

The Potential Implications of the United States-China Trade War on Vietnam: A Review from the Perspective of International Political Economy (2018–2025)

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ABSTRACT

The United States–China trade war (2018–2025) has triggered significant shifts in the global economy, particularly affecting Asian countries. This article analyzes the economic and political implications of the trade war on Vietnam, with a focus on national interests. A descriptive qualitative research method is employed, drawing on literature review and secondary data analysis. Within the framework of international relations theory, the study integrates perspectives from realism (balance of power), complex interdependence, and international political economy to interpret Vietnam's response. The findings indicate that Vietnam initially benefited from increased exports and inflows of foreign direct investment (FDI) during the early phase of the trade war, but faces long-term risks such as dependency on China-dominated global supply chains and heightened vulnerability to external shocks. In response, Vietnam has pursued market diversification (leveraging various free trade agreements) and adopted a balanced economic diplomacy strategy between major powers. The study recommends strengthening domestic production capacity, developing local resources (raw materials and components), and aligning foreign policy to maintain productive neutrality in order to safeguard Vietnam's national interests amid this global conflict.

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1. Introduction

The trade conflict between the United States (US) and China, which commenced in 2018, has emerged as a significant global economic challenge. The imposition of tariffs and trade barriers by both superpowers has engendered considerable disruption in international trade and global supply chains (Inma Bonet, 2025). Vietnam, characterized as an export-oriented economy actively engaged in multiple free trade agreements, finds itself strategically positioned between these two dominant economic powers. On one hand, the trade war affords Vietnam certain opportunities, notably through the potential for production relocations and an increase in demand from the US market. Conversely, Vietnam's reliance on raw material imports from China, coupled with the strategic partnership between the two nations, poses challenges to its national economic security and political stability.

The theoretical framework of realism posits that states primarily pursue their national interests and power, situating Vietnam in a precarious position as a relatively weaker country caught between two influential nations (Vuving, 2006). Additionally, the theory of complex interdependence underscores the intricate economic linkages that exist: Vietnam's economic wellbeing is contingent upon both access to the US market and the provision of Chinese inputs, thereby creating geo-economic vulnerabilities and dependencies (Vuving, 2006; Inma Bonet, 2025). Furthermore, the field of international political economy (IPE) elucidates the mechanisms by which state actors and multinational corporations navigate global

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value chains to circumvent tariffs, while also illustrating how domestic economic indicators—such as GDP, inflation, and foreign direct investment (FDI)—interact with broader global political dynamics.

This article aims to analyze the impact of the U.S.-China trade war on Vietnam from 2018 to 2025, examining it from the perspectives of national interests and the international political economy. The main question is how the trade war affects Vietnam's economic security, market diversification strategy, and position within the Association of Southeast Asian Nations (ASEAN) framework. The study employs a descriptive qualitative methodology based on document analysis and secondary data. The article is structured as follows: a review of relevant literature; a theoretical framework; an in-depth analysis of various economic and political aspects; and policy recommendations for Vietnam.

2. Theoretical Framework

This study uses the theory of international relations to interpret Vietnam's response to the trade war. According to the realist perspective, states act to maximize their power and interests in an anarchic world system (Vuving & Alexander, 2006). From this perspective, the United States and China are engaged in a trade war to secure their economic advantage. Vietnam, sandwiched between these two giants, must act pragmatically to protect its national interests, including economic and political security. As Vuving (2010) notes, Vietnam's foreign policy toward China (and other major powers) is a mix of strategies, including balancing (realism), enmeshment (interdependence), ideological solidarity, and deference. Realism and complex interdependence are highly influential in this policy (Vuving, 2006).

