

The U.S. - China Trade War and Trade Diversion in ASEAN: Evidence from ASEAN-U.S. Trade Flows and Policy Implications for Vietnam

NGUYEN HUY HOANG¹, TRAN XUAN HIEP², LE THI THANH TAM^{3,*}

¹Graduate Academy of Social Sciences,
Vietnam Academy of Social Sciences,
Hanoi,
VIETNAM

²The University of Da Nang,
University of Science and Education,
Danang,
VIETNAM

³Dong A University,
Danang,
VIETNAM

**Corresponding Author*

Abstract: - This study examines how the U.S.-China trade war has affected trade diversion in the ASEAN Economic Community (AEC), with particular attention to Vietnam. Combining qualitative analysis with an extended gravity model estimated by Poisson Pseudo Maximum Likelihood (PPML), the paper uses ASEAN-U.S. trade data for 2015-2024 to assess whether higher U.S. tariffs on Chinese goods redirected trade toward ASEAN. The results indicate a positive and statistically significant relationship between U.S. tariffs on Chinese imports and ASEAN-U.S. trade, confirming a trade diversion effect. Vietnam benefits from export expansion and supply-chain relocation, but faces constraints linked to logistics costs, imported-input dependence, origin risks, and trade remedy exposure. The paper argues that Vietnam should upgrade logistics, domestic supplier capacity, rules-of-origin control, and institutional integration to sustain export gains.

Key-Words: - U.S. - China Trade War; ASEAN Economic Community; Gravity Model; Trade Diversion; Vietnam; Policy Implications.

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1 Introduction

As the two largest economies in the world, the U.S. and China have a profound influence on global trade, investment, and value chains. The U.S.-China trade war, which started in 2018, not only directly affects bilateral trade between the two countries but also creates a ripple effect on many regions, including ASEAN, [1].

The ASEAN Economic Community (AEC) is oriented to become a deeply integrated, highly competitive economic region that is more closely linked to the global economy, [2]. Characterized by its high economic openness and deep participation in regional production networks, the AEC is easily affected by major fluctuations in the world economy, [3]. In the context of the U.S.-China trade

war, ASEAN has both the opportunity to benefit from investment shifts and the trend of diversifying supply chains and faces the risk of greater dependence on the U.S. and China, as well as increased risks from trade protection measures, [4]. For Vietnam, the U.S.-China trade war presents both opportunities and challenges. Vietnam's exports to the U.S., especially in textiles, wood, and electronics, tend to increase rapidly, but imports from China also increase, reflecting a significant dependence on raw materials, components, and semi-finished products, [5]. In addition, Vietnam also faces the risk of origin fraud and competitive pressure in the region, [6].

Therefore, this study aims to assess the impact of the U.S.-China trade war on trade diversion in ASEAN, based on evidence of ASEAN – U.S. trade

flows in the period 2014-2025. The article analyzes ASEAN at the regional level to identify the spillover effects of the U.S.-China tariff shock, and selects Vietnam as a case study to clarify the benefit mechanism, accompanying risks, and draw some policy implications for Vietnam.

2 Literature Review

Many studies have been conducted to assess the impact of the U.S.-China trade war at the global level. Previous research shows that more than 66% of Chinese exports to the U.S. are subject to higher tariffs than before 2018, leading to a sharp decline in trade value, [1]. Existing estimates indicate that about 46% of the goods that the U.S. stopped importing from China have been replaced by other countries, with ASEAN countries accounting for a significant proportion, [7].

Previous studies have highlighted the long-term impact of the trade war on the shift of global supply chains, in which the "China+1" strategy has become a trend, as multinational corporations seek to expand or relocate production facilities to ASEAN countries such as Vietnam, Indonesia, and Thailand, [4]. The "China Plus One" trend is a business strategy employed by multinational companies to mitigate risks and dependence on China by diversifying their manufacturing and supply chains to other countries. Instead of focusing production solely on China, companies invest in or expand into a "plus one" country, such as Southeast Asian nations like Vietnam, India, or Thailand, to ensure continuity and flexibility in their operations.

