Risks of Vietnamese enterprises in trade relations with China

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Abstract
The article mainly highlights the risks of Vietnamese enterprises in trade relations with China, especially in the current context - Vietnam is affected by the US-China trade war. Specifically, the situation of import and export of goods of the two countries, through which the commercial activities of Vietnam depend heavily on China; orientations and solutions to reduce trade deficit from China to pave the way for developing supporting industries, raising the competitiveness of Vietnamese goods, gradually participating in global value chains and developing sustainable economy, etc. Besides, opportunities and challenges will be clarified, as well as recommendations will be made to help Vietnamese businesses pay attention, can prevent, avoid and overcome challenges and mentioned risks.

Keywords: China, Vietnam, trade relations, business, risks

1. Introduction
China and Vietnam are two countries with long-standing and traditional relations. Vietnam-China relations are increasingly strengthened, developed and brought about socio-economic benefits for both sides. With the continuous development cooperation of the two countries, especially in the field of trade and economic cooperation, China has become the leading partner of Vietnam with many large-scale investment projects. China ranks first among the countries that export goods to Vietnam and ranks third among importer to Vietnam, after the US and Japan).

Economic and trade relations between Vietnam and China enterprises have always developed in a positive way, achieving many new developments:

- Bilateral trade turnover in 2014 reached US $ 58.78 billion, of which Vietnam exported US $ 14.91 billion and imported US $ 43.87 billion (up 17.16%, 12.70% and 18.76%, respectively. compared to the same period in 2013). Regarding investment, accumulated until the end of February 2015, China had 1109 projects in Vietnam, total registered capital of US $ 7.99 billion, ranking 9/101 countries and territories. According to the Ministry of Industry and Trade, in 2018, Vietnam-China trade turnover reached nearly US $ 107 billion, up 13.5% compared to 2017; in which Vietnam exports reached more than US $ 41 billion, up nearly 17%; import turnover reached over 65 billion USD, up nearly 12%. Regarding exports, China is the main import market for Vietnam's agricultural and aquatic products. Regarding imports, this is also a market that supplies a variety of raw materials for Vietnam's production and export. In the first two months of 2019, along with the general difficulties of global trade, China's foreign trade turnover appeared to be quite strong downward trend, leading to a decrease in China's export and import turnover with major trading partners in the world; including Vietnam, etc. However, after this time, bilateral trade of the two countries showed signs of improvement in March and the following months.

- Vietnam and China have favorable factors in trade relations such as: mutual complementarity in economic structure, convenient geographical location for goods transportation, diversification in the form of exchange. Bilateral trade has brought many benefits to the two countries. Although trade cooperation between businesses of the two countries is still on the rise and achieving positive results, however, it can not be denied that there are still complex issues that hinder public relations. Economic and trade cooperation system between the two sides. Especially in the current context, the US-
China trade war may cause disadvantages for Vietnamese enterprises in the long run. Therefore, Vietnamese businesses need to identify possible risks and find ways to prevent, cope with, maintain their existence and minimize disadvantages or damages to the lowest possible level.

2. Theoretical framework

2.1 International trade

International trade is the process of exchanging goods and services among countries through trade for economic and profit. The exchange of goods and services is a form of socio-economic relations and reflects the interdependence between the individual producers of goods and services. International trade is the exchange of goods and services (tangible and intangible goods) between countries, following the principle of price exchange to benefit the parties. For most countries, it is equivalent to a large percentage of GDP. International trade flourished along with the development of industrialization, transportation, globalization, multinational companies and the trend of outsourcing manpower. Increasing international trade is often seen as the basic meaning of globalization. International trade on the one hand must exploit all absolute advantages of the country in accordance with the development trend and international economic relations. On the other hand, the relative advantage that can be taken according to the law of opportunity costs. Always calculate what can be gained from the price paid when engaging in international trade and division of labor to take appropriate action. Therefore, in order to develop effective international trade in the long term, we need to find ways to strengthen the economic linkages so that the interdependence is growing.

