

Trade Cooperation between Vietnam and Taiwan (China) over Past Three Decades: Situations and Prospects

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Abstract: Vietnam and Taiwan (China) are two dynamic economies that have been growing strongly in East Asia. The relationship between Vietnam and the island of Taiwan is legally unofficial due to the former's adherence to the "one-China" policy and Hanoi established an official diplomatic relationship with Beijing. Nevertheless, the absence of an official diplomatic relationship does not mean the end of other cooperative relations between Vietnam and the territory. After more than three decades, areas of cooperation between the two sides have increasingly expanded and reaped considerable achievements, especially in economic cooperation. Specifically, Taiwanese enterprises' investment capital in Vietnam has increased by 28 times and total trade turnover - 53 times, from USD 401 million in 1992 to USD 21.5 billion in 2022. However, Vietnam - Taiwan (China) trade balance has always been in favor of the latter. This paper aims to look back on the situation of their trade cooperation over the past three decades and explain why Vietnam has always run a trade deficit with Taiwan (China). Thenceforth, it gives prospects to trade cooperation between Vietnam and Taiwan (China) in the coming years.

Keywords: Trade cooperation, Vietnam, Taiwan (China).

Subject classification: Economics.

1. Introduction

Vietnam and Taiwan (China) are geographically close to each other. The two sides also have many similarities in culture and customs. For nearly two decades after Vietnam's reunification in 1975, and until the late 1980s, Vietnam and Taiwan (China) did not have any links. Since the Vietnamese government launched the *đổi*

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mới (renovation) policy in 1986 which was conducive to foreign direct investment and broadening trade cooperation with countries and territories in the world, and it also adopted a foreign policy of multilateralism and diversification of international relations. As the government described it, “Vietnam is willing to be a friend and reliable partner to all countries in the international community” (Pham Binh Minh, 2014). Vietnam established relations with Taiwan (China) in the economic and cultural fields and had the first trade activity with the island in 1988, beginning the process of cooperation between the two sides.

Although the Vietnam - Taiwan (China) relationship was established relatively late and the two sides did not have a formal diplomatic relationship due to Vietnam’s adherence to the “one-China” policy, cooperation between them has developed very well and achieved considerable results. The relationship has been growing ever since the two sides opened representative offices on each other’s soil. Specifically, in 1992, Taiwan (China) opened Taipei Economic and Cultural Offices in Hanoi and Hồ Chí Minh City and, in 1993, Vietnam opened a Vietnam Economic and Cultural Office in Taipei as well. In order to further stimulate trade cooperation between the two sides, however, it is necessary to examine what has been accomplished so far and what limitations remain to make recommendations that might enhance trade cooperation between Vietnam and Taiwan (China) in the coming years.

The objective of this study is to look back on the three decades of trade cooperation between Vietnam and Taiwan (China), the structure of import-export by products between the two sides, as well as the existing limitations so as to make some recommendations and forecast prospects for trade cooperation between them in the coming years. To fulfill this purpose, the study begins, in the first section, by looking back on Vietnam-Taiwan (China) trade turnover over the decades and explaining why Vietnam has always run a trade deficit with Taiwan (China). The second section explores the structure of imports and exports of goods between the two sides and analyzes some restrictions on Vietnamese goods. The third section presents prospects for Vietnam - Taiwan (China) trade cooperation in the coming years, while the final section provides concluding remarks and recommendations.

2. Two-way trade turnover between 1992 and 2022

As mentioned earlier, Vietnam and Taiwan (China) began the process of trade cooperation in 1988. Taiwan (China) imported USD 1.52 million worth of Vietnamese products. That was the first year when Taiwan (China) traded with Vietnam since the fall of the Saigon regime in 1975. Although the value of goods imported by Taiwan (China) that year was not large, it became the foundation for establishing economic relations between the two sides. Since then, direct trade cooperation between them has dramatically expanded and Taiwan (China) has always been considered an important trading partners of Vietnam.

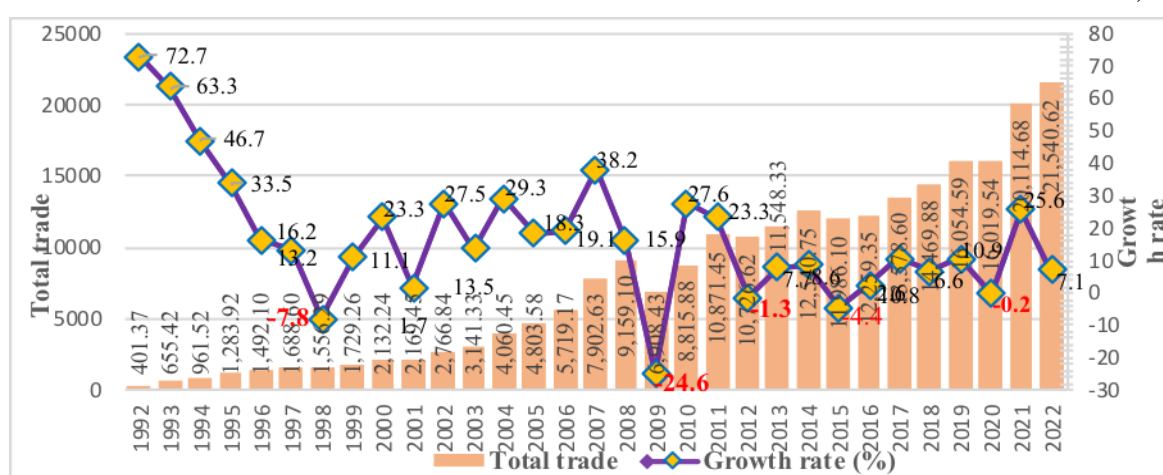
Looking at Figure 1, we can see that Vietnam - Taiwan (China) trade cooperation during the period 1992-2022 had the following characteristics:

