



Transformation of Vietnam's Economic Diplomacy Strategy Towards China (2013–2020): Based on the Data of Bilateral Trade

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Abstract. Based on the data of bilateral trade, this paper examines the transformation of Vietnam's economic diplomacy strategy towards China and its reasons. Through the comparison of data of bilateral trade in different duration and the model of factor endowment, This paper establishes the data model of the relationship between the Sino-Vietnam economic relations and international trade condition, reflects the Sino-Vietnam economic relations from 2013 to 2020 in the first part, illustrates the reason and approach of de-Sinicization in the second part, and explains the reasons of Vietnam's transformation of economic diplomacy strategy towards China in the third part.

Keywords: Sino-Vietnam Relations · Economic Diplomacy · Data Analysis of International Trade

1 Introduction

From 2013 to 2020, Sino-Vietnam economic and trade relations transformed with 2016 as the time point. 2013–2016, Sino-Vietnam economic and trade relations tended to be strained and trade exchanges between the two countries decreased. 2017–2020, China-Vietnam economic and trade relations rebounded and trade exchanges between the two countries increased. For this reason, the first question is how to prove that China-Vietnam economic and trade relations underwent a shift in 2016.

Starting from the origin of economic and trade relations, the most intuitive information is the volume of trade exchanges between the two countries. According to the data from the Chinese Customs, the Chinese Ministry of Commerce, the General Department of National Statistics of Vietnam and other official agencies, the import and export trade volume between China and Vietnam from 2013 to 2020 is organized in the following Table 1 (starting from 2013).

The first is the Sino-Vietnam economic relations from 2013 to 2016. Considering that Vietnam has realized the imbalance of Sino-Vietnam trade since 2013 and embarked on the process of “de-Sinicization”, the impact of its policies would lag to a certain extent,

Table 1. Sino-Vietnam 2013–2020 Trade Volume (USD billion)

year	total	China's exports	China's imports	trade surplus	Growth rate (%)		
					total	exports	imports
2013	654.8	485.8	168.9	237.0			
2014	836.3	637.3	199.0	438.3	27.7	31.17	17.81
2015	959.6	661.2	298.4	364.8	14.7	-3.8	49.9
2016	982.3	611.0	371.3	239.7	2.5	-7.5	24.5
2017	1217.5	709.4	503.3	206.1	23.4	16.1	35.4
2018	1478.6	839.0	639.6	199.4	21.2	17.2	27
2019	1620.0	978.7	641.3	337.4	9.6	16.7	0.3
2020	1922.8	1138.1	784.7	363.3	18.7	16.3	22.4

so we begin to investigate from 2014. From 2014 to 2016, the total bilateral trade between China and Vietnam increased by about 17.46%, from US \$83.632 billion to US \$98.23 billion. Compared with the trade growth rate between China and Vietnam and other countries in the same period, this is obviously low. Since China's exports to Vietnam surged by 31.17% from 2013 to 2014, China's exports to Vietnam had decreased for two consecutive years, which is extremely abnormal compared with China's exports to Vietnam in the same period and the past. Over the same period, Vietnam's exports to China increased rapidly, reaching an incredible 49.9% in 2015. This shows that China's relative gains in bilateral trade from 2013 to 2016 decreased, and Vietnam's relative gains and absolute gains increased significantly. We can conclude that the economic and trade relations between China and Vietnam tend to be tense from 2013 to 2016 due to Vietnam's efforts of de-Sinicization.

The second is the Sino-Vietnam trade relations from 2017 to 2020. Considering the impact of the covid-19 epidemic that ravaged the world in 2020, we excluded 2020 from the investigation of the coherence of the economic and trade relations between the two countries. It is worth mentioning that the establishment of RCEP at the end of 2020 marks that the bilateral trade system of China and Vietnam has been incorporated into the multilateral FTA framework and is a milestone in the development of China Vietnam trade relations. From 2017 to 2019, the total bilateral trade between China and Vietnam increased by about 33.11%, from US \$121.75 billion to US \$162 billion. Compared with the growth rate of 17.46% in 2014–2016, this can reflect the benign development trend of China Vietnam Economic and trade relations. China's imports and exports to Vietnam are increasing, but China's trade surplus is expanding. China and Vietnam have benefited simultaneously from bilateral trade. We conclude that China Vietnam Economic and trade relations have developed healthily from 2013 to 2016.