- International trade demonstrates the division of labor and international expertise at a higher technical level and on a larger scale.
- The economic relations taking place between economic entities in international commercial business are of extremely complex socio-economic nature.
- International trade relations depend heavily on international trade policies of countries, especially the management of international trade through policy instruments such as taxes, quotas and other non-tax instruments.
- For goods and services involved in international trade, they must comply with the countries' regulations on commodity policies and types of goods and services accepted by the world.

2.2 Risks in international trade

After 30 years of renovation, Vietnamese enterprises have grown stronger and more active in the international arena. We have learned a lot from the reality of integration and development. Market risk on the international level is a significant price for businesses. However, there is still much to be stated in preventing hazards for businesses both from the perspective of sellers and buyers.

In terms of risks in international trade since the period of changing Vietnam's economy, there has been a sharp increase in FDI investment, import and export turnover has continuously reached a record. The Vietnamese market has a strong attraction, the legal system is getting more and more complete, and businesses are growing fast, competing competitively on the basis of free business. The state bank system has experienced many ups and downs, has stabilized and earned a firm position in the country and in the international arena.

Vietnamese businesses have matured in many aspects including competition in international trade. However, having commercial transactions is risky. It is largely transferred from foreign partners, to Vietnamese import and export.

Vietnamese enterprises hardly import deferred goods because they do not need commercial capital and the State Bank tightens this guarantee mechanism. Commercial banks strictly enforce the standards of international practices in guarantee and payment.

The characteristics of the risks that our businesses suffer are international frauds, trade frauds and import and export frauds by foreign importers. The psychology of many businesses is the effort to sell goods, release inventories and easy to trust in partners, downplaying risk prevention factors. Therefore, they focus on marketing, market exploitation, competition, neglecting the investigation and research partners that inherently require a lot of time and information, especially information from indigenous countries [5].

There are many forms of fraud and fraud, both in export and import transactions, but we will be avoided if we know our partners. Researching a number of scams, the highlight is that the business is too trusting, caught off guard. They ignore the research partner, when seeing “bargain” in sales and unit price is ignoring the risk factor. The commercial contract is also sketchy and unfavorable for the Vietnamese side but still signed and implemented, thereby creating conditions for the foreign side to deliver unsatisfactory goods and services.

Therefore, the human factor is decisive. The people here are foreign partners. High profitability expectation, no thorough investigation of information on foreign traders, over-reliance on first-time partners are the reasons why the number of Vietnamese enterprises tricked by foreign partners is growing in international trade transactions. When we handle well the research stage, this will be the key to opening up a large playground but still have to be aware of the pitfalls. If the partners are honest, goodwill, all small and fundamental problems are solved quickly and safely.

2.3. Managing risks in international trade

Financial experts said that the risks in international trade transactions mainly stem from payment terms. The most common payment method is on debit; buyers receive goods in advance and pay after a certain period of time. This method is beneficial for the buyer when it is possible to check the quantity and quality of goods before payment but it is detrimental to the seller, due to the receipt of slow money, causing the capital flow to flow slowly, maybe even fraudulent customers, no payment. In contrast, the mode of prepayment and receipt of goods after the end is only beneficial to the seller, pushing the risk towards the buyer. Therefore, in order to avoid conflicts of interest and avoid payment risks for both parties, businesses should check their partners' financial via the statement of transactions at Bank;
at the same time, choosing guaranteed payment solutions such as: letters of credit to ensure the goods are paid in full and on time. In order to manage and minimize risks in international trade transactions, experts also advice businesses when approaching a new market, new customers need to carefully understand market information, partners, and test multidimensional information before deciding to cooperate. Limiting risky situations in international trade, businesses need to have direct communication with partners, or through partners, associations, consulting companies, businesses and embassies to screen for reputable partners. At the same time, more attention should be paid to first-time traders. In addition, businesses need to be alert to the abnormal price factor compared to the market supply and demand, because these are the trap that fraudulent foreign enterprises create more and more when Vietnam joins free trade agreements. Experts also said that in order to take advantage of the competitive advantages and opportunities that integration brings, Vietnamese businesses must understand and understand the “rules of the game” in international trade, and must know the position. Regarding credit, Vietnamese businesses need to have a specific process to avoid debt, fraud, must check credit, appraise the company, review the terms of payment; contracts, invoices must be clear and verify the transaction documents.