First, over the past 30 years, the total two-way trade turnover between Vietnam and Taiwan (China) grew relatively stable

The stable growth in Vietnam-Taiwan (China) trade turnover is reflected in the fact that a year's total trade turnover is always higher than that of the preceding year. The volume of bilateral trade has impressively increased - from USD 401.37 million in 1992 to USD 8.8 billion in 2010. Since 2011, annual two-way trade turnover has always been over USD10 billion, rising from approximately USD 10.87 billion in 2011 to USD 12.54 billion, USD 14.46 billion, and USD 16 billion in 2014, 2018, and 2020 respectively. Remarkably, in 2021, despite the impact of the COVID-19 pandemic, for the first time, bilateral trade between Vietnam and Taiwan (China) surpassed the milestone of USD 20 billion in value, reaching USD 20.11 billion, up 25.6% over the previous year. In 2022, their two-way trade set a new record, reaching USD 21.54 billion, an increase of 7.1% over the previous year, in which, Vietnam's export turnover to Taiwan (China) reached USD 6.96 billion and its import turnover from Taiwan (China) reached USD 14.57 billion. As a result, Vietnam has become the tenth-largest trading partner of Taiwan (China) (TBOFT, 2022) and Taiwan (China) has become Vietnam's fifth-largest trading partner after China (USD 175.57 billion), the US (USD 123.86 billion), the Republic of Korea (USD 86.38 billion), and Japan (USD 47.61 billion) (Vietnam Economic News, 2023).

Figure 1: Total Trade Turnover between Vietnam and Taiwan (China) (1992 - 2022)

Unit: USD million, %



Source: Compiled by the author from trade statistics of the Taiwan (China) Bureau of Foreign Trade.

Although the total trade value between Vietnam and Taiwan (China) grew relatively stable, growth rates were not stable. As shown in Figure 1, during the

period 1992-2022, the growth rates of Vietnam's two-way trade with Taiwan (China) witnessed five times of being negative. Specifically, due to the impact of the 1997 financial crisis in Southeast Asia, for the first time, two-way trade turnover between Vietnam and Taiwan (China) declined, recording a negative growth rate (-7.8%) and valued at only USD 1.55 billion in 1998, reduced by USD 132 million compared with the figure of 1997. The second time the growth was negative was in 2009 (-24.6%), when Vietnam's exports and imports from Taiwan (China) experienced negative growth rates of -24% and -24.6% respectively. The main reason is said to be the negative impact of the global economic crisis between mid-2007 and early 2009, which resulted in a slowdown in both Vietnamese and Taiwanese economic growth rates. Another reason is that Taiwanese economic experts believe that Ma Ying-jeou's administration did not have a correct and flexible economic policy, when the entire Taiwanese economy was mainly based on exports, especially Taipei's exports to China, which put the former's economy in a difficult situation and hurt its bilateral trade with Vietnam (Muyard, 2010).

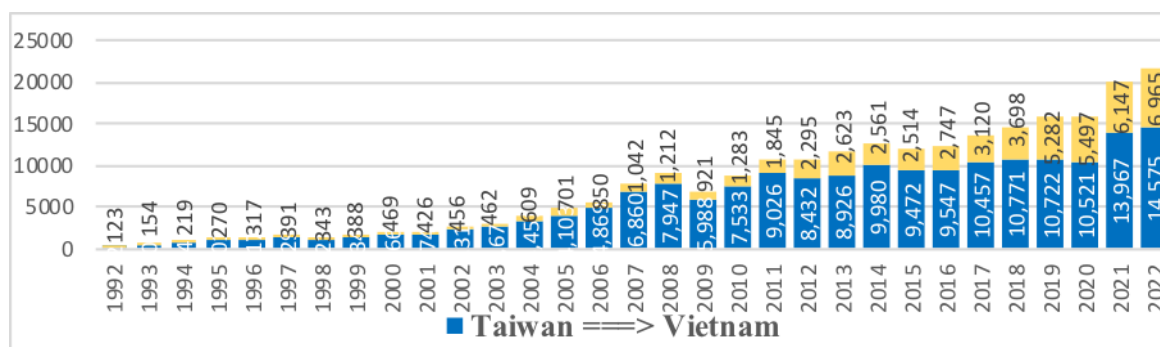
From 2012 to 2022, two-way trade turnover increased by 7.8%. During the period, however, along with the continuous downturn of the global economy, bilateral trade between Vietnam and Taiwan (China) was also affected with negative growth rates of -1.3% and -4.4% for the third and fourth times in 2012 and 2015 respectively. In 2020, although the COVID-19 pandemic affected almost all economies around the world, the relatively successful control of the pandemic of both Vietnam and Taiwan (China) means both of them could likely be among the few Asian economies able to avoid a fall in trade. As a result, according to statistics from the Taiwan (China) Bureau of Foreign Trade, bilateral trade turnover between Vietnam and Taiwan (China) that year still reached USD 16 billion, and Vietnam was the 9th largest trading partner of Taiwan (China), accounting for 1.92% of the latter's total foreign trade market share, while Vietnam was the 7th largest export market and the 11th largest commodity supplier of Taiwan (China). The growth rate of bilateral trade slightly declined (-0.2%) and this also marks the fifth time of negative growth in trade between the two sides during the period 1992-2022.