Second, the theory of complex interdependence (Keohane & Nye) suggests that countries are interconnected through economic and technological networks. In this context, trade wars occur not only between two major countries but also affect many interdependent parties. For instance, Iyoha et al. (2024) and Lee and Rhee (2025) use an international political economy approach focusing on global value chains. These scholars highlight how multinational corporations relocate production to avoid tariffs, a phenomenon known as trade rerouting, and how this alters Vietnam's trade patterns (Iyoha et al., 2024; Lee & Rhee, 2025). The concept of vulnerability interdependence is also relevant because while Vietnam has benefited economically from the trade war (e.g., increased exports and foreign direct investment), it also becomes vulnerable in the event of a major escalation between the US and China that impacts global demand or triggers retaliatory actions (e.g., the US threatening to impose high tariffs on Vietnam) (Bonet, 03/05/2025).

The third point to consider is the role of economic policy at home and abroad, as well as trade institutions, in addition to non-economic factors, which may include considerations of security. From this perspective, the variables under analysis—namely, GDP, inflation, investment, and trade—function as indicators of national economic security. The IPE approach elucidates the role of institutional factors (e.g., free trade agreements such as the CPTPP, EVFTA, RCEP) in economic diplomacy, particularly in the context of trade wars (Đoàn Ngọc Thắng, Đỗ Phú Đông, 05/03/2025). A synthesis of these theories reveals that Vietnam's policy decisions are a combination of maintaining economic sovereignty (realism), leveraging global interdependence, and strengthening its position through economic blocs (IPE).

3. Research Methodology

The present study employs a descriptive qualitative methodology to investigate the intricate relationship between trade wars and key economic variables. Data were meticulously sourced from a variety of secondary documents, including official reports from prestigious international financial institutions such as the World Bank and the International Monetary Fund (IMF), alongside data from the Vietnamese government. Furthermore, relevant media coverage and analyses in English, Indonesian, and Vietnamese have been incorporated to enrich the contextual understanding of the issue. The analytical framework utilizes concept mapping to elucidate the connections between trade wars and economic indicators, specifically focusing on gross domestic product (GDP), inflation, foreign direct investment (FDI), exports, and imports.

In addition, the study examines Vietnam's market diversification strategies and its positioning within the Association of Southeast Asian Nations (ASEAN). This qualitative approach facilitates a comprehensive exploration of Vietnam's policies and strategic responses to external economic pressures, moving beyond the confines of conventional statistical testing. The integrity of the sources is rigorously upheld, with primary reliance on World Bank data and high-caliber academic research. Moreover, the study assesses the synergy between international relations theory and empirical evidence, ensuring a robust and scholarly analysis of the subject matter.

4. Results and Discussions

4.1 The Concept of Trade Wars and An Overview of the Trade War between the US and China

The absence of an officially recognized definition of "trade war" is particularly noteworthy, as the term does not even conform to established conventions within the economic discipline. According to the Oxford English Dictionary, a trade war is defined as an economic conflict between nations that involves the imposition of tariffs or trade quotas by one country on another. Trade historian Doug Irwin asserts that a trade war is not merely characterized by reciprocal tariff measures, but by the actual impact on the value of goods subject to tariffs (Nguyễn Thu Hương, 2019, p. 7). Economist Heiner Flassbeck defines a trade war as the practice of imposing tariffs for an extended period of time, rendering the parties involved unable to negotiate.

Conversely, Phil Levy, former senior economic advisor to the George W. Bush administration, posits that a trade war ensues when the escalation of trade barriers becomes uncontrollable. Therefore, a trade war or trade tension can be understood as a condition in which two or more countries raise or impose tariff and non-tariff barriers (such as import/export licenses, import quotas, subsidies for the domestic sector, voluntary export restrictions, strict standards for imported products, embargoes, and others) as a form of retaliation against the protectionist actions of the other party (Nguyễn Thu Hương, 2019, p. 8).

4.2 Trade War between the United States and China

The economic relations between the United States and China have undergone significant expansion in recent decades, with the total value of bilateral trade increasing from USD 2 billion in 1979 to USD 636 billion in 2017, as reported by the US Department of Commerce. The United States' trade deficit with China reached 375 billion USD in 2017, a substantial increase from the 10 billion USD recorded in 1990. Specifically, in 2017, China emerged as the third-largest export destination for the United States, with an export value reaching 130 billion USD.

