SOCIO-ECONOMIC DEVELOPMENT

DOI: 10.54631/VS.2022.64-91031

VIETNAM’S GEOECONOMIC FEATURES: ADVANTAGES AND PROBLEMS
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Abstract: Geographical features which are mostly considered as privileges to Vietnam are now dragging the country into some international issues namely the South China Sea, the US–China trade war and COVID-19 pandemic. The research points out unique geographical features of Vietnam and how they have been used to Vietnam’s national interest. Then, the research underlines some noteworthy impacts of specific current geographical issues on Vietnam’s and regional economy. By stating and analyzing these issues, the evaluation of the government's economic policies in response can be further clarified. Ultimately, the research provides implications for foreign governments and investors in future cooperation or investment in Vietnam.

Key words: geo-economic, Vietnam, territorial disputes, the South China Sea, US-China trade war, economic cooperation, Covid-19.


Introduction

Globalization is supposed to strengthen the interrelationship among countries, resulting in the remarkable development of both the international and national economy. However, strategic geographical locations have led to tense conflicts between the countries with more advantageous features and the less advantageous ones over national economic interests and influence in the current multipolar world order. This global situation has raised concerns for countries and foreign investors because it dramatically impacts their orientation towards strategies and plans related to economic

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development. Therefore, it called for further research on economic geography to give a more profound understanding in many critical aspects of the whole impact on some specific objectives.

Due to particular features of geography, Vietnam has been involved in some significant issues that are attracting the attention of countries worldwide. However, there is no special study analyzing the effect of geographical issues on Vietnam’s economy in current affairs.

To give a comprehensive analysis and insight into Vietnam’s economic geography in the current situation, this research mainly uses the method of synthesizing the official information of Vietnamese geographical features and analyzing the impact of some current affairs the South China Sea, the US – China trade war and COVID-19 pandemic on Vietnam. Furthermore, by evaluating the Vietnamese government’s economic policy towards these geographical issues, the research also provides implications for foreign governments and investors in future cooperation or investment in Vietnam.

**Literature review**

There is still no specific definition for the term economic geography; however, it has appeared in many research papers. One of the most declarations of new geo-economic came in Luttwak 1990’s essay as “the admixture of the logic of conflict with the method of commerce”. Geo-economics is replacing the old “system of interstate rivalry” [Mattlin&Wigell 2015] that has prevailed as the consequence of the Cold War geopolitics, which means either the cause or the instrument of conflict in this new era must be economic. There are four important criteria for a country to maintain its geo-economic power and unpredictable short-term challenges. How a country deals with those will most likely determine their ‘true geo-economic status” [Baru 2012]. Mazyrin [2013: 56] revealed the direct dependence of the success of market reforms in Vietnam at the end of the 20th century on the creative use of the experience of China and Asian tigers such as Singapore, as well as their geo-economic connection with the collapse of the USSR and the socialism.

In Vietnam, the concept of economic geography is quite new, even though it has been understood and applied in Vietnam’s policy for quite a long time. Laura Ngo & Paulo Santos [2012] posed a question whether geography can be responsible for lower growth rates and consequently, poverty persistence in Vietnam and the research shows limited support for their thesis. Le Thai Ha [2017] studied the impact of relative economic distance (RED) between countries on bilateral foreign trade and foreign direct investment (FDI). The results indicate that the economic distance between Vietnam and its partner countries influences significantly on bilateral trade and FDI inflows.

