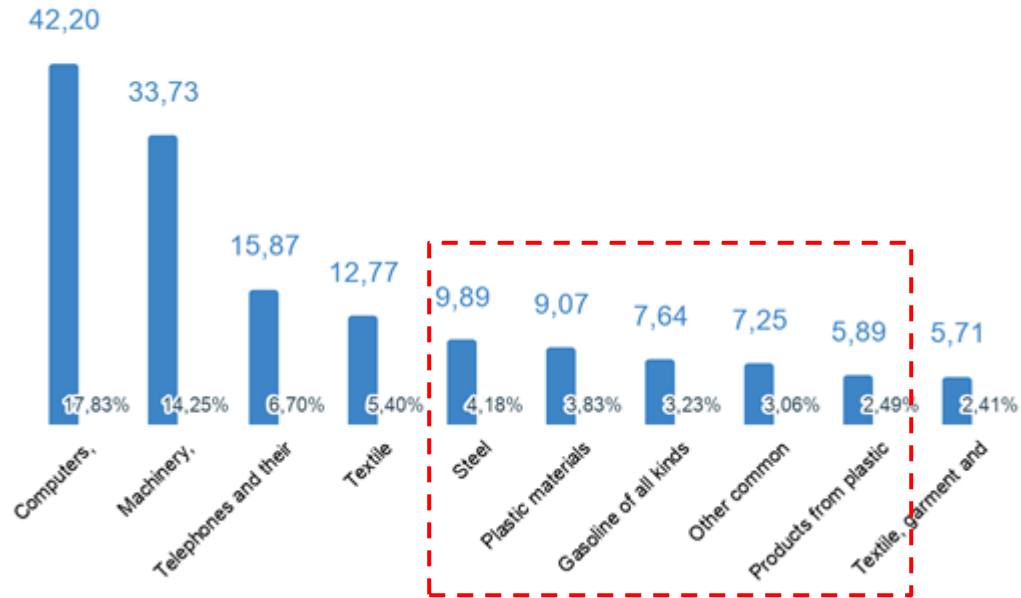


Top 10 goods counts for almost 73% of total Vietnam export in 2018 to all countries (Steel was in 11th position)  
Total export value in 2018 was 243,5 bil US\$

Source: General Statistics Office of Vietnam

# VIETNAM IMPORT

Top 10 Vietnam's import goods 2018 (bil. US\$)



Top 10 goods counts for almost 73% of total Vietnam import in 2018 to all countries. 5 out of 10 were not final goods (steel, plastic & product from plastic, gasoline, metals)

Total import value in 2018 was 236,69 bil US\$ (92% of GDP)

# IMPACT OF TRADE WAR ON VIETNAM TRADE



In general, economies that are most exposed to trade tensions are those exposed to US & China in trade. Singapore and Malaysia are the most open ASEAN economies. However Vietnam is among the ones that trade most heavily with China. Trade exposure with China and the United State is the average of percentage of export and import to GDP. Vietnam was in the third position regarding to trade exposure to China (data of 2017)



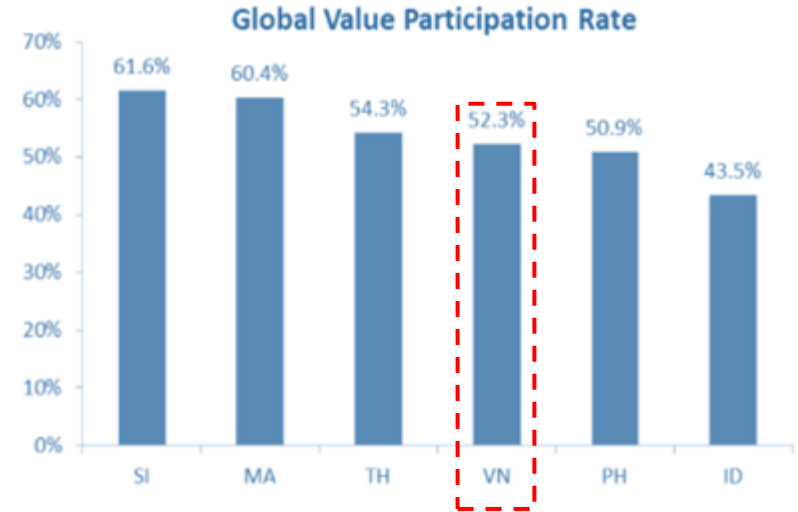
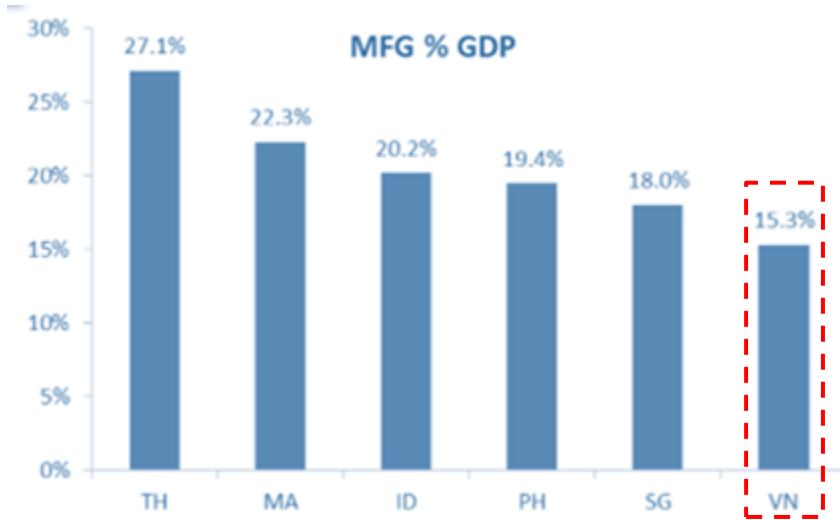
## IMPACT OF TRADE WAR ON VIETNAM TRADE

