

Is Vietnam Taking Action against the US Dollar?

US Dollar Becoming Toxic: Vietnam Slowly Moving to De-Dollarize Its Economy

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Vietnam, a historically resistant nation against foreign interventions like the one that started in the Gulf of Tonkin is soon to be in another type of war, a currency war. U.S. President Donald Trump has threatened Vietnam with tariffs in the past and it has made the Vietnamese business community uneasy. In early August, the South China Morning Post (SCMP) published 'Donald Trump's 'real threat' of Vietnam tariffs sends ripples of anxiety through Southeast Asian nation' based on the threat made by Donald Trump against Vietnam and keep in mind that in July, Trump had imposed tariffs on Vietnam's steel imports.

However, the article began with Steven Yang, the owner of Foshan Jietai Furniture who exports to the U.S., the E.U, Canada, Hong Kong and other parts of Asia. Yang had been planning to increase his exports to the U.S. but Trump "imposed anti-dumping duties of up to 1,731 per cent on Chinese-made mattresses." It was reported that "Yang quickly took to WeChat and shared an expletive-laden post attacking Trump, then contacted an agency in Vietnam to start the relocation process." Yang was to start production in Vietnam by the end of August, but Trump's economic policies made it rather difficult. "Now, however, he is cursing Trump again – with the US President turning his ire on the Southeast Asian country, which has been the destination of choice for many manufacturers leaving China, driving up its trade surplus with the US." Trump's trade war has many Vietnamese factories worried according to the SCMP:

This has led to mounting speculation that Vietnam could be the next battleground in Trump's trade war after he last month described the country as "almost the single worst abuser of everybody". Indeed, in July, Washington imposed duties of more than 400 per cent on steel imports from Vietnam, saying that some metal was being shipped from South Korea and Taiwan to the US via Vietnam to avoid the respective steel tariffs.

There is a fear that other products will be next, and those who have invested heavily in Vietnamese factories are growing more worried by the day. "If Trump imposes tariffs on all Vietnamese goods, I can only say I am completely out of luck," said, Yang, who will still need to import up to 70 per cent of his raw materials from China. "I know the percentage is not low, but I don't think there will be problem for me to get the made in Vietnam label"

The SCMP article says that

"US customs authorities are also wary of transshipment, where Chinese manufacturers export to Vietnamese ports, only to then ship them on to America claiming they are made in Vietnam despite little or in some cases no

change taking place to the products.”

Vietnam is also concerned since it does trade with China and others in the region

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The story continued

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There is a growing fear throughout Vietnam that other factories that produce products for exports can also face the prospect of U.S. imposed tariffs.

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“I know the percentage is not low, but I don’t think there will be problem for me to get the made in Vietnam label.” The possibility that Washington’s-imposed tariffs is growing by the day as US-China tensions remain high effecting trade among neighboring countries in South-East Asia “Trump’s volatility, combined with Vietnam’s soaring surplus, has made further tariffs a very real prospect, according to those familiar with the matter. The US deficit with the Southeast Asian nation is almost US\$40 billion, and has been steadily rising as it becomes a more attractive destination for production.”

Two high-level executives are convinced that Vietnam can be hit with tariffs under the Trump Administration. One of them is Frederick Burke, one of the managing partners at Baker & McKenzie’s Vietnam office said that

“I do hear from the back rooms that tariffs are not off the table completely. If something does not really change with this US\$40 billion trade surplus, I would not rule it out. It’s a real possibility.” The other is an executive director for Southeast Asia at the US Chamber of Commerce is John Goyer who shared the same view, “I think it would be very unwise to ignore the threat of tariffs,” he continued “I believe it is a real threat – there is a real possibility that this administration could slap tariffs on Vietnam.”