According to **Table 1** data from the U.S. International Trade Commission (USITC), the primary export commodities from the United States to China encompass wheat, grains, fruits, aircraft, electrical and electronic machinery, and transportation equipment. In contrast, the United States is China's foremost export market, with an export value that reached 505 billion USD in the same year. The People's Republic of China's primary exports to the United States of America encompass electronic equipment, industrial machinery, furniture, toys, sports equipment, and footwear.

Table 1. Export-Import Situation and Trade Balance between the United States and China (2007–2017)

Years	Export	Import	Neraca
2007	62,94	321,44	-258,50
2008	69,73	337,77	-268,04
2009	69,50	296,37	-226,87
2010	91,91	364,95	-273,04
2011	104,12	399,37	-295,25
2012	110,52	425,62	-315,10
2013	121,75	440,13	-318,38
2014	123,65	468,47	-344,81
2015	116,96	483,19	-366,23
2016	115,55	462,62	-347,07
2017	130,37	505,60	-375,23

Notes: Currency in Billion USD

Source: US Department of Commerce

Despite the ongoing expansion of bilateral trade, the relationship between these two major economic powers is experiencing a period of heightened tension. The United States has formally declared its intent to undertake substantial measures to address the bilateral trade deficit, to ensure the enforcement of trade laws and agreements, and to foster free and fair trade. The United States Trade Representative (USTR) published a report based on Section 301, which accuses China of employing non-economic methods to gain control of United States technology. These methods include intellectual property theft and forcing technology transfers as a condition for foreign investment. This served as the basis for the US government to impose punitive tariffs on Chinese imports **Table 2**.

Table 2. Tariff Package under Section 301 by the US against China in 2018

Applied Date	Tariff	Import Value	China's Response
06/07/2018	25%	USD 34 billion	Applying retributive tariffs to USD 34 billion worth of imported goods
23/08/2018	25%	USD 16 billion	Applying retributive tariffs on USD 16 billion worth of imported goods
24/09/2018	10% (increased to 25% on 01/01/2019)	USD 200 billion	Applying tariffs of 5–10% on imports worth USD 60 billion

Source: USTR and Chinese Ministry of Commerce

4.3 The Impact of the US-China Trade War on Vietnam

Vietnam is currently among the most open economies in the world, with its export-import ratio to GDP increasing from 66% in 1995 to 203% in 2017 (Figure 1). In comparison, the global average stands at 28%, China's at 19.6%, and even Singapore, renowned for its openness, has a figure of 172%, according to data from the World Bank (WB). Within the ASEAN region, Vietnam is the most export-dependent country, with total trade value reaching twice its GDP, according to a report from FT Confidential Research. Consequently, Vietnam is regarded as the most vulnerable nation within the ASEAN framework to the adverse ramifications of the trade war. Should these tensions persist, the repercussions for Vietnam's economy, particularly for sectors reliant on exports and imports of raw materials for the production of export goods, will be substantial.

Conversely, the trade war has also engendered novel opportunities for Vietnam, particularly as an alternative global supply chain for companies seeking to circumvent US tariffs on Chinese products. Furthermore, Vietnam's economy is heavily reliant on foreign direct investment (FDI). According to data from the World Bank, Vietnam's FDI reached 7.7% of GDP—a figure that is double the global average of 3.1% and significantly higher than those of other countries in the region, including Indonesia (0.5%), Thailand (0.8%), China (1.5%), and Malaysia (4.6%). The United States and China are two crucial markets for Vietnam. Therefore, when these economic giants engage in a trade war, the repercussions for Vietnam are considerable. According to data from the Vietnam Customs Department, the value of two-way trade between Vietnam and China reached 93.69 billion USD in 2017 and is projected to surpass 100 billion USD in 2018.

China remains Vietnam's largest import market, with import values reaching 31.1 billion USD in the first half of 2018, accounting for approximately 28% of Vietnam's total imports. At the same time, the United States has become the primary destination for Vietnamese exports, with export values totaling 21.5 billion USD during the same period, representing about 19% of Vietnam's overall export value. Vietnam's highly open economic structure toward international trade, coupled with its substantial reliance on exports and imports of raw materials, has rendered it particularly vulnerable to the repercussions of trade tensions between its two primary trading partners, the United States and China.