This assessment is consistent with international reports on the increase in FDI flows from China and Hong Kong into ASEAN and the trend of investment restructuring in the region after the trade and supply chain shock in the period 2018 - 2021, [8]. The ASEAN Investment Report 2021 also emphasizes the role of Industry 4.0 investment in ASEAN, which supports the region's capacity to absorb supply-chain relocation and technology-oriented FDI, [9].

Through the use of the Global Trade Analysis Project (GTAP) model when studying the impact of the trade war, simulation-based studies suggest that the trade war could reduce global GDP by 0.8% in 2025, while some ASEAN economies would benefit locally from trade diversion, especially Vietnam and Malaysia, [10].

At the regional level, many studies have also shown that ASEAN is both a "short-term beneficiary" and a "long-term risk". For example, regional studies show that ASEAN can take

advantage of the opportunity to increase exports to the U.S. in labor-intensive industries, but it increases the risk of increasingly high dependence on imported raw materials from China, [11]. For Singapore, the main benefits came from the financial services and logistics sector. Malaysia benefited from the electronics and semiconductor components industry. Meanwhile, Vietnam and Cambodia benefited from the textile and wood industry, [12]. However, some studies have also warned that ASEAN risks becoming a "backyard" for Chinese goods to avoid US tariffs, leading to a high possibility that ASEAN countries are vulnerable to the application of trade protection measures, [6].

In Vietnam, some studies have focused on assessing the impact of the trade war on Vietnam's trade activities. In their study, Vietnam-focused studies pointed out that the U.S. imposing high tariffs on many imported goods from China created opportunities for Vietnam to increase exports to the U.S. market in product groups in which China was affected by tariffs, [6]. However, since many of Vietnam's export industries to the U.S. still depend on raw materials, components, and semi-finished products imported from China, the increase in exports to the U.S. simultaneously led to an increase in imports from China. Some other recent studies show that the U.S.-China trade war has created a trade diversion effect that benefited Vietnam. When the U.S. imposed higher tariffs on Chinese goods, US imports from China decreased, while imports from Vietnam increased significantly in tariff-affected product groups, [13], [14]. Notably, recent studies also showed that this tariff shock increased the likelihood of Vietnamese businesses in affected industries becoming export businesses, [14]. However, this benefit does not entirely equate to a corresponding increase in domestic production capacity, as many of Vietnam's export industries still depend on imported raw materials, components, and semi-finished products, especially from China.

From the above overview, it can be seen that although the impact of the U.S.-China trade war has been analyzed quite extensively, most existing studies mainly focus on the global level or bilateral US-China trade relations. The spillover effects on the AEC through trade diversion, as well as the case of Vietnam in relation to increased exports and increased dependence, have not been fully studied. Furthermore, there is a lack of studies combining qualitative analysis with quantitative models to more comprehensively reflect the multifaceted nature of this phenomenon.

3 Theoretical Framework and Research Methodology

3.1 Theoretical Framework

A trade war can be defined as the use of tariff or non-tariff measures by countries to protect their domestic markets, leading to mutual retaliation and increased tension in international trade, [15]. In the case of the U.S.-China trade war, the successive rounds of tariff imposition starting in 2018 on goods worth hundreds of billions of USD have directly affected the global supply chain.

The theory of dynamic comparative advantage indicates that tariff shocks can change the structure of international production and trade, [16]. When the U.S. restricts imports from China, other countries in the region can partially replace China's role in exports to the U.S.; this phenomenon is called trade diversion, [17].

Furthermore, global value chain (GVC) theory shows that current trade is not only tied to the final product but also depends on complex, fragmented supply networks, [18]. Since ASEAN is an important link in many supply chains (electronics, textiles, agricultural products), any fluctuation in the US-China economic relations has a ripple effect across the region.

3.2 Research Methodology

This article uses a combination of qualitative and quantitative analysis methods (mixed methods). Combining both qualitative and quantitative methods is useful in international socio-economic research when a socio-economic phenomenon is simultaneously affected by quantitative factors, such as trade data, FDI, and qualitative factors, such as the views, policies, and behavior of businesses, [19].

- *Qualitative analysis method:* The qualitative methods used in this research include synthesis, analysis, and comparison. Qualitative methods help clarify the context, policy motives, and reaction trends of countries, which purely quantitative data cannot explain, [20]. Data sources used in qualitative research include: reports and statistical publications from WTO, UNCTAD, IMF, ADB, and ASEAN Secretariat related to international trade; policy texts and official documents from the U.S., Chinese, and ASEAN governments related to trade and investment; academic studies, international articles, and reports related to the research topic that have been published.