Second, Vietnam - Taiwan (China) trade balance has always been in favor of Taiwan (China)

As Figure 2 shows, the higher the trade surplus of Taiwan (China) with Vietnam, the greater the trade deficit of Vietnam with Taiwan (China). During the period 1992-2022, the export proportion of Taiwan (China) to Vietnam increased rapidly whereas its imports from Vietnam increased slowly. This makes the surplus of Taiwan (China) with Vietnam stay high and increasingly expanded. When the export turnover of Taiwan (China) to Vietnam was just USD 278 million in 1992, it increased to USD 1.01 billion in 1995.

Figure 2: Export and Import Turnover between Vietnam and Taiwan (China) (1992-2022)

Unit: USD million

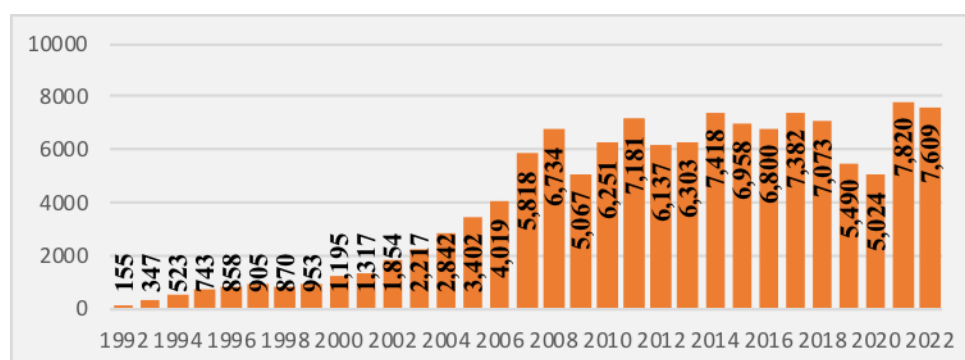


Source: Compiled by the author from trade statistics of the Taiwan (China) Bureau of Foreign Trade.

In the following years, the export turnover of Taiwan (China) to Vietnam continued to expand - from USD 1.66 billion in 2000 to USD 4.1 billion in 2005, USD 7.53 billion (2010), USD 9.47 billion (2015), USD 10.52 billion (2020), and USD 14.57 billion (2022). Meanwhile, the import turnover of Taiwan (China) from Vietnam just reached respectively USD 122 million (1992), USD 270 million (1995), USD 468 million (2000), USD 700 million (2005), USD 1.28 billion (2010), USD 2.51 billion (2015), USD 5.49 billion (2020), and USD 6.96 billion (2022). Therefore, the trade surplus of Taiwan (China) with Vietnam, in other words, Vietnam's trade deficit with Taiwan (China) in those years was USD 155 million (1992), USD 743 million (1995), USD 1.19 billion (2000), USD 3.4 billion (2005), USD 6.25 billion (2010), USD 6.95 billion (2015), USD 5.02 billion (2020), and USD 7.6 billion (2022) (see Figure 3).

Figure 3: Vietnam's Trade Deficit with Taiwan (China) (1992-2022)

Unit: USD million



Source: Compiled by the author from trade statistics of the Taiwan (China) Bureau of Foreign Trade.

Vietnam's imports from Taiwan (China) have increased year over year. This not only makes the trade balance in favor of Taiwan (China) but also leads to a change of the position of Taiwan (China) among the largest importing markets of Vietnam.

As Table 1 shows, from the fourth position among Vietnam's top ten importing partners in 1995, Taiwan (China) became Vietnam's third largest importing market in 2000 and 2005, and then it went back to the fourth level in the years 2010, 2015, and 2020. The change of the position of Taiwan (China) among major exporting economies to Vietnam reflects the fact that the export speed of Taiwan (China) to Vietnam has increased rapidly. This also indicates that Taiwanese goods are increasingly accepted by the Vietnamese market and Taiwanese enterprises have properly assessed the Vietnamese market (Hac Xuan Canh, 2012).

In addition, Vietnam's exports to Taiwan (China) have increased slowly compared to imports while the position of Taiwan (China) among Vietnam's major exporting markets also decreased.

Table 1: Top Ten Largest Importing Markets of Vietnam (1995-2020)

Unit: USD million

Ranking		1995		2000		2005		2010		2015		2020
1	Singapore	1,425.2	Singapore	2,694.2	China	5,899.7	China	20,018.8	China	49,458.0	China	84,195.7
2	Republic of Korea	1,235.5	Japan	2,300.9	Singapore	4,482.3	Republic of Korea	9,761.3	Republic of Korea	27,578.5	Republic of Korea	46,926.0
3	Japan	915.7	Taiwan (China)	1,879.9	Taiwan (China)	4,304.4	Japan	9,016.1	Japan	14,225.1	Japan	20,369.1
4	Taiwan (China)	901.3	Republic of Korea	1,753.6	Japan	4,074.1	Taiwan (China)	6,976.9	Taiwan (China)	10,951.3	Taiwan (China)	16,702.8
5	Thailand	439.7	China	1,401.1	Republic of Korea	3,594.1	Singapore	4,101.1	Thailand	8,275.5	US	13,712.3
6	Hong Kong	418.9	Thailand	810.9	Thailand	2,374.1	US	3,766.9	US	7,785.0	Thailand	10,967.1
7	China	329.7	Hong Kong	598.1	Malaysia	1,256.5	Malaysia	3,413.4	Singapore	6,038.3	Malaysia	6,576.3
8	France	276.6	Malaysia	388.9	Hong Kong	1,235.0	Indonesia	1,909.2	Malaysia	4,188.0	Indonesia	5,381.8
9	Malaysia	190.5	US	363.4	Switzerland	893.4	India	1,762.0	Germany	3,219.2	Australia	4,685.5
10	Indonesia	190.0	Indonesia	345.4	US	862.9	Germany	1,742.4	Indonesia	2,740.3	India	4,436.5

Source: General Statistics Office of Vietnam.