An examination of the pertinent data illuminates the vulnerability of Vietnam's economy to external economic shocks. Furthermore, both China and the United States are Vietnam's primary trading partners, with each nation serving as the other's predominant import and export market. Consequently, the intensification of the trade war between these two global economic powers has the potential to disrupt Vietnam's trade flows, as well as directly impact the growth of its export-oriented industrial sector and foreign investment inflows.

4.4 The Impact on National Economic Security

At the macro level, the trade war coincided with another major disruption (the COVID-19 pandemic), necessitating a differentiated analysis. In the 2018–2019 period, before the onset of the pandemic, Vietnam's economy demonstrated robust growth, with an annual expansion rate ranging from 7 to 7.5%. The pandemic resulted in a significant economic slowdown, with growth rates dropping to approximately 2.9% in 2020 and 2.6% in 2021. However, in 2022, the economy demonstrated a substantial rebound, with an 8.12% growth, attributable to the global economic recovery and a notable increase in exports. Furthermore, projections for 2023 estimate a growth of approximately 5.05%. Projections by the IMF indicate that growth will moderate to approximately 5–6% (aligning with the Vision 2045 target), which remains relatively high in Southeast Asia. This high growth is partly driven by a surge in exports to the US and China triggered by the trade war (Vietnam GDP Growth Rate, 2025).