Trade exposure as percentage of GDP 2018	China	USA
Export	16,8%	19,4%
Import	26,7%	5,2%

Textiles & Garments	Gain	There could be a possible boost in textiles and garments as demand shifts away from China towards its neighbouring countries
Consumer goods industry	Gain	As part of the “China Plus One” strategy, companies in China involved in low-value production and assembly are turning to Vietnam due to rising costs and an increase in regulations. This strategy has been implemented by several companies in the last few years. However, with growing trade issues between China and the US, the trend of shifting low-cost manufacturing to Vietnam has recently picked up the pace
Machine parts & components	Loss	These are used as intermediate goods partially assembled in China which is then sold to the US
Steel	Loss	Steel exports will be affected by tariffs as Vietnam was among top 10 exporters of steel to the US

# DOMINANCE OF MANUFACTURING SECTOR & INTEGRATION IN GLOBAL SUPPLY CHAIN

Preliminary



Manufacturing as percentage of GDP of Vietnam stays in the last position compared to other ASEAN countries. It might imply that the tensions of trade war will have less impact on Vietnam from this point of view

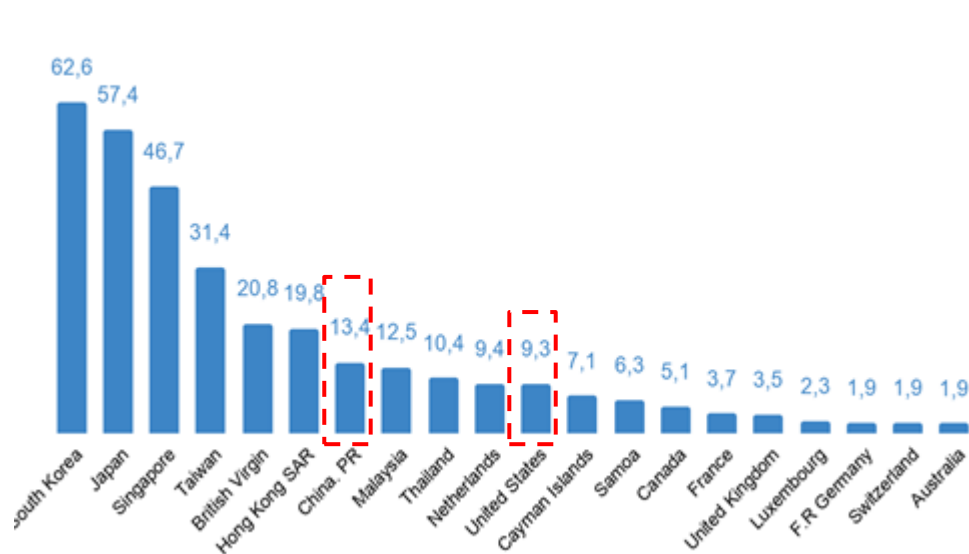
Source: OCBC bank

The participation index is defined by WTO as **the sum of the foreign value added (FVA) embodied in a country's exports and the indirect value-added (IVA) exports** (i.e. value of inputs produced domestically that are used in other countries' exports) expressed as a **percentage of gross exports**. This index captures both backward and forward participation. In general, a country will experience more tensions of trade war if it has a dominant manufacturing sector that is plugged into the global/regional value-chain. Vietnam was in the middle position suggests that it might suffer some tension of the tradewar