Table 2: Top Ten Largest Exporting Markets of Vietnam (1995-2020)

Unit: USD million

Ranking		1995		2000		2005		2010		2015		2020
1	Japan	1,461.0	Japan	2,575.2	US	5,924.0	US	14,238.1	US	33,451.0	US	77,077.3
2	Singapore	689.8	China	1,536.4	Japan	4,340.3	Japan	7,727.7	China	16,567.7	China	48,906.1
3	Taiwan (China)	439.4	Australia	1,272.5	China	3,228.1	China	7,308.8	Japan	14,100.3	Japan	19,284.0
4	China	361.9	Singapore	885.9	Australia	2,722.8	Republic of Korea	3,092.2	Republic of Korea	8,915.4	Republic of Korea	19,107.3
5	Hong Kong (China)	256.7	Taiwan (China)	756.6	Singapore	1,917.0	Australia	2,704.0	Hong Kong (China)	6,959.3	Hong Kong (China)	10,436.7
6	Republic of Korea	235.3	US	732.8	Germany	1,085.5	Switzerland	2,652.0	Germany	5,707.4	Netherlands	6,999.3
7	Germany	218.0	Germany	730.3	Malaysia	1,028.3	Germany	2,372.7	United Arab Emirates	5,690.9	Germany	6,644.0
8	US	169.7	UK	479.4	UK	1,015.8	Singapore	2,121.3	Netherlands	4,759.6	India	5,235.2
9	France	169.1	Philippines	478.4	Taiwan (China)	935.0	Malaysia	2,093.1	UK	4,645.2	UK	4,954.9
10	Malaysia	110.6	Malaysia	413.9	Thailand	863.0	Philippines	1,706.4	France	2,947.1	Thailand	4,916.9

Source: General Statistics Office of Vietnam.

As shown in Table 2, from the third position among the top ten economies exporting to Vietnam in 1995, Taiwan (China) dropped to the 5th and the 9th position in 2000 and 2005 respectively. Taiwan (China) was no longer present in Vietnam's top ten largest exporting markets in the following years. This shows that Vietnamese merchandise is increasingly difficult to penetrate into the Taiwanese market, so the difference in the balance of trade between the two sides has been increasingly disproportionate (Hac Xuan Canh, 2012). Examining Vietnam-Taiwan (China) trade cooperation between 1992 and 2022, we found that bilateral trade turnover has significantly grown but it is not commensurate with the potential of the two sides.

According to the Taiwan (China) Bureau of Foreign Trade, during the period 1992 - 2022, Vietnam was the 11th largest trading partner of Taiwan (China) with a total trade volume of USD 239 billion and 7th largest exporting market with an export turnover of USD 183.12 billion, and 19th largest importing market with a total import turnover of USD 55.93 billion.

Table 3: Trade of Taiwan (China) with ASEAN 10 (1992-2022)

Unit: USD million

Countries	Total trade	Ranking	Export	Ranking	Import	Ranking
ASEAN (10)	1,846,436.48	---	1,104,296.36	---	742,140.14	---
Singapore	533,565.85	1	354,112.63	1	179,453.21	2
Malaysia	375,355.45	2	182,378.16	3	192,977.29	1
Vietnam	239,057.96	3	183,125.41	2	55,932.55	6
Thailand	231,760.88	4	133,642.00	5	98,118.89	4
Indonesia	225,398.05	5	82,220.79	6	143,177.27	3
Philippines	218,427.88	6	151,767.13	4	66,660.74	5
Cambodia	13,514.81	7	12,357.93	7	1,156.88	9
Myanmar	5,599.24	8	3,945.03	8	1,654.22	8
Brunei						
Darussalam	3,272.75	9	627.40	9	2,645.36	7
Laos	483.61	10	119.88	10	363.73	10

Source: Compiled by the author from statistics of the Taiwan (China) Bureau of Foreign Trade.

Although Vietnam was considered one of the Southeast Asian nations that received the most attention from the Southward Policy of Taiwan (China) (Ku, 1999), the latter's bilateral trade volume with Vietnam is much lower than that with other countries in this region. As shown in Table 3, during the period 1992-2022, Vietnam ranked third, after Singapore and Malaysia, in terms of total trade amount (USD 239 billion), 2nd position in terms of exporting turnover (USD 183.1 billion), and 6th position (USD 55.9 billion) in terms of importing turnover of Taiwan (China) with Southeast Asian nations. This means Vietnam is still not the top priority trading partner of Taiwan (China) in Southeast Asia. Moreover, as mentioned earlier, the higher the trade surplus of Taiwan (China) with Vietnam, the greater the trade deficit of Vietnam with Taiwan (China).

There are several reasons for explaining Vietnam's trade deficit with Taiwan (China), or, in other words, the fact that Taiwan (China) has had a large trade surplus with Vietnam over the years.

First, over the past decades, the economy of Taiwan (China) has reached a high development level in many fields. It also made an early participation in the world market. So, Taiwanese businesses' ability to penetrate and exploit outside markets was already very good and it then quickly entered the Vietnamese market.

In contrast, Vietnamese enterprises' capacity and ability to penetrate and exploit markets are very limited in many aspects ranging from marketing to distribution of goods. Vietnam has not been able to create and form the systematic and branded distribution networks strong enough in Taiwanese market. So, its enterprises have met many difficulties while accessing the Taiwanese market.