Geographical features of Viet Nam also raised concerns on its economic dependence on other countries, especially China – neighboring countries with huge economic potential. Ramses Amer [1993] has shown Viet Nam’s clear dependence on Chinese investments and assistance. The traditional relationship of these two countries has laid the foundation for future prospects in developing their bilateral cooperation with some areas. Zaharul bin Abdullah and Sity binti Daud [2020] put emphasis on the high dependence of Viet Nam on China since the normalization in 1991 and resolve a question about Vietnamese government’s ability to manage this economic dependence. The research claimed that although the power of the Vietnamese government has never been abolished due to the assistance of China, Vietnamese government still have to face some restrictions of some internal and external factors including global economic uncertainty driven by the US-China trade war.
In recent situations, there has been a change in the dependence of Viet Nam’s economy on China. With some tight events and an effort of the Vietnamese government in mitigating its dependence on China, a new tendency has been created. Alexander L. Vuving [2015] mentioned a new tendency of Viet Nam in developing its diplomatic strategy after China’s actions on the South China Sea. China has clearly expressed its intention of expanding its power and appearance in the region, which directly pose a threat to the security of Viet Nam. In response, the Vietnamese government tried to strengthen its diplomatic and economic relations with other countries, including the US. Sharing the same conflict with China, Viet Nam and the US have a reasonable excuse to boost their relationship for the sake of its own country. This situation shows a new tendency called “US - China – Vietnam Triangle” with the new interference of the US in the traditional relationship between Viet Nam and China.

Some research found so far only mentions of geographical features in the relationship with some specific economic sectors. In the new context with new problems which do link to the geographical features of Vietnam, the research whose number is out-of-date cannot give the proper explanation.

**Geographic features of Vietnam and their roles to the national, regional and international economy**

Vietnam, a country in the South East Asia region, extends 1,650 kilometers from north to south. At its widest point the country stretches 600 kilometers horizontally, and at its narrowest point, only 50 kilometers. Vietnam’s geographical position is also close to major shipping routes, which connect the Indian Ocean and the Pacific Ocean. With the South China Sea to the East – one of the largest trade routes in the world, Vietnam has a crucial economic role in connecting the inland Southeast Asia countries such as Lao, the Northeast region of Thailand, Myanmar, with the Pacific Ocean and providing the logistic services for countries inside and outside the region (Fig. 1).

Moreover, Vietnam's strategic position, the gateway to enter Asia from the Pacific Ocean, makes it the ground where big countries contest to gain influence. The Indo-Pacific Strategy of the United States put a large emphasis on Vietnam, China’s Belt and Road Initiative also has many foundation routes that run through Vietnam. This served as both chances and challenges to Vietnam as it can not only use this to attract more foreign investment to develop the economy but also have to come up with proper foreign policy to avoid choosing a side in the competition.

The country’s location and length provide it with the tropical monsoon climate, which is suitable for developing agriculture. Due to these advantages Vietnam has paid great attention to the development of the agriculture sector. The agriculture sector is still one of the key sectors of Vietnam’s economy, accounting for 12.56% of total GDP in 2021 [SYBVN 2021: 192]. Rice agriculture is the main driver of the country’s agriculture sector. The Mekong Delta is the region with outstanding production of rice in the country. Vietnam’s rice agriculture sector serves not only domestic needs but also aims at exporting. Specifically, in the year of 2021, Vietnam exported 6.2 million ton of rice worth 3.3 billion USD [SYBVN 2021: 636, 638]. Vietnam passed Thailand on the list to become the second largest rice exported in the world, ranking behind only India [6.7% growth…: 01.02.2022]. By deploying measures and policies aiming at expanding the export market, improving the quality of agricultural products and encouraging the application of technology into agricultural production to increase and ensure productivity Vietnam will continue to focus on expanding the agriculture sector using favorable geographical features.
A lengthy coastline (about 3,000 kilometers) provides Vietnam with the possibility of fishing and tourism, and ensures that most areas of the country are easily accessible to transport to foreign markets. Indeed, Vietnam is famous for many beautiful beaches such as Nha Trang, Da Nang, Phu Quoc, which attract millions of foreign and domestic tourists every year. In 2019, before the COVID-19 pandemic struck, there were a total of 18 million foreign visitors coming to Vietnam while that number of domestic tourists was 85 million, contributing the amount equal USD 32.8 billion in revenue [Tốc độ tăng trưởng...: 09.07.2020]. Taking advantages that the sea offers, Vietnam also develops its fisheries sector for export products and achieves excellent outcomes. The total export turnover of fisheries products in 2021 was USD 8.9 billion [SYBVN 2021: 636], one of the billion-dollar export sectors of the country.