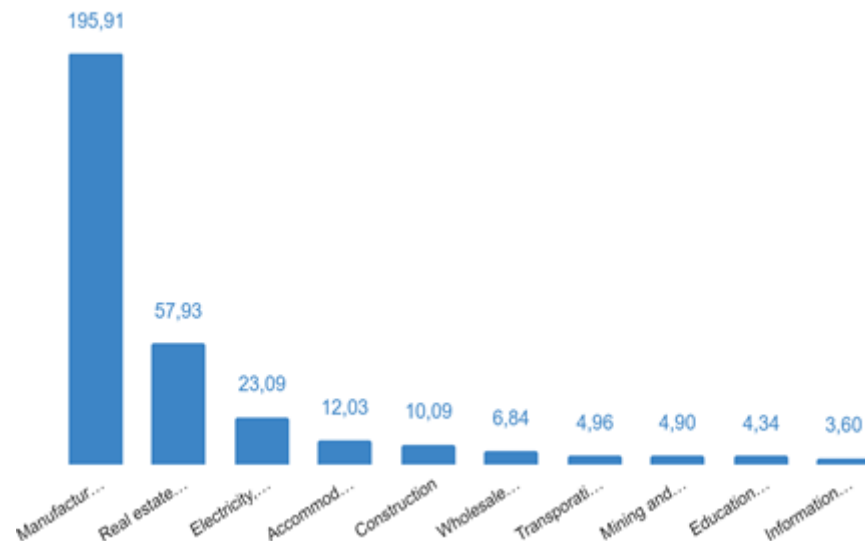
Source: OCBC bank

# FDI

Top 20 FDI counterparts in Vietnam based on total registered capital bil US\$ 2018



Top 10 activities with FDI stock by 2018 (bil US\$)



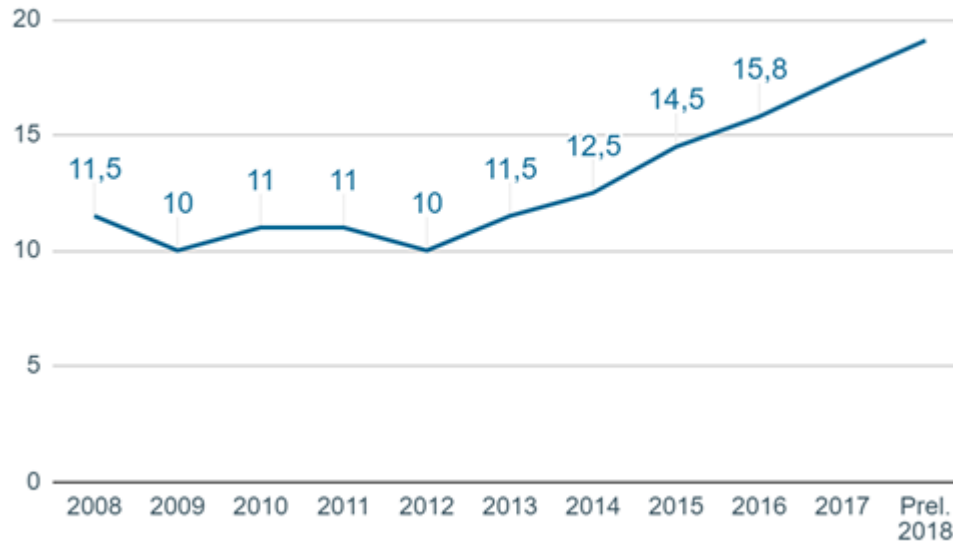
Data shows that Korea was the most important counterpart regarding to FDI instock by 2018 in Vietnam. China was in 7th position and the United States was in 11th position.

Manufacturing dominated the FDI stock in Vietnam

Source: General Statistics Office of Vietnam

# FDI

## Implemented FDI inflow in Vietnam



From 2008 there was almost gradual growth of FDI flow in Vietnam. Respecting to the same period of 2018, there were more projects, 2.064 projects. However, in the first half of 2019, there was a slight decrease of registered FDI inflow in Vietnam, 1,7 bil US\$ which was 35,6% less than the same period in 2018. There is a mixed trend of FDI so it is hard to say if there is an visible impact of trade war in foreign investment in Vietnam

Source: General Statistics Office of Vietnam, [Vneconomy](#) (data with current price)

## CONCLUSION

In sum, “Trade exposure” and “Integration in Global Supply Chain” criteria, Vietnam might be impacted more heavily by the tensions coming from derived from trade war. The most impacted positively should be Textile and Garments as demand shifts away from China towards its neighbouring countries. Meanwhile steel export of Vietnam to the US will be impacted directly from rising tariff from the US (negative impact). Then, maybe a scarce net impact, but only because is the algebraic sum of positive and negative effects

Vietnam’s ranking in the participation to GVC and it’s share of manufacturing on GDP are not high. Thus, the effect of trade war tensions on Vietnam is not yet visible.