Second, most Taiwanese goods exported to Vietnam are of good quality and price, and are consistent with Vietnamese consumers' needs and preferences, so the Vietnamese market has always welcomed Taiwanese products. Meanwhile, with their goods of lower quality and less favor, the Vietnamese businessmen have not really grasped Taiwanese consumer preferences, so it is not easy for them to enter Taiwanese market.

Third, while Vietnam is opening its market to attract foreign direct investment (FDI) and conducting international economic integration, Taiwan (China) is controlling strictly its market. In fact, over the past years, Taiwan (China) has applied standards and regulations to strictly control imported goods, especially the use of quotas to manage a number of agricultural products and processed foods of Vietnam such as rice, wine, coconut, and so on, excluding many types of Vietnamese goods from Taiwanese market (Hac Xuan Canh, 2012).

Fourth, while accessing Taiwanese market, Vietnamese goods have to face a fierce competition with Chinese goods. China's market possesses more favorable conditions than Vietnam's not only in terms of transportation but also in terms of scale and types of goods, and, especially, in terms of prices of goods. This is the reality of the competitive game.

Fifth, by the end of 2022, Taiwan (China) was the 4th largest investor in Vietnam after the Republic of Korea, Singapore and Japan, with 2,905 projects and the registered capital of USD 36.4 billion (MPI, 2022). Therefore, Taiwan (China) has to export raw materials and semi-finished products to Vietnam to produce finished goods, which in turn are exported to other economies. This is similar to the trade relations of Taiwan (China) with Japan. Taiwan (China) has a large trade deficit with Japan because Japan exports semi-finished goods and technology to Taiwan (China) to manufacture finished products there.

In addition, Vietnam's trade deficit with Taiwan (China) is completely normal and consistent with objective rules in the process of international economic cooperation and is the common trend of the entire trade balance of the Vietnamese economy to the outside world. Vietnam-Taiwan (China) trade relations are formed and developed in the context of Taiwan (China) moving from an inward-looking economy to an outward-looking one and boosting exports. Meanwhile, Vietnam is at the stage of transforming from a closed economy to a market economy. Therefore, it is understandable that Vietnam imports machines, techniques and

technologies from Taiwan (China) to implement its industrialization and modernization process. Additionally, it must be seen that Taiwan (China) is a small economy with a population of 23 million people, while Vietnam is a country with a large population of over 90 million. This means Taiwanese consumers' demand for Vietnamese goods is lower than Vietnamese consumers' demand for Taiwanese products. Although Vietnam's trade deficit with Taiwan (China) is completely normal, if this situation is prolonged and the level of deficit gets higher, it will be detrimental to Vietnam in its trade cooperation with Taiwan (China). Thus, Vietnam should have more appropriate strategies to access and exploit the Taiwanese market to narrow the gap between exports and imports from Taiwan (China).

3. Structure of import-export by product category between Vietnam and Taiwan (China)

According to the statistics of the General Department of Vietnam Customs under the country's Ministry of Finance, in the period 1992-2022, both Vietnam and Taiwan (China) exported products that they had advantages in and imported products they needed for production and consumption. Trade cooperation between the two sides is based on their complementary and mutually beneficial investment and supply chains.

Table 4: Vietnam's Value of Exports to Taiwan (China) by Major Product Category by 2022

Unit: USD/ton			
Ranking	Product category	Volume	Trade Value
1	Computers, electrical products, spare-parts and components thereof		1,117,642,372
2	Machine, equipment, tools and instruments		480,835,658
3	Telephones, mobile phones and parts thereof		372,871,337
4	Textiles and garments		275,327,687
5	Iron and steel	330,124	272,579,851
6	Chemicals		214,528,983
7	Foot-wears		188,477,710
8	Fishery products		162,003,856
9	Yarn	44,790	151,725,779
10	Fruits and vegetables		144,638,731

11	Paper and paper products		125,752,064
12	Other means of transportation, parts and accessories thereof		119,017,744
13	Other base metals and other base metal products		90,673,272
14	Wood and wooden products		89,184,830
15	Clinker and cement	1,503,736	72,347,927
16	Ceramic products		68,166,859
17	Plastic products		53,715,233
18	Rubber	27,556	52,535,386
19	Chemical products		48,203,868
20	Plastics	19,821	46,670,264
21	Textile, leather and foot-wear materials and auxiliaries		39,376,382
22	Tea	19,211	35,960,266
23	Cashew nut	4,906	34,775,550
24	Animal fodders and animal fodder materials		31,589,332
25	Pastrycooks, sweets and cereals products		29,946,020
26	Furniture of other materials, other than of wood		21,170,533
27	Handbags, purses, suit-cases, headgear and umbrellas		21,090,691
28	Manioc and manioc products	39,965	20,000,308
29	Ores and other minerals product	617,891	18,047,647
30	Glass and glassware		13,855,628
31	Coal	25,381	9,630,675
32	Rice	19,367	9,504,562

Source: General Department of Vietnam Customs, Ministry of Finance of Vietnam (2022a), [https://files.customs.gov.vn/CustomsCMS/TONG_CUC/2023/1/9/2022-T12-5X\(EN-PR\).pdf](https://files.customs.gov.vn/CustomsCMS/TONG_CUC/2023/1/9/2022-T12-5X(EN-PR).pdf)

Looking at Table 4, we can see that the value of the main groups of Vietnam's exports to the Taiwanese market over the past three decades including computers, electrical products, spare-parts and components thereof reached more than USD 1.1 billion, accounting for 21.8% of the total export value, and ranked first. They were followed by machine, equipment, tools and instruments with USD

480.83 million, accounting for 9.4% of the total export value; then telephones, mobile phones and parts thereof with USD 372.87 million, accounting for 7.3%; textiles and garments with USD 275.32 million, accounting for 5.4%; iron and steel with USD 272.58 million, accounting for 5.3% of the total export value, and so on. From the above product structure, we can easily see that the main groups of Vietnam's exports to Taiwan (China) are mostly raw materials from natural factors and manual labor. These are Vietnam's advantageous products that Taiwan (China) does not have. However, Vietnam's economy is dependent on foreign trade and investment, its trade commodities are mainly in assembling and processing with low value-added, low technological content. Thus, Vietnam exports high volume of products but the turnover value is not high.