3. Research results and discussion

3.1. Vietnam - China trade relations and risks

In trade relations, Vietnam trade between Vietnamese residents and Chinese residents living near the border accounts for a large amount of revenue. As Chinese traders come and buy very confusing items (such as buying roots, horns / buffalo hooves, etc.), they are essentially destructive to the economy. This is also the most difficult part to control, causing instability, risks and losses for Vietnam. Another intangible damage is that the trade of residents of the two countries will limit or eliminate the creativity of domestic businesses when they are less concerned with improving product quality, standardizing goods and Professional in international business.

In addition to economic factors, the import of raw materials from China actually brings many benefits to Vietnamese businesses because of relatively low prices, fast delivery time due to close geographical conditions. Many Vietnamese entrepreneurs for personal gain, group interests from businesses that China often do. Therefore, Vietnamese businesses do not care about the quality of products, as well as the health of customers, despite many items imported from the Chinese market are old and produced with outdated technology.

In the context of international integration, Vietnamese enterprises must pay special attention to developing and strengthening economic relations with enterprises of other countries, especially Chinese trade relations. China is currently in a trade war with the United States. China is both the largest import market and the second largest export market of Vietnam. China's trade situation is volatile and Vietnam is more or less affected.

3.2. Vietnam - China trade

Vietnam ranked second in the ranking of the two-way trade growth rate of the same period between China and ASEAN countries, showing the great potential and complementarity in the field of trade between the two countries. In addition, the field of investment and tourism has also achieved many achievements.

Many solutions to promote the development of Vietnam - China trade relations have been proposed by economic experts on economic forums. For example, Vietnam-China trade relationship could be developed in the direction of balancing import and export turnover, actively negotiating with China to increase imports of agricultural and industrial products of Vietnam, while increasing to invest directly in Vietnam to produce and export goods back to China, to encourage the export of finely processed and high-added processed goods.

3.3. Vietnam - China border trade

Border trade relations are an important part of the overall picture of Vietnam-China trade relations; Border trade also has a significant impact on the overall trade relationship between the two countries. The total import-export turnover of the northern border provinces with China, accounting for a relatively high proportion of the total trade turnover of the two countries is an average of about 25-26%. Import and export goods through the border gates are diverse and diverse. Vietnam's exports to China by railway are mainly minerals (iron ore, iron ore concentrate, coal dust, lead ore concentrate, etc.), the major export items along the road border are agricultural products, rubber, cashew nuts, fresh fruits, cassava, dried and frozen seafood such as fish, squid, shrimp, crabs,... handicrafts, poultry. Goods imported from China through border gates into Vietnam include: machines for agricultural production, such as small-sized agricultural machinery, water pumps, machinery and equipment for a number of industrial production industries, food processing, medical instruments, raw materials for the tobacco manufacturing industry, textiles, chemicals for many manufacturing industries, consumer goods such as labor tools, electronics, and fruits and vegetables.

The Ministry of Industry and Trade cited statistics of Vietnam Customs that in 2018, Vietnam - China trade turnover reached 106.7 billion USD, up 13.5%. In particular, Vietnam exported 41.26 billion USD, up 16.56%; imports 65.43 billion USD, up 11.68%.