- *Quantitative method:* The quantitative research method used in this study is the Extended Gravity Model (EGM) as the main analytical tool to estimate

the impact of US tariffs on Chinese goods on the AEC through ASEAN trade diversion. Gravity model provides empirical evidence on the impact of the trade war, avoiding drawing conclusions based on sentiment, [21].

The study uses country-year panel data, including 10 ASEAN countries in the period 2015-2024. The observation unit is the export flow of each ASEAN country to the U.S. each year. The data sample has 100 valid observations, which are used for estimation. This data structure allows for the assessment of the impact of the U.S.-China tariff shock on ASEAN-US trade and also serves as a basis for a deeper analysis of the case of Vietnam. In this study, the EGM model has the following basic equation form:

$$\text{Trade}_{ij} = \beta_0 + \beta_1 \ln \text{GDP}_i + \beta_2 \ln \text{GDP}_j + \beta_3 \ln \text{Population}_i + \beta_4 \ln \text{Population}_j + \beta_5 \ln \text{Distance}_{ij} + \beta_6 \text{Tariff}_{\text{US-CN}} + \beta_7 \text{FTA}_{ij} + \epsilon_{ij} \quad (1)$$

The choice of variables in the EGM model is based on the logic of the trade gravity model. The dependent variable, Trade_{ij} , is measured by the value of exports from ASEAN country i to the U.S., in millions of USD. GDP_i and GDP_j reflect the economic size of exporting country i (ASEAN) and the U.S.. Population_i and Population_j reflect the market size of exporting country i (ASEAN) and the U.S. $\ln \text{Distance}_{ij}$ represents the trade and logistics costs associated with the geographical distance between exporting country i (ASEAN) and the U.S. FTA_{ij} reflects the level of institutional integration between ASEAN country i and the U.S.. $\text{Tariff}_{\text{US-CN}}$ is the principal variable, representing the tariffs that the U.S. imposes on Chinese goods, used as a proxy for the intensity of the U.S.-China trade war. The model was estimated using the Poisson Pseudo Maximum Likelihood (PPML) method in Stata software with a robust standard error of HC1. PPML was chosen because it allows for good interpretation of non-negative trade flows, including zero values, while limiting the influence of heteroskedasticity in the trade gravity model. This approach is consistent with the PPML estimation literature, which shows that log-linear OLS estimation may be biased when trade data contain heteroskedasticity [22], according to which logarithmization of the gravity model and estimation using OLS can lead to bias when trade data has heteroskedasticity. The variables included in the extended gravity model, together with their measurement and data sources, are summarized in Table 1.

Table 1. Variables, Measurement and Data Sources

No.	Symbol	Measurement	Data source
Dependent variable			
1	Trade _{ij}	Export value from country i (ASEAN) to country j (The U.S.), in million of USD	UN Statistics Division, UN Comtrade Database [23]
Independent (explanatory) variables			
2	GDP _i	Real GDP of export country i (ASEAN), natural logarithm (current USD)	World Bank WDI [24]
3	GDP _j	Real GDP of import country j (the U.S.), natural logarithm (current USD)	World Bank WDI [24]
4	Distance _{ij}	Distance (km) between the capital city or main port of country i (ASEAN) and country j (The U.S.), natural logarithm	CEPII Gravity Dataset [25]
5	Tariff _{US-CN}	Continuous variable: average tariff rate (%) imposed by the U.S. on goods imports from China	World Trade Organization, WTO Tariff & Trade Data [26]
6	Pop _i	Population size of country i (ASEAN), natural logarithm	World Bank WDI [2024]
7	Pop _j	Population size of country j (the U.S.), natural logarithm	World Bank WDI [2024]
8	FTA _{ij}	Dummy variable: 1 if country i (ASEAN) has a bilateral FTA with country j (the U.S.); 0 otherwise	WTO RTA Database
9	ε _{ij}	Errors - Unobserved component capturing factors not included in the model	-

Note: i: ASEAN countries, j: The United States

Source: Compiled by the author.