Vietnam locates in the intersection of Northeast and Southeast Asia, where many fast-growing economies like Japan, Korea, India, China lies, and has land border with China, Laos and Cambodia, which is favorable for forming bilateral as well as multilateral trade relations, immensely boosting the country’s trade turnover, facilitating for further economic growth.

That Vietnam being one of the major parts of the East-West economic corridor, whose vision is to connect the Indian and the Pacific Ocean through a land route aiming at saving the sea route through the Malacca Strait [Clark 2021], constructs a huge possibility of attracting investment in the Central Coast region and establishing new commercial strategy. This will further consolidate the essential strategic position of Vietnam in terms of both land and sea.
Geographical issues in the current context: impacts on the economy and Vietnam’s policies

In the context of South China Sea dispute

that Vietnam is trying to resolve in the South China Sea some disputes related to the waters with huge amounts of potential economic benefits in terms of fishing grounds, natural resources (including crude oil, marine biodiversity and valuable placer ores) and the control of sea lanes. Vietnam's longest and most devastating confrontation in the South China Sea dispute is with China, including many large and small clashes in the history of relations between these two countries. Those clashes all lead to certain effects on the economy of Vietnam. The most remarkable recent event – China’s placement of oil rig 981 in Vietnam’s EEZ in 2014 – has been recorded to not only cause Vietnam to lose billion-investment contracts, prevent Vietnam's legitimate exploitation of natural resources, but also indirectly affect to the FDI into Vietnam due to the tension between the two countries.

The growing tensions between Vietnam and China pose a risk that China might impose sanctions which will have a strong impact on the Vietnamese economy, including the loss of massive jobs and one of the most important commodity export and import markets. In terms of trade, up to now, China is considered as the largest trading partner of Vietnam, Vietnam's biggest import market and Vietnam’s second largest export market (after the US). Therefore, any China’s move or intention to use economic sanctions with the aim of threatening Vietnam to accept its claims on the South China Sea will cause serious harm to Vietnam’s economy. China has to consider carefully if it intends to take these measures because by doing so, China must face some considerable consequences when losing a traditional trade partner as Vietnam. According to statistics of China Customs in 2020, Vietnam is the 6th largest trading partner and the 5th largest export market of China.

The participation of another great power, the United States, to intervene in the South China Sea dispute has put Vietnam in a dilemma when it is sandwiched between the tense relationship of the two world giants. Both the US and China are two essential trading partners of Vietnam. Any carelessness to show extreme support or opposition to each side has the potential to make the relationship between the three countries deteriorate, thereby leading to the risk of Vietnam being damaged by the economic sanctions that either of the two countries impose.

In the context of America – China trade war

Some analysts have pointed out that Southeast Asia, including Vietnam, may be the biggest winner of the US – China trade war. With the up-to-25% tariff on some products alongside with many issues from within China such as rising labor cost, currency shift and Chinese government’s push for more sophisticated manufacturing sectors, big manufacturers had decided to move their manufacturing out of China and Vietnam, China’s nearest neighbor, was first to come into their consideration. Competitive labor cost, stable politics and strategic maritime position are among the main reasons explaining why Vietnam was a favorable destination to which foreign firms shifted their supply chain. And that showed great results to Vietnam’s economy as in 2021, total foreign investment reached USD 38.85 billion, a 5–7% rise compared to that of 2017-2018, and the trade surplus reached a record high of 19.84 billion USD [SYBVN 2021: 275, 628].

Nevertheless, Vietnam was also struggling to sustain such benefits from the trade war. In the course of the supply chain shift, there were also Chinese manufacturers who sought to avoid being taxed when exporting to the US. This could be the loss for Vietnam’s gain as it raised suspicion from
the US that Vietnam was allowing Chinese goods to be rerouted through its territory, which contributed partly to the increase in Vietnam’s trade surplus with the US and would likely negatively affect the Vietnam-US trade relationship. Specifically, in late May 2018, after reaching the conclusion that 90% value of Vietnamese’s steel products originated from China, the US Commerce Department has decided to slap severe tariffs on those products of Vietnam, namely cold-rolled steel and corrosion-resistant steel [U.S. slaps… 21.05.2018]. However, about 679 thousand tons of steel were exported to the US in 2017 from Vietnam, making about 2% of the country's total steel imports. On the Vietnamese side, steel exports make up 18% of the nation's overall steel production, with only 2% of that going to the US, so these tariffs will not have much effect on Vietnam’s steel industry [Nguyen Hien, Hoang Anh 2018]. Despite that, the Ministry of Commerce of Vietnam still advised domestic companies not to export China-originated steel to other market to prevent further damage to reputation of the country [Thach Hue 2022].