The total import-export value of the whole country in the first 7 months of 2019 was only about US $ 288.47 billion, up 7.9% compared to the same period in 2018. Specifically:

- According to a report of the General Department of Customs, in the first 7 months of 2019, crude oil exports reached about 2,494 thousand tons (about US $ 1,285 million), up 8.7% in volume and down 0.2% in value compared to with the same period in 2018. Meanwhile, the export turnover of wood and wood products reached about US $ 5.67 billion, up 16.4% over the same period in 2018. Textiles and garments reached US $ 18.34 billion, increased by 10.5% over the same period in 2018. Regarding footwear, the total export turnover reached US $ 10.44 billion, up 13.8% over the same period in 2018. Computers, electronic products and components also saw an impressive increase in the past 7 months. Accordingly, the total export value of this commodity group in the first 7 months of 2019 to nearly 18.62 billion USD, up 14.9%
Regarding the import of goods, the General Department of Customs' statistics showed that the complete units of automobiles increased sharply in the first 7 months. Specifically, by the end of July 2019, imported complete units of automobiles reached 88 thousand units, worth US $ 1.94 billion, up 365.6% in volume and 319.4% in value compared to with the same period of 2018; The volume of imported petroleum reached about 5.14 million tons, worth about US $ 3.15 billion, down 34.8% in volume and 39.8% in value over the same period in 2018. Chemical products substance reached US $ 3.03 billion, up 7% over the same period in 2018. Meanwhile, imports of fabrics reached US $ 7.76 billion, up 4.6% over the same period in 2018. For machinery, equipment, tools and spare parts, by the end of July 2019, the country reached US $ 20.85 billion, up 12.7% over the same period in 2018. Imports of computers, electrical products electronic devices and components reached 28.2 billion USD, up 19% compared to the first 7 months of 2018. Mobile phones and components up to the end of July 2019, the import of phones and components of the whole country reached 7.06 billion USD, down 4.4% compared to the same period in 2018.

Vietnam is considered to be one of the countries benefiting from the trade war, but not really much. Vietnamese enterprises must be conscious of the long-term situation of the import and export of goods, especially agricultural and aquatic products. Typically, the situation of exporting pangasius: the Pangasius industry, despite of favorable conditions due to the continuous price reduction of Pangasius material, helps manufacturing enterprises reduce costs, but exports to markets. Key schools in trouble. Pangasius exports to China - Vietnam's largest pangasius market, decreased by 7.2% after the first four months of this year compared to the same period last year, according to the Vietnam Association of Seafood Exporters and Producers (VASEP). The decrease in export turnover to China was mainly due to a reduction in selling prices, according to Nam Viet Joint Stock Company - the second largest pangasius exporter in Vietnam. Reduced selling prices due to US tax increases on seafood imported from China will have a major impact on China's seafood exports, the Import-Export Department (Ministry of Industry and Trade) assessed in a document released on March 2019

3.4. The US-China trade war and its negative effects on the Vietnamese economy

Vietnam is the 12th country in terms of export scale and 5th in terms of trade scale with the United States. With the current trend and policies of increasing protectionism of the US, the biggest risk for Vietnam is that the US will introduce tax and technical barriers for countries with trade surpluses with the US. This will affect Vietnam's export goods, some key export items of Vietnam to the US such as textiles, electronics, phones. The US-China trade conflict will accelerate the trend of moving production out of China. Investors including Chinese investors will no longer be in China, but will transfer their investment capital to other countries including Vietnam. Through the figures, many comments are made:

Firstly, Vietnam's export value increased slightly due to the increase in the proportion of exports from foreign-invested enterprises (FDI). Meanwhile, exports from domestic enterprises (enterprises) decreased. Imports of FDI enterprises decreased further than that of domestic enterprises. This shows that the efficiency in the operation of domestic enterprises.

Second, Asia is still the largest trading partner of Vietnamese businesses, the largest of which is China, followed by the Americas, Europe, Oceania and Africa. Therefore, when the US-China trade war becomes more and more fierce, Vietnam will surely suffer a lot.

Thirdly, looking at the structure of import and export goods, it can be seen that the structure of export commodity groups of Vietnam has a positive shift. Processed industrial goods have achieved a high export growth, playing an important role, leading to the country's export growth.

Fourth, Vietnam still depends heavily on materials and goods imported from China. This dependence is so great that the more Vietnam exports to other markets to offset its trade deficit with China, the greater its dependence on the Chinese market through increased imports of raw materials for production purposes. The risks from the US-China trade war with Vietnamese enterprises are not small if Vietnamese enterprises are not internal and alert.