There is need to a deeper analysis to better understand if the movement of some foreign companies in Vietnam is a consequence of trade war between China and the US or it is from “China plus one” strategy and it’s only accelerated by the trade tensions.

## A (very short) appendix: solar trade wars and the role of Vietnam











































- 2012, Obama administration: anti-dumping duties to Chinese solar panels. Chinese reaction: 1) to outplace part of the capacity in other countries (especially Malaysia, which is now the most important supplier of solar cells to US ); 2) to reduce even more prices → China's market share in world exports of solar panels: around 70 %

### Trump administration

- Jan-March 2018: safeguard tariffs on solar (30%→25 →20 →15% in 2022), steel (20%) and aluminium (10%);
- March-August and September, 2018: targeted tariffs

# Why: The dramatic upsurge of China

## TOP TEN PV MANUFACTURERS FROM 2001 TO PRESENT

Rank	2001	2006	2009	2014	2018
1	Sharp Solar 	Sharp Solar 	First Solar 	Trina 	JinkoSolar
2	BP Solar  	Q-Cells 	Suntech 	Hanwha 	JA Solar
3	Kyocera 	Kyocera 	Sharp Solar 	Yingli 	TrinaSolar
4	Shell Solar 	Suntech 	Yingli 	NeoSolar 	LONGI Solar
5	Astro Power 	Sanyo 	Q-Cells 	Jinko Solar 	CanadianSolar
6	RWE/Schott 	Mitsubishi Electric 	JA Solar 	First Solar 	<u>HanwhaQ-Cells</u>
7	Isofoton 	Schott Solar 	Trina 	Motech 	RisenEnergy
8	Photowatt 	Motech 	SunPower 	Hareon 	GLC-Si
9	Sanyo 	BP Solar  	Kyocera 	Canadian Solar 	Ralesun
10	Kaneka 	SunPower 	Motech 	Gintech 	<u>First Solar</u>
% Above	94%	80%	62%	51%	
% All Others	6%	20%	38%	49%	
Total shipments	339.9 MWp	1954.1 MWp	7910.3 MWp	39270.3 MWp	

<http://www.renewableenergyworld.com/articles/2014/01/top-ten-pv-manufacturers-from-2000-to-present-a-pictorial-retrospective.html>

## The weight of Vietnam as localization of subsidiaries for the 20 largest solar cell production companies in the world is not so large (according to their websites)

Companies	Manufacturing subsidiaries
JASolar (China)	1 in VietNam (11)
Trina Solar (China)	1 in VietNam 2017 (6)
Hanwha Solar (Korea) In 2012 it acquired QCells (Germany)	1 in VietNam
JinkoSolar (China)	no
Longi Solar(China)	no
Tongwei Solar (China)	no
Canadian Solar (Canada-China)	1 in VietNam
Motech Solar (China-Taiwan)	no
Yingli (China)	no
Shunfen(China)	no
First Solar (USA)	1 in Vietnam
Neosolar (Taiwan) plus Solartech	no
Suzhou Talesun (China)	no
Aiko Solar (China)	no
GCL System Integration (China)	no
Gintech Energy Corporation (Taiwan)	no
Inventec (Taiwan)	no
Risen Energy (China)	no
Changzhou EGing Photovoltaic (China)	no
Hareon Solar Technology (China)	no



- According to anecdotal information (newspapers and Chinese Chamber of Commerce for Machinery and Electronic Products) Chinese producers are shifting a part of their products in Vietnam: in the first quarter of 2019 **Vietnam becomes the number one destination for Chinese solar panels**, accounting for 16.8% of China's solar exports: they are expected to assemble Chinese parts in Vietnam in order to bypass US higher tariffs (which are country specific, ex art. 301 of Trade Act)

- Up to now, the effects on the US market seem **mixed**. As expected, **prices** of domestic panels **have increased** and this is worthwhile, as solar panels can be replaced by other kinds of energy. **Some Chinese enterprises are starting to produce in US**, but sometimes they had already decided to invest, regardless of the Trump policy.
- Up to now, the effects on the Chinese market seem less hard than expected. The reason is also the structural **increase of the domestic market**, due to the changes of the 13<sup>o</sup> Plan (2016-2020), where environmental protection becomes a top concern.

THANK FOR YOUR ATTENTION