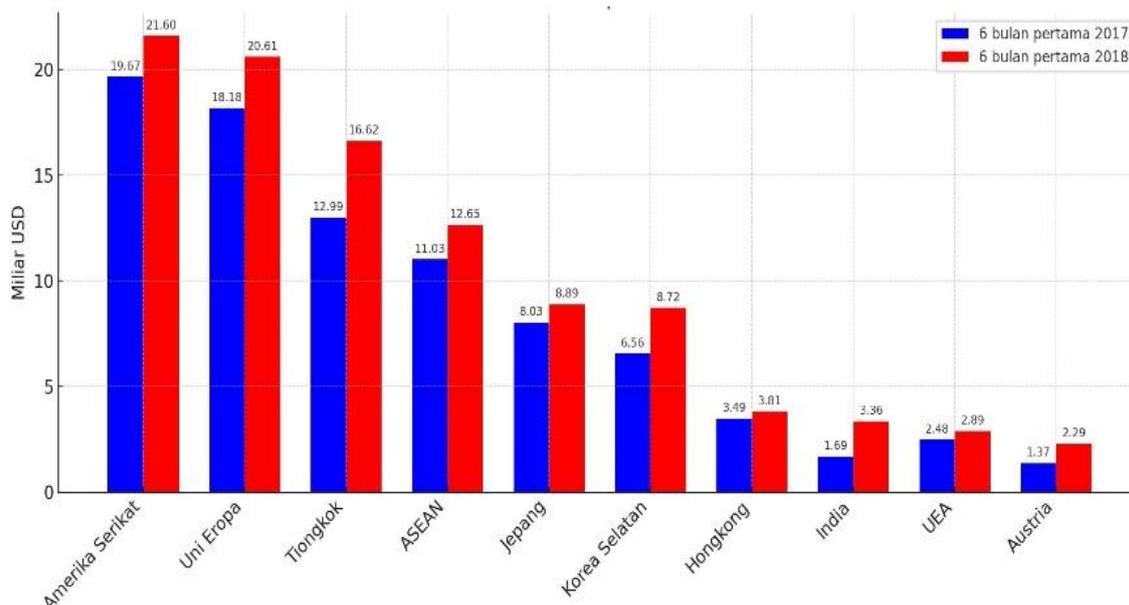


Figure 1. Vietnam's Main Export Markets

Notes: Currency in Billion USD

Source: Vietnam Customs and Excise Department

In the aftermath of the pandemic, Vietnam's inflation has experienced a modest uptick; however, it remains largely within manageable limits. A detailed examination of consumer data indicates that average inflation rates for the period of 2022–2023 were approximately 3.2% to 3.3%, a notable increase from about 1.8% recorded in 2021. This rise in inflation can be largely attributed to the resurgence of domestic demand. In a global economic context, inflationary trends have surged, particularly concerning commodities and energy sectors. Such pressures, coupled with fluctuations in exchange rates, pose risks to price stability. Hence, it is imperative for monetary policy to adhere to a stringent tightening approach to safeguard the economic security of the nation. Empirical evidence suggests that moderate inflation plays a crucial role in preserving the purchasing power of consumers and maintaining social stability, which are integral to Vietnam's national interests.

Moreover, the onset of the trade war has precipitated a notable increase in foreign direct investment (FDI) inflows to Vietnam, with investors actively seeking alternatives to Chinese manufacturing and technology sectors. Data from the World Bank illustrates that FDI inflows escalated from 2018 to 2019, achieving an annual range of approximately US\$20–25 billion, notwithstanding a downturn during the pandemic. As reported by Vietnam's Ministry of Planning and Investment, realized FDI reached approximately US\$23.2 billion by 2023, reflecting a 3.5% year-on-year growth (Bảo Linh, 12/29/2023). Despite the potential threat posed by a global recession, Vietnam retains its appeal as an investment hub, particularly in electronics, machinery, and textiles. Nevertheless, it is crucial to recognize that a significant portion of these investments is capital-intensive, typically involving fewer labor requirements, and remains dependent on imported components, predominantly from China.

Furthermore, a report from the Vietnam Chamber of Industry and Commerce (VCCI) highlights that the transfer of manufacturing facilities from the United States and China to Vietnam has contributed to an increase in Vietnam's trade surplus with these nations, as well as Mexico (05/03/2025). Conversely, concerns have been raised regarding the potential deceleration of new FDI as source countries exercise greater caution in relocating supply chains (Đoàn Ngọc Thắng, Đỗ Phú Đông, 05/03/2025). **Figure 2** depicts a significant increase in Vietnam's exports to the United States, rising from US\$96.3 billion in 2021 to approximately US\$119.5 billion in 2024, reflecting an annual growth rate of around 23.2% for that year. This remarkable growth marks the United States as Vietnam's largest export destination.

The surge can largely be attributed to the transfer of manufacturing operations by multinational corporations in the electronic equipment, textiles, and footwear sectors to Vietnam, a strategic move aimed at avoiding tariffs imposed by the United States on Chinese goods. Research by Bonet (2025) reveals that Vietnam's export share to the US has climbed to nearly 30% of its total national exports, with US\$136.6 billion sent to the US in 2024 (Bonet, 03/05/2025). This positive trend in exports has further contributed to increased foreign exchange earnings and economic growth. Vietnam's trade balance has been notably disrupted. The country's imports from China have surged dramatically, rising from

US\$65.4 billion in 2018 to US\$144.5 billion in 2024 (Lina Bonet, 03/05/2025). This trend, known as trade diversion, involves Vietnam importing significant amounts of production inputs from China for subsequent re-exportation.

Despite increased exports, the trade deficit with China has grown considerably. This situation has placed strain on Vietnam's balance of payments, leading to increased dependence on China. From a political perspective, this dependency threatens the nation's economic autonomy. Therefore, Vietnam must adopt effective management strategies to mitigate potential vulnerabilities related to economic security. One possible solution is the development of import substitution industries.