On the contrary, the main groups of the exports of Taiwan (China) to Vietnam are mostly higher value-added products and technological content.

Table 5: Vietnam's Value of Imports from Taiwan (China) by Major Product Category by 2022

			Unit: USD/ton
Ranking	Product category	Volume	Trade Value
1	Computers, electrical products, spare-parts and components thereof		11,068,490,237
2	Fabrics		1,812,604,377
3	Plastics	741,646	1,527,594,747
4	Machine, equipment, tools and instruments		1,401,640,472
5	Chemicals		1,048,795,538
6	Iron and steel	1,170,392	1,053,584,636
7	Still image, video cameras and parts thereof		642,288,965
8	Chemical products		590,675,091
9	Textile, leather and foot-wear materials and auxiliaries		452,057,202
10	Telephones, mobile phones and parts thereof		414,039,004
11	Yarn	146,924	329,712,529
12	Plastic products		301,226,077
13	Other base metals	40,675	202,292,868
14	Fishery products		175,725,743
15	Iron and steel products		158,948,175

16	Rubber	61,693	149,300,825
17	Other petroleum products		110,768,077
18	Paper	138,833	107,231,999
19	Animal fodders and animal fodder materials		54,886,851
20	Insulated wires and cables		54,140,269
21	Rubber products		42,936,632
22	Other base metal products		41,883,631
23	Other edible food preparations		36,227,949
24	Paper products		27,586,071
25	Ores and other minerals product	74,653	23,935,600
26	Fertilizers	74,476	23,498,014
27	Glass and glassware		25,083,877
28	Pharmaceutical products		15,328,906
29	Electric consumer products and parts thereof		10,321,852
30	Other means of transportation, parts and accessories thereof		7,345,212
31	Essential oils and resinoids; perfumery, cosmetic or toilet preparations		5,666,446
32	Wood and wooden products		3,174,549

Source: General Department of Vietnam Customs, Ministry of Finance of Vietnam, (2022b). [https://files.customs.gov.vn/CustomsCMS/TONG_CUC/2023/1/9/2022-T12-5N\(EN-PR\).pdf](https://files.customs.gov.vn/CustomsCMS/TONG_CUC/2023/1/9/2022-T12-5N(EN-PR).pdf)

Table 5 reports main groups of Vietnam's imports from Taiwan (China) over the past three decades, including computers, electrical products, spare-parts and components, reached more than USD 11.1 billion, accounting for 48.9% of the total import value, and ranked first; followed by fabrics with USD 1.8 billion, accounting for 8%; plastics with USD 1.5 billion, accounting for 6.7%; machine, equipment, tools and instruments with USD 1.4 billion, accounting for 6.2%; chemicals with USD 1.1 billion, accounting for 4.6% of total import, and so on. Looking at the commodity structure mentioned above, we can see that the advantages of Taiwan (China) are electrical, industrial and chemical products. These are essential products for Vietnam's industrialization and modernization.

From the structure of import-export by product category between Vietnam and Taiwan (China) shown in Tables 4 & 5, we may draw the following comparisons:

First, in the structure of import/export goods between the two sides, there is similarity in some items of goods and products. For example, Vietnam exports products of iron, steel, chemicals, computers, electrical products, plastics, machine, equipment, tools and instruments, and then also imports these products from Taiwan (China). This is due to the fact that the two sides have different levels of development, so, in the process of producing goods, Vietnam and/or Taiwan (China) could export raw-materials and then import finished products. Additionally, as the two sides have many similarities in natural conditions and structure of the economy, there are some items of products that both sides manufacture.

Second, looking into import/export value in each item of products, we found that the export turnover of products of Taiwan (China) is always higher than that of Vietnam. This indicates that science and technology are increasingly becoming a direct production force and a factor that plays a decisive role to the economic development, and the high-tech products will have greater economic value and vice versa.

Third, looking at Tables 4 & 5, we can easily see that, during 30 years of trade relations between Vietnam and Taiwan (China), there are not many changes in the product structure that the two sides exchange. According to statistics of Taiwan (China) Bureau of Foreign Trade (TBOFT), by 2022, main groups of the exports of Taiwan (China) to Vietnam were still computers, electrical machinery and equipment, iron and steel, organic chemicals, plastic products, textile, rubber, and so on. Meanwhile, main groups of Vietnam's exports to Taiwan (China) were still machinery, equipment, iron and steel, electrical products, textile and garment, rubber, aquatic and agricultural products, and so on. Moreover, the turnover value of each product category of Vietnam's exports to Taiwan (China) is still much lower than that of the exports of Taiwan (China) to Vietnam.

In fact, traditional products of Vietnam such as rubber, aquatic products, and agricultural products still face many difficulties while being exported to Taiwan (China).