4 Empirical Results

The U.S.-China trade war, which began in 2018, has caused significant disruptions to the international trade system and created noticeable ripple effects on highly open economies like ASEAN. Analysis of trade data during this period shows that ASEAN economies have both benefited from trade diversion effects and faced numerous challenges related to supply chain stability and the increased risk of trade protection measures.

For Vietnam, one of the highly open economies with deep integration and close economic ties to both the U.S. and China, these developments clearly demonstrate the dual nature of the U.S.-China trade war's impact: it creates opportunities for export expansion while simultaneously increasing pressure on import dependence, origin risks, and supply chain resilience.

4.1 Descriptive Statistics Analysis

Descriptive statistics of the variables in the EGM model, presented in Table 2, reveal the following:

- *Regarding trade size and economic characteristics:* The variable Trade_{ij}, representing bilateral trade value, has an average value of approximately 18,985 and a standard deviation of 22,469, reflecting the large variability between AEC member countries and the U.S. This indicates a significant dispersion in the trade structure within the study sample, with some countries having high trade values with the U.S. (such as Singapore, Vietnam, Malaysia) while smaller countries (such as Laos, Brunei) have much lower trade volumes with the U.S. This disparity is consistent with the characteristics of the ASEAN bloc, where there is a significant asymmetry in economic size and export capacity among member countries.

The GDP_i variable has an average value of approximately US\$321.29 billion, fluctuating significantly with a standard deviation of 335.59, reflecting the large differences among AEC member countries in export performance. Some small economies, such as Brunei and Laos have small GDPs, while Indonesia, Thailand, and Singapore have large GDPs, creating a high dispersion of GDP values among member countries.

- *Referring to population size and market potential:* The variable Pop_i has an average value of approximately 66.64 million people with a standard deviation of about 78.06, reflecting the uneven distribution of the population among ASEAN member countries. Indonesia has the largest population in the region with over 283 million people, while smaller countries like Brunei have a

population of just over 400,000 and Singapore has a population of less than 10 million. Meanwhile, the United States has a very large population of over 300 million people. This shows that the asymmetry between AEC member countries (exporting countries) and the U.S. (importing country) is a fundamental characteristic of the data sample - consistent with the reality that AEC economies mainly export to markets with large populations and consumer demand.

- *About geographical distance and trade costs:* The average distance between AEC member countries and the U.S. ($Distance_{ij}$), at approximately 14,504 km, is very large. The standard deviation is 964.81 km, equivalent to about 6.65% of the average value, indicating that the dispersion of distance between ASEAN countries and the U.S. is not large. However, due to the large absolute distance between ASEAN member countries and the U.S., transportation and logistics costs remain a significant barrier to trade between the two sides and are expected to have an inverse effect on the estimation results of Model (1) using the PPML method.

- *Regarding the US-China tariffs and institutional integration factors:* The average tariff rate imposed by the U.S. on imported goods from China ($Tariff_{US-CN}$) is 13.86% with a standard deviation of 7.48, reflecting a significant increase in tariff levels during the escalating US-China trade war (2018-2020). The tariff rates in the study sample ranged from approximately 3% before the trade war to around 21% during the peak of tensions. This variability provides a suitable empirical basis for testing the spillover effects of the bilateral trade policy shock between the two major economies on the trade of the AEC countries.

The level of institutional integration is reflected through the dummy variable FTA_{ij} , which has a mean value of 0.10. This result shows that only 10% of the observations in the sample have trade relations governed by a bilateral free trade agreement with the U.S. This is consistent with the current context: although ASEAN and its member countries participate in a fairly extensive network of FTAs, the majority of trade relations between AEC/ASEAN countries and the U.S. are not yet within the framework of a direct FTA, and only Singapore is the sole country that has signed a bilateral FTA with the U.S.

The descriptive statistical analysis results above show that the data are relatively dispersed and have an asymmetrical structure, quite clearly reflecting the characteristics of ASEAN's trade: a region with significant differences in economic size, population,

and development levels among member countries, while still heavily dependent on trading partners outside the region. These characteristics imply that in the EGM model, market size-reflecting variables such as GDP and population can exhibit significant variability between trading partners, thereby considerably impacting the size of bilateral trade. Meanwhile, policy variables such as FTA_{ij} and $Tariff_{US-CN}$ are more important in identifying the impact of institutional integration and tariff shocks on the restructuring of trade flows in the region.

