

**Fishing in Troubled Water: The Impact of the US-China Trade War on Vietnam's
Export, Firms, and Labor Market**

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Extended Summary of a Dissertation

In 2018, after supporting free trade for more than half a century, the United States imposed several waves of import tariff increases on specific products from China to boost its manufacturing sector, and in response, China imposed retaliatory tariffs increases on US exports to China. The series of tariff increases imposed by both US and China against each other are generally termed “the US-China trade war.”

Extensive research has shown that the trade war between the two largest world economies negatively affected both the US and China economy. Meanwhile, it is suggested that the trade war benefited some emerging economies that can produce products similar to those made in China and export them to the US. Many analysts have pointed out that one of the biggest beneficiaries of the trade war is Vietnam since most of the Chinese goods targeted in the trade war are also consumed and produced in Vietnam.

Despite the trade war's anticipated impacts on Vietnam's economy, to the best of our knowledge, no study has investigated the effects of the US-China trade war on Vietnam's firms and labor market. The thesis aims to provide the first empirical evidence related to the effect of the US-China trade war on a third country's market using various microdata in three aspects: Vietnam's export to the US, Vietnam's enterprises, and its labor market.

The first main chapter of the thesis provides empirical evidence that the US-China trade war affected export from Vietnam to the United States. Using the dynamics difference-in-difference method, we found that the US-China trade war sharply increased the export volume of those affected goods from Vietnam to the US. On average, Vietnam's export to the United States is more than doubled within six months of tariff increases. The increase in import volume also remains statistically significant even after eight months of tariff increases. We also show that there is no association between the US-China trade war on the export of those affected goods from China to Vietnam, implying that Vietnam's increased export is not driven by those detours originally from China.

In the second main chapter of the thesis, we pay close attention to Vietnamese firms' exportation and investment, explaining the dynamics behind the increased export volume. Referring to firms' export behavior, our study, through a linear probability model, shows that the firms in the targeted industry are more likely to be an exporter by 0.3% points and FDI exporters by 0.2% points. These are sizable effects concerning that the share of exporters was only 2.24% right before the onset of the trade war. Moreover, our result implies that the trade war leads to a 0.7% increase in foreign investment and a 3% increase in the firm's export volume. It should be noted that these increases are driven by tiny numbers of FDI firms (2.71% of the sample) and exporters (2.24% of the sample).

Subsequently, we investigated the impact of export activity and FDI on firms' productivity using the US-China trade war as an instrument variable. This study used various measures of productivity, including labor productivity (total sales per worker), ACF (Ackerberg-Caves-Frazer, 2015), as well as Woodridge (2009)'s. Our analysis highlights that

being an exporter has significantly positive effects on the firms' productivity across various productivity measures. On average, being an exporter increases firms' TFP by 180% points, while being a FDI exporter increase 319% points of TFP. The results are slightly smaller for labor productivity, with around 148% and 280% points.

In the final chapter of the thesis, we examined the impacts of the US-China trade war on Vietnam's labor market. Our preliminary results show that relatively improved access to the US market had several desirable impacts on employees working in industries with a relatively large gap in US tariffs against Chinese and Vietnamese goods. In Vietnam, formal workers can enjoy a better working environment (e.g., higher income, longer working hours) than informal workers, as well as extensive social protection. Therefore, the reallocation of workers from the informal sector to the formal sector due to the trade war would have significant welfare consequences for employees.

The reduced form analyses highlight that the probability of being hired as an informal worker declined by 0.519 percentage points. In comparison, the likelihood of being employed as an uninsured worker decreased by 0.57 percentage points compared to workers in other industries. The empirical evidence provided in this chapter would serve as a good reference for policymakers in Vietnam to develop relevant policies that the benefits of the trade war can be shared with workers.