First, for rubber products, although Taiwan (China) is one of the key export markets for Vietnamese rubber, so far, almost none of the exporting businesses has received forest management (FM) certification from the Forest Stewardship Council (FSC), an important standard for meeting legal and environmental criteria and helping to address the lack of transparency in the origins of import and export goods. In fact, the lack of this FM certification has greatly affected Vietnam's rubber exporters to the world market in general and Taiwanese market in particular as more and more economies require imported products to meet strict standards imposed by international regulations and laws (Vu Thuy Duong, 2023: 34).

Second, for aquatic products, according to the Vietnam Association of Seafood Exporters and Producers, although Taiwan (China) is not currently in the top ten largest import markets of Vietnam, it has a relatively stable import turnover

of aquatic products from Vietnam with over USD 100 million per year, accounting for 1.3%-1.8% of the country's total aquatic export value. As of October 2022, there were 691 Vietnamese enterprises approved by the Taiwan (China) Food and Drug Administration (TFDA) to export aquatic products to Taiwan (China). The COVID-19 pandemic and the prolonged energy crisis have significantly impacted on Vietnam's aquatic exports in recent years. Vietnamese aquatic enterprises have been facing rising costs in fuels and materials, leading to rising input costs and high logistics costs. On the other hand, the shortage of domestic supply results in higher prices, which has directly affected the competitiveness of Vietnamese aquatic enterprises in regional and international markets. At present, Vietnam is among the six largest producers and exporters of shrimp in the world, but it is facing fierce competition from India and Ecuador (Thanh Ha & Nga Son, 2022). Meanwhile, the Taiwanese market currently favors frozen black tiger shrimp, fresh shrimp, frozen pangasius fillet, fresh/frozen white leg shrimp, processed shrimp, and squid from Vietnam. Despite the many opportunities, the biggest challenge of Vietnam's aquatic exports to the Taiwan (China) market is to ensure the balance between output and quality under TFDA's strict standards.

Third, for food and agricultural products, Taiwan (China) relies heavily on food and agricultural supply from international trade but agricultural products of economies are not easy to enter this market because it applies a range of laws and strict regulations related to food safety and hygiene to protect human health and prevent the introduction of animal and plant pests or diseases. These regulations are also regularly revised and modified, causing many difficulties to Vietnamese agricultural exports. Agricultural products must always ensure quality and have the certificate of origin (CO) and quarantine certificates to determine chemical residues remaining in them. In addition, vegetables and fruits exported to Taiwan (China) are also required to be quarantined and tested for food safety and hygiene in compliance with the standards B01 and F01 respectively (MOIT, 2021: 26). Therefore, when agro-forestry-fishery products are exported to Taiwan (China), their quality is the most important criterion. However, there are still many Vietnamese enterprises that have not fully obtained the certificates required by TFDA. On the other hand, Taiwan (China) is strengthening watershed management strategy and controlling risks at airports and seaports, so although there is still a lot of room for Vietnamese agricultural products to export to the Taiwanese market, so far this potential has not yet been fully exploited (Vu Thuy Duong, 2023).

4. Prospects for trade cooperation between Vietnam and Taiwan (China)

In the context of international trade, there are currently many difficulties, due to the shortage of shipping containers for intercontinental goods, as well as the

exorbitant increases in transport costs and the prolonged shipping delays. It is necessary to boost exports to regional markets. Meanwhile, Taiwan (China) was considered a potential market for Vietnamese products with diverse tastes and it also plays an intermediary role for many types of Vietnam products exported to European, American and East Asian markets. In recent years, the structure of Vietnamese goods exported to this market has seen positive changes by gradually reducing the export proportion of raw minerals, materials and fuels, gradually increasing agro-forestry-fishery products, while processed industrial products have become the main group. Given the fact that Vietnam and Taiwan (China) are geographically close to each other, the two sides also have many similarities in culture and customs, so there is still room for Vietnamese agro-forestry-fishery products in the Taiwanese market due to its rapidly increasing demand for food and consumer goods in its local domestic market, as well as the large number of Taiwanese tourists to Vietnam. In the period 2021-2030, Vietnam's seafood industry targets a modern and sustainable production model that is capable of meeting strict requirements from international markets and for further integration into global supply chains. At the same time, Vietnam targets to become one of the world's seafood processing hubs and among the top five seafood exporters by 2030 (Ngoc Thuy, 2021).

Under the plan, the production capacity of processed seafood is set to expand by an average of 6% per year in the subsequent ten years, while the export turnover of processed products would account for over 40% of the total, with shrimps making up 60%, followed by catfish (10%), tuna (70%), squid and octopus (30%) (Ngoc Thuy, 2021). The Vietnam Association of Seafood Exporters and Producers (VASEP) argues that Taiwan (China) is a small but a potential market for Vietnamese seafood products, especially shrimp products (Thu Thủy, 2021). The Taiwanese market currently favors frozen black tiger shrimp, fresh shrimp, fresh/frozen white leg shrimp, and processed shrimp from Vietnam. The International Trade Center (ITC) argues that Vietnamese shrimp exports to Taiwan (China) may reach USD 53.2 million by 2026, while the actual export was estimated at USD 38.5 million (Thu Thủy, 2021).