After understanding the two phases of Sino-Vietnam economic and trade relations, this paper analyzes China Vietnam relations from the perspective of Vietnam. Firstly, this paper explores the reasons for the de-Sinicization of Vietnam and point out the

practice of Vietnam's efforts. Then, this paper lists the reasons why Vietnam promotes the recovery of China Vietnam relations.

2 Materials and Methods

2.1 The Motivation of De-sinicization (2013–2016)

Since 2010, the booming bilateral trade between China and Vietnam has been regarded by Vietnam as an important threat to Vietnam. The Vietnamese government began to deliberately adjust the trade between China and Vietnam. This adjustment continued to ferment with the warming of the South China Sea issue in 2013. The Vietnamese government openly shouted the slogan of “de-Sinicization” and increased the efforts to artificially cool the trade between China and Vietnam. The reason for this is that China is gradually in a dominant position in Sino-Vietnam trade and closely related Sino-Vietnam economic, trade and even diplomatic relations, and maintains the trend of continuously consolidating its dominant position.

China's dominant position in trade with Vietnam exists in three aspects at the same time, namely competitive advantage, export advantage and structural advantage. Competitive advantage means that Vietnamese enterprises have no advantage over Chinese enterprises in similar industries. Export advantage refers to China's super advantage in bilateral trade. Structural advantage refers to the dependence of Vietnam's industrial structure on China with the development of Sino-Vietnam trade.

Blaming China for the existence of competitive advantage is obviously an act of shifting responsibility by the Vietnamese government. Since the reform and opening up, Vietnam has vigorously developed electronic manufacturing industry and textile industry. These two industries have two important common characteristics: they are labor-oriented industries and they both take export as the way to generate income. In China, the electronic manufacturing and the textile industry are equally developed. It can even be said that Vietnam can develop the above industries mainly due to China's industrial transformation. First of all, the market of China with a population of 1.4 billion is much broader than that of Vietnam with a population of 90 million, and it can also consume more goods. Therefore, many foreign enterprises did not transfer to Vietnam, but stayed in China under the attraction of the huge market. Secondly, in labor-oriented industries, Vietnam's biggest advantage is that the labor price is cheaper, but the cheap price is of the low quality. The labor quality of Vietnam is lower than that of China, which restricts the competitiveness of relevant industries in Vietnam. Finally, the business environment in Vietnam is worse than that in China. As a compromise to join the TPP agreement, the Vietnamese government has given trade unions more power and restrained nation-run enterprises in specific industries [1]. After the 2008 financial crisis, the Vietnamese government has issued a large number of protection policies for its low-end industries, raising the threshold for foreign investment access. In general, due to these three reasons, Vietnam is less competitive than China's similar products in the export trade of electronic product processing industry and textile industry.

The export advantage is the inevitable result of the huge difference in the comprehensive national strength between the two countries. The balance of bilateral trade has always been inclined to China. This trend has become more obvious since the establishment of China-ASEAN FTA in 2010. Take 2013 for example, when former Vietnamese Prime Minister Nguyen Tan Dung clearly pointed out that Vietnam was disturbed by China's advantages in trade. 2013 was the tenth consecutive year that China became Vietnam's largest trading partner, with a total trade volume of US \$50 billion and a bilateral trade volume of US \$65.48 billion, an increase of 30% year-on-year. Its growth rate was in the forefront of the trade between China and the ten ASEAN countries. By the end of 2013, there were 977 Chinese investment projects in Vietnam, with a total amount of US \$7 billion. In this year, Vietnam's trade deficit with China was US \$23.7 billion. The main reason for the trade imbalance between China and Vietnam before 2013 is the different factor endowments of commodity exchange between the two countries. China exports high value-added products such as electromechanical products to Vietnam, and Vietnam exports low value-added raw materials such as crude oil, rubber and coal to China. In 1999, China's trade surplus with Vietnam was US \$509.57 million, which reached a staggering US \$11550.12 million in 2009. It can be said that trade imbalance is the key factor in cooling China Vietnam relations.