The trade war between the US and China has not shown signs of cooling down and has been negatively affecting global economic growth in general. At the same time, it also creates many potential risks for Vietnam's open economy. This is the opinion of experts at the US-China Trade Competition Workshop: Opportunities or challenges with businesses by the Center for International Integration Support City, Ho Chi Minh City (CIIS) in collaboration with Vietnam International Arbitration Center (VIAC) held in Ho Chi Minh City, Ho Chi Minh City on June 25, 2019. The escalating developments in the US taxation of Chinese exports make Chinese goods more expensive in the US market. Although the structure of Vietnamese and Chinese exports to the US is quite similar, this does not mean that Vietnamese goods can easily replace Chinese products in the US market. The reason is that China is a large-scale and large-sized manufacturer with very competitive costs. When facing difficulties in the US market, Chinese enterprises will shift their exports to other markets, including Vietnam. Meanwhile, Vietnamese enterprises will face direct competition from Chinese enterprises, not only in export markets but also in the domestic market. In addition, because China is a market for Vietnam's traditional raw materials, it is likely that Chinese enterprises will find ways to bring goods into Vietnam in order to trade off the origin and export to the US.

In general, with the tariff rates as declared by the US and China, the price of imported goods from each country will increase, causing the price of those goods to enter Vietnam also increase. In addition, raw materials subject to high taxes will also increase prices, leading to increased production costs, leading to an increase in the price of goods exported from the US and China to Vietnam. Therefore, the current problem is to warn Vietnamese enterprises that if they are not alert enough to recognize the problem, it will be
easy to fall into the "trap" to facilitate goods transportation activities of China can cause serious damage later on for both the industry and Vietnam's economy. In particular, businesses need to tighten agricultural control.

For many years, China has been one of the major agricultural import markets of Vietnam, with many agricultural products accounting for 40 to 70% of the total export market share of our country. Specifically, China accounts for about 70% of the export of fruit and vegetables; more than 22% of Vietnam's total export rice. Therefore, 60-70% of Vietnam's agricultural products are exported to China through non-quota trade, causing export value to be reduced and potentially risky and unsustainable. From 2018 to date, China China has made many changes in Vietnam's agricultural imports when it agreed to import some of our country's agricultural products (mainly fruits) through official export routes.

The Chinese market has issued a series of regulations for Vietnamese agricultural products when exporting to this market, typically fruits and vegetables. Currently, fruits exported to the Chinese market must meet technical requirements and regulations on food safety; meet Chinese food safety and quarantine regulations; registration of area code and place names of agricultural products with China Customs is required. Importing units must clearly state the origin and attach labels; Products must meet the technical requirements for packaging, hygienic conditions and free from insect pests.

In particular, China has some changes in monitoring import and export of flowers and fruits into the country. Accordingly, from October 1, 2019, food imported into China must have a Food Safety Certificate issued by the competent authorities of the exporting country for the consignments. In addition, for other seafood and agricultural products, China also tightened its quality control.

4. Solution for Vietnam in international trade with China

Currently, the economies of Vietnam and China are enjoying a positive growth. Consumer demand for goods is increasing. Therefore, developing trade relations between the two countries has become an urgent requirement to meet domestic consumption needs as well as develop the national economy. However, in the trend of integration of the world economy and regional economy, international competition will be higher and higher today, if we do not have reasonable policies and commensurate with the potential of the two countries and Waste comparative advantage of the two countries. This requires a synchronized, specific solution from both macro and micro. This includes solutions from the state and from businesses.