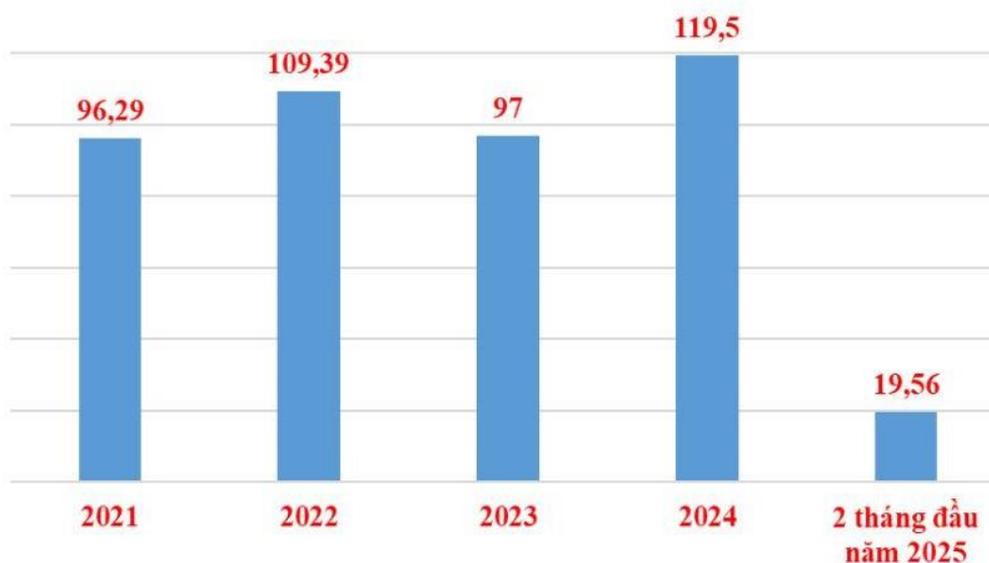


Figure 2. Vietnamese exports to the United States (2018–2025)

Source: *Thái Bình*, 3/4/2025

Additionally, the prospect of the United States imposing retaliatory tariffs, which could reach as high as 46% if Vietnam is perceived as engaging in unfair practices, requires careful monitoring (Lina Bonet, 03/05/2025). Such threats could induce investment uncertainty, impact exchange rates, and ultimately hinder future GDP growth. It is crucial to emphasize the importance of initiatives aimed at controlling inflation and maintaining macroeconomic stability. These measures are vital for preventing the transmission of external shocks to the domestic real sector.

4.5 The Impact on Market Diversification and Economic Diplomacy Strategies

Vietnam has strategically implemented multiple free trade agreements (FTAs) to diversify its export markets and mitigate its economic dependence on the United States and China. As the trade war escalated, Vietnam expedited the ratification and implementation of Free Trade Agreements (FTAs), including the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), the European Union–Vietnam Free Trade Agreement (EVFTA), the Regional Comprehensive Economic Partnership (RCEP), and bilateral accords with Japan and South Korea (Đoàn Ngọc Thắng, Đỗ Phú Đông). (05/03/2025). This policy is consistent with the "China Plus One" strategy, which aims to attract manufacturing investments from China by offering tariff incentives to enter other major markets. For instance, Vietnamese products can be exported to the EU and Canada at reduced tariffs through the EVFTA and CPTPP, thereby circumventing high US/China import duties (Đoàn Ngọc Thắng, Đỗ Phú Đông, 2025).

Another strategic mitigation is the use of the Association of Southeast Asian Nations (ASEAN) as a diplomatic platform. As an ASEAN member, Vietnam has been proactive in its efforts to fortify the Regional Comprehensive Economic Partnership (RCEP) and the ASEAN–China Free Trade Agreement (ACFTA). According to the VCCI, the ACFTA enables Vietnamese companies to export to China at reduced tariffs, thereby offsetting the surge in imports from China (Đoàn Ngọc Thắng, Đỗ Phú Đông, /2025). By fostering economic interdependence within the framework of the Association of Southeast Asian Nations (ASEAN), Vietnam seeks to diversify its sourcing of raw materials, reducing its reliance on China as a primary source. On a broader level, Vietnam positions itself as a mediator and guardian of ASEAN integration, thereby strengthening its role in the region.