Structural advantage is the product of the division of international trade. Vietnam has long relied on the export of low valued added industries to generate income and highly dependent on foreign investment. Without a sound industrial system it was easy to have structural economic dependence on China, its largest trading partner. Taking 2013 as an example, 70% of Vietnam's cellphone components, 50% of fertilizer and 40% of cloth depended on China. China was also an important source of power in Vietnam, accounting for 6% of Vietnam's power supply. Tourism, one of the pillar industries in Vietnam, was also highly dependent on China, with Chinese tourists accounting for 25% of the total. If the trade imbalance between the two countries would only cause panic in Vietnam, the structural dependence of Vietnamese industry on China would cause practical harm to the security and independence of Vietnam's economy.

Apart from the problems above, the territory conflicts, the domestic contradictions and the nationalism ideology had also contributed to the derivation of de-Sinicization. Referring to the speech of Nguyen Tan Dung, "we should avoid over reliance on a market and regard it as the central task in the evolution environment of the South China Sea" [2].

2.2 The Approach of De-Sinicization

Vietnam's "de-Sinicization" approach is a product of its balanced diplomacy strategy. To reduce its economic dependence on China, Vietnam had adopted the strategy of "market diversification" and diluted China's influence with other countries. In the process of market diversification, Vietnam has developed three dimensions of markets, including the domestic market, the internal market of ASEAN and the global market. However, it is worth noting that Vietnam's economic diplomacy also followed the pragmatic principle, it does not completely squeeze China out of the Vietnamese market, but weakened China's influence to maintain its independence, because maintaining good foreign trade relations and even diplomatic relations with China is in Vietnam's national interests.

Vietnam's exploration of the domestic market and its industrial transformation can actually be analyzed together. Vietnam focuses on the development of its electronic industry and textile industry. In terms of electronic industry, Vietnam has built Ho Chi Minh high tech park and Hanoi high tech park, attracted foreign investment through tax incentives, and made great progress. Taking Ho Chi Minh high tech park as an example, it attracted us \$1.4 billion of foreign capital at the beginning of its establishment. Due to its focus on the electronics industry and the good economic and trade relations between Japan and Vietnam, Toshiba, Panasonic and other well-known enterprises have joined in one after another. After Intel joined, the Science Park accelerated its development. At present, Ho Chi Minh Science Park has attracted more than 80 enterprises, created 20000 jobs and produced 80% of Intel processors in the world [3]. At the same time, Vietnam lists the textile industry as a pillar industry for export to earn foreign exchange, and has introduced corresponding preferential industries for domestic and foreign capital. Vietnam's garment manufacturing industry has taken off rapidly, and is known as the world's three major textile powers together with China and Bangladesh.

Vietnam actively participates in ASEAN Affairs and tries to stimulate its economy. Since joining ASEAN in 1994 and ASEAN FTA in 1996, Vietnam has been enjoying profits, and Vietnam has also been trying to further integrate into ASEAN and improve its position within ASEAN. In 2020, Vietnam became the rotating chairman of ASEAN and directly promoted the signing of RCEP. The broad market of the ASEAN FTA gives Vietnam, which mainly exports low-end manufacturing industries, sufficient room to play, and foreign trade will force Vietnam's structural transformation of domestic economy. ASEAN's huge economic volume and rapid economic growth make it an important part of economic globalization. Foreign trade under the ASEAN Framework would bring hidden dividends to Vietnam.

Vietnam actively moves towards the world, one of the obvious purposes is to dilute China's influence with western countries, so as to promote the process of de-Sinicization and finally eliminate its economic dependence on China. Over the past decade, Vietnam has signed a large number of FTAs, including CPTPP, EVFTA, VKFTA, RCEP, FTAVN-EAEU. Vietnam is increasingly participating in international trade as an independent economy, which shows that it not only has the task of de-Sinicization, but also has a vague intention to get rid of the shackles of ASEAN.