Table 2. Descriptive Statistics
of Variables Used in the Model

Variable s	Observations	Mean	SD.	Min.	Max.
$Trade_{ij}$	100	18,984.94	22,468.68	13.8	109,000.8
GDP_i	100	321.29	335.59	12.0	1,492.0
$Population_i$	100	66.64	78.06	0.42	283.5
$Distance_{ij}$	100	14,504.08	964.81	13,343.9	16,358.3
$Tariff_{US-CN}$	100	13.86	7.48	3.00	21.0
FTA_{ij}	100	0.10	0.30	0.00	1.0

Source: Author's calculations based on the research dataset.

4.2 Discussion of Empirical Results

The results of the extended gravity model estimation using the PPML method are presented in Table 3. In general, the variables in the model reflect three main groups of factors affecting ASEAN-U.S. trade: economic and market size, trade costs, and policy factors. However, some coefficients have signs or magnitudes different from usual expectations, so they need to be interpreted cautiously.

Regarding economic and market size: The coefficient of the variable $\ln GDP_i$ is positive and statistically significant ($\beta = 1.1327$; $p < 0.01$), indicating that larger ASEAN economies generally have higher export capacity to the U.S.. Meanwhile, the coefficient of the variable $\ln Pop_i$ is negative ($\beta = -0.2618$; $p < 0.01$), implying that a large population does not necessarily equate to larger exports, as some populous countries like Indonesia or the Philippines have large domestic markets and varying degrees of export orientation. Importer-side variables such as $\ln GDP_j$ ($\beta = -0.5834$; $p < 0.01$) and $\ln Pop_j$ ($\beta = 7.1432$; $p < 0.01$) should be interpreted cautiously because, in the study sample, the U.S. is the only importer, so these variables have limited variability and may be affected by time trends.

Referring to geographical distance and trade costs: The estimated coefficient of the variable $\ln Distance_{ij}$ is negative and statistically significant ($\beta = -9.3640$; $p < 0.01$), consistent with the gravity

model's hypothesis that geographical distance increases transport costs, delivery times, and logistics costs. However, the magnitude of the distance coefficient is significantly higher than the common range in gravity studies, usually between minus 1 and minus 2, suggesting that this result may be influenced by the unit of measurement, the ASEAN-U.S. sample structure, or the failure to adequately control for fixed country effects. Nevertheless, the negative coefficient suggests that trade costs between ASEAN and the U.S. stem not only from geographical distance but also from factors such as logistics, customs procedures, transit times, and the quality of transportation infrastructure.

Regarding policy variables: The estimated coefficient of $Tariff_{US-CN}$ is positive and statistically significant ($\beta = 0.1237$; $p < 0.01$), indicating that when the U.S. increases tariffs on imported goods from China, trade between ASEAN and the U.S. tends to increase. This is evidence of a trade diversion effect, where a portion of trade flows and export orders may have shifted from China to ASEAN economies to avoid the impact of high tariffs in US-China trade relations. In addition, the estimated coefficient of the FTA_{ij} variable is positive and statistically significant ($\beta = 0.0841$; $p < 0.01$, $IRR = 1.088$), adding strong evidence that free trade agreements have a positive impact on bilateral trade between ASEAN and the U.S., through reduced trade barriers, transaction costs, and increased institutional integration.

Table 3. PPML Estimation Results of the EGM

Independent variable	Coefficient (β)	Robust Standard error HC1	z - Statistics	p-value	IRR = $\exp(\beta)$
$\ln(GDP_i)$	1.1327	0.0015	758.76	0.001	3.145
$\ln(GDP_j)$	-0.5834	0.0278	-20.97	0.006	0.582
$\ln(Pop_i)$	-0.2618	0.0011	-237.51	0.000	0.818
$\ln(Pop_j)$	7.1432	0.2888	24.73	0.007	1162.73
$\ln(Distance_{ij})$	-9.3640	0.0143	-655.19	0.004	0.0001
$Tariff_{US-CN}$	0.1186	0.0240	4.94	0.005	1.126
FTA_{ij}	0.0834	0.0195	4.27	0.006	1.086
Intercept	57.116	1.3766	41.49	0.001	-

Note: Estimates are obtained using the Poisson Pseudo-Maximum Likelihood (PPML) estimator with heteroskedasticity-robust standard errors. IRR denotes the incidence rate ratio.