This phenomenon is exemplified by the joint statement issued by the Association of Southeast Asian Nations (ASEAN) in response to the United States' imposition of tariffs on ASEAN members. In this statement, Vietnam underscored the significance of upholding free trade principles (Thái Bình, 2025; Bonet, 2025). To enhance its competitiveness in the global economy, Vietnam has actively promoted the development of local resources and industrial clusters. A series of governmental measures has been implemented to encourage domestic production of strategic goods; notable among these is the reduction of import tariffs on certain production inputs, alongside the introduction of incentives for local manufacturing in sectors such as electronics and textiles. In 2023, Vietnam successfully negotiated tariff reductions on several of its major export products as part of a bilateral economic dialogue (Đoàn Ngọc Thăng & Đỗ Phú Đông, 2025).

This is further illustrated by reports indicating that President Trump is considering a special tariff exemption for Vietnam to alleviate the U.S. trade deficit with the country (Thái Bình, 2025). Collectively, these strategies highlight Vietnam's proactive approach to economic diplomacy, which seeks to maintain a balanced relationship with both global superpowers. The graph illustrating the rerouting of exports to the United States, as analyzed by Iyoha et al. (2024), provides a preliminary estimate of the significant increase in Vietnam's export rerouting to the U.S. Specifically, the graph indicates that the value of these exports escalated from approximately USD 6 billion in 2018 to USD 15.5 billion in 2021. However, a more detailed examination reveals considerably lower reported figures: approximately USD 0.67 billion (2018) and USD 1.7 billion (2021).

This discrepancy underscores that while Vietnam serves as an export conduit for certain Chinese products, the majority of value addition is realized domestically and is associated with new investments rather than mere relabeling. To effectively capitalize on this relocation trend, Vietnam must prioritize improvements in local value addition through investments in research and development and enhancements in workforce quality (Ana Elena Azpúrua, 2024). A comprehensive analysis of the existing data indicates that this trend is indicative of diversification within Vietnam's trade effects. The electronics and textile export sectors have experienced significant expansion, while other sectors, such as agriculture, have witnessed comparatively limited growth. This dynamic presents the potential to disrupt the equilibrium of Vietnam's export composition.

From a national security perspective, it is imperative for the Vietnamese government to ensure the existence of alternative markets and to strengthen its domestic industries. This can be accomplished by developing comparative advantages in green technology and technology-driven agriculture, thereby mitigating the risks associated with the politicization of exports.

4.6 The Impact on Vietnam's Stability and Position within the Association of Southeast Asian Nations (ASEAN)

Vietnam's political stability and its position within the Association of Southeast Asian Nations (ASEAN) have been influenced by the ongoing trade war. In the short term, the global economic crisis could increase inflationary pressures and unemployment, which could potentially trigger social unrest. Nevertheless, Vietnam has demonstrated a notable degree of success in preserving domestic stability. Two salient points merit attention: first, the Vietnamese government has maintained the budget deficit and balance of payments within safe limits, thereby circumventing a currency crisis. Secondly, infrastructure development (e.g., high-speed rail, ports, industrial zones) has persisted in attracting new investment and generating employment opportunities. The two aforementioned policies are conducive to medium-term stability. In the context of the ongoing US-China rivalry, Vietnam has emerged as a pivotal figure within the Association of Southeast Asian Nations (ASEAN), garnering its support to a certain extent.

Vietnam is regarded as a balanced, neutral partner. It has established a strategic partnership with the US (which became a Comprehensive Strategic Partnership in September 2023) while strengthening ties with China (the Chinese visit resulted in numerous economic agreements). Vietnam's demographic profile, with a population of approximately 100 million and an average age of approximately 33 years, positions it as a promising future leader within the ASEAN community. Journalist Bonet (2025) has noted that Vietnam stands to benefit from its status as "one of the most dynamic countries" in Southeast Asia, a distinction attributable to a confluence of factors, including communist political stability, a skilled workforce, and a broad network of global free trade agreements (Bonet, 2025). However, this central role is not without its complexities.