In the context of Covid-19 pandemic

Vietnam borders 3 countries: Laos, Cambodia and China, which is a huge advantage to promote trade and improve economic relations. However, during the COVID-19 pandemic, the issue of illegal immigrants through these borders arose. Illegal immigrant workers from China were the most recorded, then there were Vietnamese from Laos and Cambodia moving back to the country due to economic hardship.

During the COVID 19 pandemic, Vietnam’s geo-economic became somewhat of a weak point in the country’s policy. Having a strategic position on the world map, Vietnam has always been a place where major countries expand their influence. During the COVID-19 pandemic, it can be seen that Vietnam was standing in a crossroads, requiring its government not only to make reasonable respond the US, China and perhaps Russia on the international area but also to come up with proper domestic policy. Nevertheless, it can still be the main actor in the outlook for economic recovery after the pandemic.

Policy to overcome negative external influences

Vietnamese government avoids any possibility of creating alliances against one of his partners in this tension, which clearly shows through the unfinished answer of Vietnam in response to the invitation of the US in joining the Indo-Pacific strategy. Vietnam’s firm resistance toward China has made the two countries’ relationship become tougher. Instead of letting the consequences of this geographical issue deteriorate the relationship, Vietnam has tried to redirect the attention of its relationship with China to the long-term economic benefit. Vietnamese government has promoted the economic cooperation with China by opening up many bilateral talks to solve current problems which have affected the trading between two countries. Specifically, after China’s putting the HD981 rig in Vietnam's EEZ, Vietnamese government quickly compensated more than 1,000 billion VND for nearly 480 affected foreign enterprises. The action showed Vietnam’s goodwill towards foreign investors and demonstrated the Vietnamese government’s responsibility in protecting the safety of these enterprises. This action was also advocated by China in particular and countries with investment enterprises related to this case in general.

Vietnamese government has realized that the main way to reduce tensions in relations with China is diminishing its dependency on China’s economy. Therefore, Vietnam has diversified its economic relations by forming trade cooperations with other big countries, using both bilateral and multilateral channels. One of Vietnam’s most significant achievements in this field is promoting trade
with the EU. By successfully signing the European – Vietnam Free Trade Agreement (EVFTA), Vietnam has opened its market even wider, creating a powerful counterbalance to Chinese dominance. However, it remains heavily dependent on China for raw material imports and agricultural exports. China has been the largest supplier of goods to Vietnam since 2014, accounting for about 29% of Vietnam's import purchases [Nguyễn Thị Quỳnh Hoa 2015]. Today imports from China make up nearly ⅓ of Vietnam’s total import value [SYBVN 2021: 643]. Despite all efforts to expand the geography of its foreign trade and increase the pool of trading partners, Vietnam still has a long way to go before it can be free from dependence on trade with China.

Vietnam’s favorable features of geography has brought about both chances and challenges that can be exploited during the US – China trade war. To improve Vietnam’s investment environment, the government has published three important resolutions, which are Resolution number 02/NQ-CP about performing key tasks and solutions to improve the business environment and enhance national competitiveness in 2019, 2020 and 2021 [Vietnamese Government 2019-2020-2021]. These resolutions set out the goals on improving the business environment in the coming time, notably including improving the international rankings of the World Bank, WEF, WIPO and UN. Up to now, Vietnam has gained certain achievements in improving the business environment.