Another Vietnamese product that is likely to further develop in the Taiwanese market is rubber. Vietnam currently ranks fifth in the world in terms of rubber area, accounting for 5.6% of the total global area and its rubber output ranks third in the world, accounting for 7.7% of the world's total natural rubber, after Thailand and Indonesia, with the output capacity of nearly 1.2 million tons per year. Under WTO commitments, Vietnamese natural rubber products exported to the Taiwanese market would have a tax rate of 0% and basically, there are no barriers because Vietnamese rubber does not compete with Taiwanese rubber products. According to the forecast made in the database of the ITC, Vietnam's natural rubber exports to Taiwan (China) may reach USD 983.4 million by 2026 (Thu Thủy, 2021), but the figure was USD 324 million only from January 2020 to April 2024 (TBOFT) "Over the years, the brand of the Vietnam Rubber Group (VRG) has been

asserted in the international market. In order to meet the requirements of sustainable development in the coming years, VRG has set the target of extending the product chain from agricultural to producing industrial rubber products with high value and providing services for this chain” (Thanh Son, 2021). Moreover, Taiwan (China) is tending to reduce imports of rubber from some countries such as Japan, the Republic of Korea, Thailand, and Malaysia, meanwhile, there is still room for Vietnamese rubber exports to Taiwan (China), which can be up to nearly USD 659 million. This is the driving force to promote natural rubber exports to the market.

Taiwanese enterprises believe in the potential for developing economic and trade relations with Vietnam, especially after Vietnam entered into various free trade agreements (FTAs). Recent trade agreements like the Regional Comprehensive Economic Partnership (RCEP) and EU-Vietnam Free Trade Agreement (EVFTA) have extended the scope of Vietnam’s trade partners to well beyond those of the two agreements. This allows Vietnam to take advantage of the reduced tariffs to attract exporting enterprises to produce in Vietnam and export its advantageous products such as agro-forestry-fishery ones, shifting away from exporting low-tech manufacturing products and primary goods to more complex high-tech goods like electronics, machinery, medical devices and so on. In recent years, Vietnam has welcomed Taiwanese investors to invest in the areas of electronics, high technology and renewable energy (VOV, 2022). These are advantageous areas of Taiwanese enterprises. Taiwan (China) has also ambitious plans to increase the proportion of renewable energy in its energy mix and achieve net-zero emissions by 2050 (Trần Thị Mộng Tuyên, 2024). Since 2017, its green industry sector has had an export turnover of USD 9.829 billion, accounting for 3.1% of the global export turnover. Given the territory’s experience, Taiwan (China) can collaborate with Vietnam and leverage its strengths to help develop the promising industry (Trần Thị Mộng Tuyên, 2024).

In early January 2022, Vietnam and Taiwan (China) signed a memorandum of understanding (MOU) on trade promotion and cooperation to boost exchange of trade delegations and collaboration for business matchmaking and further the trade and economic relations. The MOU will provide benefits for both sides in exploring more business opportunities by holding trade exhibitions and promoting high-quality products. This is expected to help balance the bilateral trade while enhancing the visibility of Vietnam’s agricultural and industrial products in the Taiwanese market (Taiwan Today, 2022).

5. Conclusions and recommendations

Over the past three decades, Vietnam - Taiwan (China) trade cooperation has recorded remarkable achievements. As mentioned earlier, since 1995, the total import and export turnover between the two sides has always been higher than USD 1 billion. Especially, in 2021, despite the impact of the COVID-19 epidemic,

bilateral trade between Vietnam and Taiwan (China) surpassed the milestone of USD 20 billion in value for the first time. In 2022, two-way trade turnover set a new record, reaching USD 21.54 billion, a 7.1% rise from the previous year. As a result, Vietnam has become the 10th largest trading partner of Taiwan (China), and Taiwan (China) has become Vietnam's 5th largest trading partner after China, the US, the Republic of Korea, and Japan. During the past three decades, however, the difference in the balance of trade between the two sides has always been disproportionate. Vietnam has always run a trade deficit in both quantity and proportion. Therefore, to further promote and deepen Vietnam - Taiwan (China) trade cooperation, both sides need to implement the following solutions:

First, it is necessary to narrow the trade balance gap between the two sides by boosting Vietnam's exports to Taiwan (China). This requires the efforts of both sides. For Vietnamese enterprises, it is necessary to improve their management and production capacity as well as their ability to access and penetrate into the market of Taiwan (China). If so, in addition to improving commodities quality and reducing production costs to create Vietnamese product competitive advantages in being exported to Taiwan (China), Vietnamese enterprises should learn more about the market characteristics of Taiwan (China) such as the needs, tastes, and behaviors of Taiwanese consumers as well as the regulations of the island on import and export. For its part, Taiwan (China) also needs to gradually loosen its regulations of setting quotas, which will help create more favorable conditions for Vietnamese commodities to enter the market.

Second, both sides need to work together to find and make use of information on the market so that enterprises can promptly grasp information and choose appropriate partners. It is because in the context of globalization and the information explosion, if enterprises promptly and accurately grasp information, they will gain a competitive advantage.

Third, Vietnamese and Taiwanese enterprises need to have closer links to produce and consume products. The close joint venture among enterprises of the two sides allow for the optimal tapping of each side's advantages. This also contributes to narrowing the gap between Taiwanese and Vietnamese enterprises, thenceforth, making the highest efficiency in production and business activities.

Fourth, it is necessary to further promote business-to-business exchanges and strengthen trade and investment promotion activities through fairs and exhibitions in Vietnam and Taiwan (China).

Fifth, both Vietnam and Taiwan (China) need to renovate and transform the structure of import and export of goods. Looking at the structure over the past years, we can see the products that are of one party's advantage will be the disadvantage of the other party and vice versa. However, in the context of current international trade, people not only sell "what they have" but also have to sell "what the market

needs” to be able to adapt to the trend of increasingly fierce competition. Moreover, so far Vietnamese and Taiwanese goods have gradually revealed limitations and they may no longer meet consumers’ needs and tastes. In Vietnam-Taiwan (China) trade relations, therefore, renewing and transforming the structure of import and export of goods will help retain each side’s advantages and enhance their competitiveness.

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