4.1 Solutions to manage international trade risks from the Government

Although the State does not directly participate in production and business activities to develop commodity export markets, it plays an important role in creating a favorable business environment for enterprises participating in export.: Joining regional and world trade organizations, negotiating bilaterally to open markets so that enterprises can access markets that were previously inaccessible due to trade barriers; Establishing a clear management mechanism of production, business and export activities; Establishing a policy system to support enterprises in expanding export markets; Promote the increase of linkages among enterprises to increase their ability to penetrate and dominate the market, for example, focusing on developing and enhancing the role of associations and industries. Therefore, solutions from the state to enhance Vietnam's trade relations with China include the following major solutions:

- Firstly, take the initiative in international and regional economic integration. We need to accelerate the integration of the world economy through the gradual elimination of tariff and trade barriers. Actively integrate deeply into the world economy through the completion of market mechanisms. Take advantage of being a WTO member. To do this, we need to implement measures to enhance cooperation and economic links between Vietnamese enterprises and Chinese enterprises. However, if businesses themselves find partners to link, it is a very difficult thing. Therefore, the Ministry of Trade should:
  + Strengthening the organization of trading activities between Vietnamese enterprises and Chinese enterprises.
  + Inviting Chinese import companies to attend export fairs and fairs.

- Secondly, improve the role of state management for the export of Vietnamese goods to the Chinese market.

- Third, improve trade policies to promote trade with China. Taxe, finance and credits are important policy groups to support import and export activities. The rational use of this policy will have positive effects on promoting bilateral trade relations. In fact, in recent years, there are businesses that have encountered certain difficulties in the process of implementing import and export activities but have not received timely support from the State. Therefore, in the coming time, the Government should: Review the system of tax incentive policies to encourage the production and export of goods that Vietnam is capable of competing in; Promote the activities of export support funds and encourage industries to set up risk prevention funds themselves; Review and revise the fees and warehouse taxes at the border gates so that they have appropriate rates and subjects.

- Fourthly, measures to support trade from the state.

4.2 Solutions for businesses

- Improve the competitiveness of Vietnamese goods.
  + Enterprises should proactively build a reasonable distribution channel, they need to organize a number of business locations in key areas, creating favorable conditions for Chinese consumers to easily access products of enterprise.
  + Enterprises need to quickly grasp the goods and markets that have competitive advantages such as cheap labor, favorable geographical conditions affecting goods transportation and climate.
  + To build a reputation for Vietnamese exports in the Chinese market, each enterprise needs to create its own reputation.
  + Enterprises should proactively improve and renew
technologies in production, contribute to the restructuring of export goods and improve the competitiveness of their products.
+ Improve the efficiency of using human resources towards professionalization to improve labor productivity, thereby reducing operating costs.
+ Enterprises need to strengthen the linkage between producers and suppliers of input materials.
  • Focus on exporting some goods that the Chinese market is in need of, but some Vietnamese goods are currently available.
  • Improve the effectiveness of Chinese market research.
  • Participate in trade fairs to promote the brand and promote images to Chinese consumers.

4.3 Some other measures
• Renovating the activities of organizations, associations and industries in order to better support enterprises engaging in trade exchanges with China.
• Promote investment cooperation relations between Vietnam and China.
• Promote the role of the local policy in the northern border provinces to promote the ability of these provinces' trade with the border provinces of China.

5. Conclusion and recommendation

Vietnam and China trade relations are increasingly deep and must be increasingly strengthened. Besides the advantages, giving Vietnamese businesses the opportunity to grow, challenges as well as potential risks cannot be ignored. In the context of the current economy, Vietnamese businesses need to keep a cool head, carefully review all commercial transactions to avoid unfortunate mistakes. Improving goods quality is one of the most effective solutions for businesses. At the same time, Vietnamese businesses need to carefully study the policies, laws of both the US and China, taking advantage of their opportunities to maximize their strengths.

Vietnamese enterprises should be alert to choose between the opportunity to boost exports of their products to the US or to mediate Chinese goods labeled with Vietnam. To protect themselves and the Vietnamese economy, enterprises need to proactively implement the mechanism of predetermining the origin of goods or consulting with state agencies.

On the side of functional agencies, it is necessary to actively disseminate criteria for recognizing goods origin, strictly control cross-border import activities with semi-finished goods, in case of temporary import for re-export.

Vietnamese managers also need to strictly control investment projects from China showing signs of relocating manufacturing factories using backward and polluted technologies to Vietnam to avoid long-term impacts to the environment.

6. References