Source: PPML-based gravity model estimation results.

Furthermore, it should be noted that coefficients with unusual signs and magnitudes, such as $\ln GDP_j$,

$\ln Pop_j$, and $\ln Distance_{ij}$, should not be considered direct economic findings but primarily serve as control variables for economic size, market size, and trade costs in the model. The focus of the analysis and interpretation of the study should concentrate on the two main policy variables, $Tariff_{US-CN}$ and FTA_{ij} , as these are directly related to the research question of the impact of US tariff policies on China on ASEAN-US trade and the role of institutional integration in the trade diversion effect within ASEAN.

4.3 The Case Study of Vietnam-U.S. Trade

To more specifically assess the impact of the U.S.-China trade war on Vietnam, this study uses Vietnam's export data to the U.S. from 2015 to 2024 to calculate the projected trade value under baseline conditions. This value is derived from the extended gravity model estimated for the ASEAN-US sample. Based on this, the study constructs two unrealistic simulation scenarios based on the EGM model estimation results using the PPML method. The two main variables used in the simulation are US tariffs applied to Chinese goods ($Tariff_{US-CN}$) and the free trade agreements (FTA_{ij}).

The study examines two hypothetical simulation scenarios: (i) US tariffs on Chinese goods increase by 10 percentage points compared to the observed level; and (ii) Vietnam assumes a bilateral FTA with the U.S. ($FTA_{ij} = 1$). These scenarios are compared with Vietnam's actual export values to the U.S. and the model's forecast values under baseline conditions. The simulation results are presented in Table 4. It should be noted that the simulation results only reflect the potential impact of the model, under the assumption that other factors remain constant, and should not be interpreted as a definitive forecast of Vietnam's exports to the U.S..

Regarding the tariff increase scenario: The results show that when US tariffs on Chinese goods increase by 10 percentage points, Vietnam's exports to the U.S. could increase by approximately 12.6% compared to the baseline scenario, corresponding to an IRR value of $\exp(0.1186) \approx 1.126$. This reflects the trade diversion effect, as some orders and production activities tend to shift from China to Vietnam. However, this increase also reflects Vietnam's intermediary role in the East Asian supply chain, as many manufacturing industries still depend on imported raw materials, components, and semi-finished products, especially from China.

For the scenario with a bilateral FTA, the estimated coefficient $\beta = 0.0834$ gives an IRR value $\exp(0.0834) \approx 1.086$, implying that if Vietnam has a bilateral FTA with the U.S., the value of Vietnam's exports to the U.S. could increase by approximately

8.6% compared to the baseline scenario, corresponding to an IRR of 1.086. This impact could stem from reduced transaction costs, improved market access, simplified trade procedures, and increased business confidence in choosing Vietnam as a production and export location.

Nevertheless, the benefits from trade diversion and institutional integration are limited by logistics costs and geographical distance. The negative coefficient of the variable $\ln \text{Distance}_{ij}$ indicates that the long distance between Vietnam and the U.S., along with transportation costs, delivery times, customs procedures, and logistics infrastructure, remains a significant barrier. Therefore, to maintain its long-term advantage, Vietnam needs to continue investing in upgrading logistics infrastructure, developing multimodal transport connectivity, shortening customs clearance times, and strengthening the application of digital technology in supply chain management.

Overall, Vietnam has the potential to benefit from the trade shifts created by the U.S.-China trade war and can further expand these benefits by strengthening institutional integration through FTAs. However, this advantage can only translate into sustainable growth if Vietnam reduces logistics costs, enhances domestic production capacity, and participates more deeply in high-value-added stages of the value chain.

Table 4. Scenario-Based Trade Projections

Indicator	Observed Trade (Trade_{ij})	Predicted Trade (PPML)	US-China Tariff + 10 p.p.	With FTA ($\text{FTA}_{ij} = 1$)
Average, 2015–2024 (USD million)	5,980,2	6,031,5	6,791,5	6,550,2
Deviation from baseline prediction	-	-	+12.6%	+8.6%
Corresponding coefficient in the model	-	-	$\beta = 0.1168$	$\beta = 0.0834$

Source: Author's calculations based on ASEAN trade data and PPML estimation results (robust standard errors).