In releasing the suspicion of the US about Vietnam – China collusion in producing export goods to the US, Vietnamese government has published Resolution number 50-NQ/TW on August 20, 2019 [Chính phủ Việt Nam 2019] about orientations to perfect institutions and policies, and improve the quality and efficiency of foreign investment cooperation to 2030. In this resolution, the government proposed criteria for selecting and prioritizing high-quality foreign investment capital sources, which gives priority to projects with advanced and clean technology. Another notable policy of Vietnamese government in improving the quality of Vietnam's foreign investment is the establishment of two specialized teams on FDI attraction. Vietnam has shown its initiative to find quality investment sources through these teams with the task of finding out what investors need to negotiate so as to meet exactly what investors need, and bring benefits for both sides.

To maintain trade with other countries, Vietnam sought solutions to trading sustainability during the epidemic situation. In the meetings on pandemic response with members of the ASEAN, where Vietnam then held the role of chair, all countries agreed to maintain economic and trade connection among countries [Chính phủ Việt Nam 2020]. Vietnam also had conversations with China and successfully signed two Memorandums of Understanding on taking advantage of the Vietnam – China rail container transport route to reduce pressure at the land border gates and on the sea routes. In addition, in its trade relationship with other countries during the pandemic, Vietnam lowered fees, air and sea freight for key markets of the US, Europe and Middle East to increase competitiveness and reduce costs for businesses. The Vietnamese government has also gradually reopened flight routes to and from countries with positive epidemic situations, which facilitates trade activities and contributes to economic recovery. For experts entering Vietnam to conduct production and business operations, the government also facilitates by completing the new entry process, creating a safe entry stream for them.

Generally, many efficient solutions have been conducted by Vietnamese government in dealing with the geoconomics issues of Vietnam in the context of COVID-19 pandemic. In the long term, there should be more adaptive policies in the new stage of the pandemic to safely drive Vietnam trade with other countries.
Prospects for cooperation with Vietnam for foreign partners

With all above analysis regarding to geographic advantages and problems, it is possible to determine the prerequisites for cooperation for foreign investors as follow.

Firstly, Vietnam is a potential and flourishing investment environment, thanks not only to its geographical location, but also to the promising opportunities of its economy. With the policy to open the economy and the promo “being-a-friend-to-all”, Vietnam has had many economic relationships with other countries around the world, especially with big economies such as the US, China, EU, Japan, Russia, etc. Achieving many bilateral trade agreements and participating in multilateral organizations has brought Vietnam some special priorities, and also for investors themselves when investing in Vietnam. Up to now, Viet Nam has established diplomatic relationships with 189 countries, participated in 15 Free Trade Agreements, including “new generation” ones such as CPTPP, EVFTA, RCEP, etc. Thanks to these relationships, businesses in Viet Nam can benefit from tax reductions in exporting activities, or more investment capital from foreign partners.

Secondly, despite all the geographical problems that the country can encounter, a stable political background based on peaceful relationships with other countries, the business environment in Vietnam has always been evaluated as a safe environment with long-term conditions for investors to develop. According to the Doing Business 2020 Report published by the World Bank (WB) [World Bank: 16.10.2021], Vietnam’s score on the business environment has increased gradually over the years: 66.77 points in 2018, 68.8 points in 2019 and 69.8 points in 2020. Vietnam is also currently ranked 4th in terms of business environment in ASEAN. 

Thirdly, for foreign governments and investors willing to work in Vietnam, carefully researching the Vietnamese government’s direction toward some concerning issues such as South China Sea and the US-China trade war in the long term is vital so as to gather as much information to make the right decision. Moreover, these investors might need to analyze opinions of the related objects in these situations to evaluate and foresee the most possible future view.

Conclusion

Geographical issues do have considerable impacts on Vietnam’s economy in both positive and negative ways. Some consequences are long-term, requiring the consistency and specific orientation of the government in the future such as solutions for Vietnam – China disagreement on South China Sea or the improvement of Vietnam’s business environment. From the policies’ analysis, the responses of the government were quick and have achieved some positive results when applying appropriate and well-oriented economic policies, such as successfully calling for bilateral and multilateral conversations in dealing with the stagnation in trade; establishing and promoting promising economic cooperation with big economies around the world; etc. All of these factors lead to the conclusion that the Vietnamese government has likely successfully improved the attractiveness of Vietnam in the eyes of foreign governments and investors by using efficient economic policies, consequently elevating Vietnam’s status in the international arena.

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