According to the SCMP:

Those companies who are legitimately manufacturing in Vietnam are concerned that their exports to the US could be killed by companies engaging in transshipment. As with Yang, many have fled China due to rising costs and tariffs, and have established full production facilities in Vietnam, to the extent that its trade infrastructure – ports, roads and airports – are groaning under the weight of the jump in exports



The article ended with a clear message that Vietnam will not take any chances, especially with a sitting U.S. president slapping sanctions and tariffs all around the world

"If Trump imposes tariffs on all products made in Vietnam, we will all get into trouble," said Li Weihua, a Chinese businessman whose company, Gaocheng Furniture, makes products in Vietnam to export to the US. "But I don't think he will slap the tariffs on in the near future."

So Vietnam is taking action against the U.S. dollar and will soon join the De-Dollarization club according to one of Vietnam's leading economics and business newspapers 'Vietnam Investment Review'(VIR) who published a convincing article on de-dollarizing the Vietnamese economy, the title says it all, 'Vietnam implementing de-dollarization policy'. The article begins with a description of what is happening within the banking and business community in Vietnam:

Since October, Vietnamese and foreign commercial banks are no longer allowed to provide mid- and long-term foreign currency loans. Experts believe this is an essential move towards reducing foreign currency mobilisation, boosting the country's exports, encouraging derivatives products as risk-hedging tools, and implementing the country's de-dollarisation policy

Vietnam has been trying to free itself from the USD for some time, most recently the *State Bank of Vietnam (SBV)* *"has been trying to reduce the number of transactions conducted in US dollars, either for domestic payments or foreign trade."* The SBV made its move last April on short-term loans as explained by the VIR *"short-term loans used for outward remittances for imported goods or services for business and production for domestic demand have been stopped"* and on October 1st, the SBV then published their plans to slowly de-dollarize:

Most recently, Circular No.42/2018/TT-NHNN dated October 1 revealed that the SBV would prohibit foreign currency loans to importers in both the mid- and long-term. This decision applies for domestic and international lenders. The SBV aims to reduce the proportion of foreign currency in total outstanding debts below 7.5 per cent next year, and below 5 per cent in 2030

The move to de-dollarize continues to resonate around the world as the U.S. global economic empire is now facing stiff competition from its eastern counterparts and creating enemies with its weapon of choice, the US dollar with its imposed tariffs and sanctions. Vietnam, a country whose present political reality is a direct result of Western interventions including the most devastating war in its history against the U.S. will find alternative markets and eventually drop the U.S. dollar at some point in time. *"Economist Hieu believed the advantages of de-dollarisation would outweigh disadvantages, saying that it is necessary to stabilise the forex market and exchange rate."* Hieu represents the facts that Vietnam would eventually use other alternative currencies such as the Chinese Yuan and others. *"The trend is likely to continue because the infrastructure for transactions in alternative currencies is improving," Hieu stressed, "The exchange rate is stable, foreign currency reserves are high, and the SBV can balance the foreign currency position, so it is high time to restrict and stop offering foreign currency loans."*

VIR also interviewed Tharabodee Serng-Adichaiwit of the Bangkok Bank Vietnam who

explains that one of the main reasons of Vietnam's currency instability is due to the U.S. dollar, but the SBV managed to de-dollarize the economy resulting in stabilizing the Vietnam Dong (VND):

From my observations, SBV has done a very good job to de-dollarise the economy in the past 5-6 years, as we can witness that the USD does not have the same impact on the Vietnamese economy as it did in the past. The SBV policy has prevented Vietnam from facing a financial crisis that happened in Thailand in 1998. Furthermore, the VND has been the main means of payment and has also become one of the most stable currencies in the region" he explained

That means Vietnam will continue to slowly de-dollarize its economy, unless there are more threats made by Trump which will make the Vietnamese people extremely nervous, then they will accelerate the de-dollarization process at a faster pace. The majority of the Vietnamese people do not trust the American government, they should know, they can still remember the Vietnam war, and many still suffer from the aftermath, but only this time it's different because it's a currency war.

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