In order to balance China's strong economic pressure, Vietnam adopted the strategy of great power balance, that is, to contain China by creating an image of maintaining good relations with the United States. The strategy is not only reflected in economic and trade relations, but also in political and military aspects. In recent years, under the combined effect of Vietnam's de-Sinicization and America's the Asia Pacific rebalancing strategy, US-Vietnam relations have improved considerably [4]. In fact, the false prosperity of US-Vietnam relations lacks the basis of political mutual trust, and there are serious differences between the two countries on the reason for their cooperation - the degree of confrontation with China. After all, for Vietnam, Sino-Vietnam relations are far more important than US-Vietnam relations. Vietnam's strategy of great power balance also has economic practical reasons. Trade with the United States can balance Vietnam's balance of payments, because Vietnam has always been in a advantage.

3 Results and Discussion

De-Sinicization, which originated in 2008, fermented in 2010 and started in 2013, is actually two sides of a walnut. On the one hand, de-Sinicization shows Vietnam's hostility to China. On the other hand, de-Sinicization lays a foundation for solving Sino-Vietnam contradictions in the future. After the phase victory of de-Sinicization, Vietnam's attitude to China would be more rational, which promotes the bilateral relations. This part discusses the reasons of the transformation of Vietnam's strategy towards China (2017–2020) as a result. Below are reasons of the transformation of Vietnam's strategy towards China.

3.1 The Healthy Trend of Sino-Vietnam Trade

The direct purpose of de-Sinicization is to balance the trade between the two countries. If this goal is achieved, Vietnam can look at China objectively and bring the bilateral relations back to normal. In fact, under the joint action of de-Sinicization, market diversification and its industrial structure adjustment, Sino-Vietnam relations tend to be more balanced and healthy.

From the perspective of commodity trade volume between the two countries, although the total trade volume between China and Vietnam has increased steadily, the growth rate continues to slow down and the trade flow direction has changed. In 2010, the annual growth rate of total trade between China and Vietnam was as high as 42.9%, which decreased to 29.8% in 2013 and 2.5% in 2016. It can be said that no matter how the bilateral relations develop in the future, the golden age of bilateral trade will never return. China's export advantage also gradually fades with the change of trade flow. In 2016, the growth rate of China's commodity exports to Vietnam was negative 7.4%, while Vietnam's commodity exports to China maintained a high growth rate of 22% at the same time. The commodity trade between the two countries has been balanced with the increase of Vietnam's trade with China and the decline of China's trade with Vietnam.

From the perspective of trade structure, Vietnam has achieved industrial structure adjustment and created more added value in exports. Vietnam's exports to China can be divided into two types: low value-added resource-based products such as rubber, crude oil and coal, and high value-added industrial products such as computer electronics and textiles. In 2010, Vietnam's resource-based products exported to China accounted for 52% of the total, and industrial products accounted for only 3.6%. It can be seen that during this period, the added value of Vietnam's products exported to China was low. In 2016, resource-based products exported by Vietnam to China accounted for only 10.41% of the total, while industrial products accounted for 29.6%. It can be seen that Vietnam's export structure has been upgraded, and industrial products led by computer electronic products and textiles have gradually become the main force of Vietnam's exports to China. The change of trade factor endowment makes Vietnam's trade with China more profitable.

3.2 The Success of Market Diversification

With the efforts of the Vietnamese government and the demand of western countries for capital export, Vietnam has achieved the goal of market diversification. China, the United States, Korea and Japan have become Vietnam's four major trading partners, among which Vietnam's relationship with the United States and Japan is political. China Vietnam relations, Japan-Vietnam relations and US-Vietnam relations are closely related and are the result of its strategy of great power balance.

The positive US-Vietnam economic relations can be concluded as a derivative of geopolitics. Since the implementation of the Asia Pacific rebalancing strategy in 2012, the United States has been trying to establish an encirclement of China, and Vietnam has naturally become an important link. With the development of political relations, the economic and trade relations between them have also developed. The purpose of the United States to improve its relations with Vietnam is to contain China. TPP is a tool to develop the relationship with America and realize the great power balance. When general secretary Nguyen Phu Trong visited the United States in 2015, he promised that Vietnam would promote market economy reform to meet the requirements of joining the TPP. During U.S. President Barack Obama's visit to Vietnam in 2016, two nations reached an agreement on promoting the process of negotiations on Vietnam's accession to the TPP [5]. TPP is an important carrier for the United States to isolate China economically. For Vietnam, it can not only promote the development of foreign trade, but also force the transformation and upgrading of domestic industries and the optimization of business environment.