5 Policy Implications for Vietnam

Research results show that Vietnam is one of the countries that could significantly benefit from the U.S.-China trade war, mainly through two channels of impact: (i) Trade diversion effect due to increased trade costs between the U.S. and China, and (ii) Institutional integration effect through FTAs with

the U.S., which helps reduce trade barriers and enhance competitiveness. However, to maintain sustainable trade growth, Vietnam needs to focus on the following directions:

- *Taking advantage of trade diversion opportunities:* Vietnam needs to develop its own strategy in receiving investment flows and orders shifting according to the "China + 1" trend. The focus should be on industries that can participate deeply in the supply chain, have the potential to create high added value, and promote linkages with domestic businesses, such as electronics, precision mechanics, textiles, and supporting industries.

- *Accelerate FTA negotiations and improve the quality of integration institutions:* Vietnam needs to promote the establishment of an FTA with the U.S. to expand market access, increase trade benefits, and create a stable foundation for long-term export growth. At the same time, the content of the FTA needs to be upgraded to be more inclusive, including e-commerce, digital services, logistics, and green trade, and promote electronic certificates of origin (e-CO) to help businesses better utilize tariff preferences and reduce compliance costs.

- *Strengthen logistics capacity and reform administration:* Vietnam needs to improve the business environment, simplify customs procedures, shorten customs clearance times, and enhance logistics efficiency to reduce trade costs, thereby better maximizing the benefits of FTAs.

- *Upgrading its position in the global value chain:* Vietnam needs to gradually shift from a processing and assembly role to higher value-added stages such as design, R&D, logistics, and supply chain management. This requires increased investment in technology, innovation, and the development of high-quality human resources.

- *Strengthening resilience to geoeconomic shocks:* Vietnam needs to build a system for forecasting, early warning, and flexible policy responses to fluctuations in tariffs, carbon standards, trade safeguard measures, and export control policies of major powers.

6 Conclusion

Research findings show that the U.S.-China trade war not only disrupts the global trade system but also opens opportunities for trade shifts and supply chain restructuring in ASEAN. Under the impact of tariff shocks, a portion of international trade and investment flows tends to shift away from China to ASEAN economies, highlighting the region's role in adjusting regional and global value chains.

For Vietnam, the benefits of the U.S.-China trade war mainly come from two channels: trade diversion effects and institutional integration through FTAs. These two channels contribute to expanding exports, reducing transaction costs, and strengthening competitiveness. However, these benefits are not yet truly sustainable and are heavily dependent on external factors. High logistics costs, limited domestic production capacity, and dependence on imported raw materials and components mean Vietnam still faces the risk of being stuck in low-value-added processing and assembly stages.

Therefore, Vietnam needs to shift from a passive beneficiary position to an active one, adapting and upgrading its competitiveness. The focus of policy should be on developing logistics infrastructure, enhancing the capacity of domestic enterprises, strengthening forecasting and policy response capabilities to geoeconomic shocks, and promoting the possibility of establishing a Free Trade Agreement (FTA) with the U.S. In addition, it is necessary to restructure exports towards increasing technological content, innovation, and green standards. This is a crucial condition for Vietnam to more effectively utilize opportunities from trade diversion and consolidate its position in the regional supply chain.

Further research could expand the analysis by industry, product, or individual ASEAN country to further clarify the differences in the level of benefits and risks from trade diversion. Using enterprise-level or HS code-level data, combined with variables related to FDI, logistics, rules of origin, and trade defense measures, will help to more accurately assess the long-term impact of the U.S.-China trade war on ASEAN and Vietnam.

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Nguyen Huy Hoang was primarily responsible for the research idea, theoretical framework, methodology, quantitative model, interpretation of results, and finalization of the manuscript. Tran Xuan Hiep contributed to the literature review, data collection, and data processing. Le Thi Thanh Tam participated in the analysis of the practical context, content editing, and standardization of references. All three authors read, provided feedback, and agreed upon the final manuscript.

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Conflicts of Interest

The authors have no conflicts of interest to declare.

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