Vietnam's considerable economic reliance on China presents a strategic quandary, as any significant rapprochement with the United States, for instance, through the ratification of a comprehensive trade agreement, could provoke a negative response from China, manifesting in the form of economic retribution within the framework of the Association of Southeast Asian Nations (ASEAN). Conversely, if

it approaches China excessively, Vietnam's relationship with the United States is adversely impacted. Consequently, Vietnam adheres to a productive neutral diplomatic course, refraining from aligning with the United States' sanctions against China while concurrently expressing strong opposition to military pressure, including China's assertions in the South China Sea, with the objective of safeguarding its territorial sovereignty (Lerma Bonet, 2025).

At the ASEAN level, Vietnam endeavors to foster a consensus-driven approach, aiming to ensure that the bloc articulates a unified stance in the face of trade conflicts. A notable illustration of this commitment is the issuance of a joint ASEAN statement that expresses apprehension regarding the escalating tensions in the global trade arena. This neutral stance, coupled with a modicum of audacity in the negotiation process, serves to fortify Vietnam's credibility within the ASEAN framework.

5. Conclusions

The US–China trade war (2018–2025) has engendered a dual impact on Vietnam, encapsulating both short-term economic opportunities—such as export expansion, increased foreign investment, and a trade surplus—and long-term structural challenges, including supply chain dependence, external vulnerability, and political risk. Analyzing this phenomenon from a national interest perspective reveals that Vietnam has thus far successfully capitalized on prevalent opportunities through market diversification and the cultivation of industries designed to attract foreign investors, while judiciously balancing relations with these two dominant global powers. Nonetheless, achieving sustained economic stability necessitates the implementation of several strategic measures.

First, there is a pressing need for domestic industrial development and import substitution. Strengthening the domestic production base—particularly in high-tech components and strategic raw materials—should be prioritized. This endeavor will require substantial investment in research and development (R&D), workforce training, and the establishment of local incentives for suppliers. By optimizing domestic value addition, Vietnam can mitigate potential capital outflows associated with imports, even as production activities increasingly migrate to its territory.

Second, the expansion of market diversification and the establishment of trade agreements are essential. Vietnam must persist in broadening its network of Free Trade Agreements (FTAs), which includes the expedited ratification of the EU–ASEAN Comprehensive Agreement on Investment (CAI) in addition to pursuing bilateral agreements with the United States. Such an approach serves to diminish the risk of politicized market access while simultaneously broadening the export base. Furthermore, a concerted effort to promote exports to non-traditional markets, such as those in Latin America and Africa, should be viewed as a vital buffer against potential economic shocks.

Third, the maintenance of monetary and fiscal stability is crucial. The Vietnamese government must ensure low inflation, potentially requiring the implementation of tight monetary policies, while remaining vigilant against currency speculation. Adequate foreign exchange reserves are imperative in order to absorb market volatility. From a fiscal viewpoint, prioritizing expenditures in productive sectors—including infrastructure, health, and education—will be integral to fostering long-term economic growth.

Fourth, Vietnam must pursue a balanced economic diplomacy strategy. This necessitates the continuation of its "two-pronged" policy: deepening partnerships with the United States through economic and security cooperation while stabilizing relations with China by fostering increased communication and peaceful avenues for dispute resolution. Within the ASEAN framework, Vietnam can position itself as an economic bridge, advocating for regional cooperation as a means of effectively navigating the challenges posed by trade wars.

Fifth, enhancing governance and entrepreneurship emerges as a critical factor for Vietnam to fully leverage investment and trade flows. The sustainability of domestic reforms is vital in this regard. Efforts to combat corruption, improve the business environment, and enhance regulatory transparency will serve to bolster Vietnam's competitiveness. Furthermore, encouraging small and medium-sized enterprises (SMEs) to integrate into global value chains is essential for job creation and economic dynamism.

In conclusion, Vietnam can regard the US–China trade war as a catalyst for the acceleration of economic reforms and integrated diplomatic strategies. By steadfastly focusing on national interests—namely sustainable development, economic autonomy, and social stability—Vietnam is poised to emerge as a long-term benefactor in the regional context, provided it adeptly manages the risks associated with external dependence and maintains a strategic equilibrium among major global powers.

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