US-Vietnam economic relations have developed rapidly and brought great benefits to Vietnam. In 2017, the bilateral trade volume between the two countries has reached US \$41.6 billion. The United States has become the largest commodity exporter of Vietnam. Vietnamese goods account for 19% of the US market, and Vietnam's trade surplus with the United States is as high as US \$38 billion. In fact, Vietnam has tasted the sweetness in economy, so it must make concessions in the political and military fields, which also leads Vietnam to re-examine the economic relations between the United States and Vietnam. Although former president Trump blamed Vietnam for its advantage in US-Vietnam trade, the bilateral relations with America benefits Vietnam's economy.

The Japan-Vietnam economic relations is an important pillar of Vietnam's market diversification. Bilateral trade between the two countries started early with a large amount. Japan has started aid trade with Vietnam since 1992. In 2016, Vietnam's exports to Japan and Japan's exports to Vietnam exceeded US \$16 billion. Until 2004, Japan was once Vietnam's largest trading partner, and Japan and Vietnam began to take off in 2013. In 2017, Japan has become the largest country for Vietnam to accept foreign investment. More importantly, the trade between Japan and Vietnam is balanced, Japan and Vietnam have maintained a general balance of payments for a long time.

The Japan-Vietnam economic relation was political from the beginning. When the Plaza Accord interrupted Japan's economic development, Japan was committed to exporting goods to Southeast Asia. Vietnam is an important pillar of Japan's Mekong diplomacy, its relationship with Japan has been gradually endowed with geopolitics issues. Japan and Vietnam reached the agreement to constrain China, that's one reason that Vietnam chose Japanese investment to dilute that of China.

Vietnam has achieved fruitful results in market diversification. The European Union, Korea, Thailand, India and other economies have established good economic and trade relations with Vietnam and signed many free trade agreements. But in fact, economic and trade relations with Japan and the United States are the means of Vietnam's economic diplomacy, and the purpose is to balance China's influence through third-party forces.

3.3 The Rise of China

Considering that de-Sinicization is not only economic but politic, we have to analyze from Vietnam's political hostility to China. Politics is a concentrated reflection of the economy and has a strong reaction to the economy. The improvement of Vietnam's economic and diplomatic attitude towards China is naturally affected by the change of the balance of political power. China's increasing comprehensive national strength has forced Vietnam to maintain a good relationship with China, which has a comprehensive role of political, economic, cultural and other factors. However, the factor for Vietnam's rapid recovery in its attitude towards China after 2016 is obviously the rapid development of the Chinese navy.

Besides the failure to constrain China, Vietnam began to consider gaining economic benefits from China's rise by free-riding. Participating in the Belt and Road Initiative launched by China since 2013, Vietnam as well as the related nations acquired economic benefits. Vietnam benefits from the frame of Belt and Road Initiative cooperation, including the expansion of bilateral trade volume, the enhancement of trade complementarity, the stabilization of trade structure. RCEP is another FTA promoted by China in 2020. RCEP involves main economic actors as China, Japan and ASEAN, which is a platform for them to cooperate. Although China's trade surplus with Vietnam has always been high in ASEAN countries, China-Vietnam trade will be healthier under the framework of RCEP. While China Vietnam trade volume is expanding, the trade volume and trade structure of both sides will tend to be balanced.

4 Conclusions

The imbalance of Sino-Vietnam trade is the reason why Vietnam adjusted its strategy towards China. Between 2013 and 2016, because of the competitive advantage, export advantage and structural advantage of China, Vietnam began the process of de-Sinicization by the method of market diversification. Since 2017 Vietnam has changed its strategy because of the healthy trend of Sino-Vietnam trade, the success of market diversification and the rise of China. Vietnam is taking China into rational consideration. After the 12th CPV National Congress in 2016, Vietnam decided to improve its relations with China and promote the sound development of Sino-Vietnam relations. Vietnam believes that with the phased settlement of the territorial dispute, the expansion and balance of bilateral trade and the establishment of political mutual trust, Sino-Vietnam relations have warmed up and entered a new stage. Apart from the influence of COVID-19, Sino-Vietnam economic relations is fueling again but healthier and steadier than before.

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