

Historical and contemporary economic linkages: Vietnam–China trade from the Silk Road to modern economic corridors

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Abstract: *This paper investigates the development of Vietnam–China trade through the lens of interregional value chains, examining its transition from historical exchange networks to contemporary production-oriented integration. Grounded in Global Value Chain (GVC) theory, Regional Value Chain perspectives, and regional economic geography, the study explores how bilateral economic relations have evolved from traditional trading systems, including maritime Silk Road linkages and tributary exchanges, toward modern fragmented manufacturing networks driven by intermediate input flows and cross-border economic corridors. Employing a qualitative descriptive approach and utilizing secondary sources from international institutions and scholarly research, the paper identifies three major characteristics of Vietnam–China economic interaction. First, the bilateral trade pattern demonstrates Vietnam’s substantial reliance on Chinese intermediate inputs, while maintaining a comparative advantage in downstream assembly activities and agricultural exports. Second, Vietnam’s integration into East Asian production networks reflects a common GVC configuration, characterized by dependence on upstream suppliers and specialization in manufacturing stages with lower value-added creation, corresponding to the smile curve framework. Third, strategic connectivity initiatives, including the Kunming–Lao Cai–Hanoi–Hai Phong economic corridor and logistics networks associated with the Belt and Road Initiative, have significantly enhanced cross-border production linkages and regional connectivity. The study argues that Vietnam–China trade is no longer primarily defined by the exchange of finished goods but increasingly by participation in interconnected production systems. Although such integration has contributed to Vietnam’s export-oriented economic expansion, it has also exposed persistent imbalances in value creation, technological capacity, and supply chain resilience. By linking historical trade relationships with contemporary industrial organization and infrastructure development, this research provides a broader perspective on the mechanisms shaping Vietnam–China economic ties within East Asian regional value chains.*

Keywords: Economic corridors; Global Value Chains; Regional Value Chains; Silk Road; Vietnam–China trade.

1. INTRODUCTION

In the context of accelerating globalization and regional economic integration, international trade has undergone a profound structural transformation from the exchange of final goods to the fragmentation of production across multiple economies. This shift has been widely conceptualized through Global Value Chain theory, which emphasizes the spatial separation of production stages and the increasing interdependence of economies in intermediate goods trade (Gereffi et al., 2005; Baldwin, 2016). As production processes become increasingly modular and geographically dispersed, countries no longer specialize in entire industries but instead participate in specific segments of global and regional production networks. East Asia represents one of the most advanced regions in this structural transformation, often described as “Factory Asia,” where production is deeply integrated through cross-border supply chains linking China, ASEAN economies, Japan, and South Korea (Kimura & Obashi, 2010). Within this system, China functions as the central manufacturing hub supplying intermediate goods and industrial inputs, while neighboring economies, including Vietnam, have increasingly specialized in assembly, processing, and export-oriented manufacturing activities. This regional production structure has significantly reshaped trade

patterns, investment flows, and industrial development strategies across East and Southeast Asia.

Vietnam–China trade constitutes a particularly important case within this regional production system due to its historical depth, geographical proximity, and structural asymmetry. The two economies have evolved from early forms of maritime and border trade under the Silk Road and tributary systems to highly integrated modern production networks driven by industrial supply chains and economic corridors. In recent decades, Vietnam has emerged as one of the fastest-growing manufacturing exporters in Southeast Asia, while simultaneously becoming increasingly dependent on Chinese intermediate inputs for its export industries (World Bank, 2023). This dual structure reflects both deepening economic interdependence and rising concerns regarding structural dependency. At the same time, the development of regional economic corridors such as the Kunming–Lao Cai–Hanoi–Hai Phong axis, alongside broader initiatives such as the Belt and Road Initiative (BRI), has further strengthened physical and institutional connectivity between Vietnam and China. These infrastructure-driven linkages have facilitated the expansion of cross-border value chains by reducing transportation costs, improving logistics efficiency, and enabling more complex production fragmentation across borders (Asian Development

Bank, 2014). However, despite increasing integration, significant asymmetries remain in terms of value-added distribution, technological capabilities, and supply chain control.

Against this background, this paper examines the evolution of Vietnam–China trade from the perspective of interregional value chains. It aims to analyze how historical trade structures have transformed into modern production networks, how Vietnam is positioned within East Asian GVC/RVC systems, and how economic corridors and trade agreements have reshaped bilateral economic relations. By integrating historical analysis with value chain theory and regional economic geography, this study contributes to a more comprehensive understanding of Vietnam–China trade beyond conventional trade balance perspectives. The paper also seeks to fill a gap in the existing literature, which often treats Vietnam–China trade either from a purely historical-diplomatic perspective or from a narrow trade statistics perspective, without sufficiently connecting historical trade structures to modern value chain integration. By adopting an interregional value chain framework, this study provides a more systematic explanation of how long-term historical connectivity, industrial specialization, and infrastructure development jointly shape contemporary trade patterns between the two economies.

2. LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1 Studies on Historical Vietnam–China Trade

The historical relationship between Vietnam and China has attracted considerable scholarly attention due to its long-standing economic, political, and cultural interactions. Existing literature generally examines Vietnam–China trade through three major perspectives: the Maritime Silk Road, tributary trade systems, and border trade networks. These studies collectively demonstrate that commercial exchange between the two regions was not merely transactional but embedded within broader structures of regional connectivity and political order.

Research on the Maritime Silk Road emphasizes the role of Eurasian maritime networks in facilitating interregional trade and cultural exchange. UNESCO (2026) describes the Maritime Silk Road as a transcontinental system linking China with Southeast Asia, South Asia, the Middle East, and East Africa through commercial and navigational routes. Historians such as Hansen (2012) and Frankopan (2015) argue that maritime trade gradually became more significant than overland caravan routes due to advances in navigation, shipbuilding technology, and the expansion of coastal commercial centers. Within this broader maritime system, Southeast Asia functioned as an intermediary region connecting East Asia with the Indian Ocean economy (Hall, 2011). Vietnam occupied an important strategic position along these routes because of its location on the South China Sea and its proximity to southern China. Studies by Gunn (2021) and Taylor (2013) emphasize that Vietnamese ports such as Van

Don and Hoi An emerged as significant commercial hubs that connected Chinese merchants with traders from Japan, India, and Southeast Asia. These studies suggest that historical maritime connectivity laid an important foundation for later regional economic integration in East Asia.

Another important strand of literature focuses on the tributary trade system during the feudal period. Fairbank (1968) argues that the tributary system in East Asia functioned simultaneously as a diplomatic order and a regulated commercial structure through which trade and political legitimacy were closely intertwined. Under this framework, Vietnam maintained formal tributary relations with successive Chinese dynasties while also preserving significant economic autonomy in local commercial activities. Wang (2013) further argues that tributary missions frequently involved substantial private trade activities conducted under official diplomatic protection. In addition to formal diplomacy, frontier commerce played an essential role in sustaining bilateral trade. Anderson (2012) notes that border regions in premodern Asia were characterized by the flexible sovereignty, where local communities often maintained commercial interaction regardless of political tensions between states. Studies on traditional border markets also highlight the role of ethnic minority communities, itinerant merchants, and local authorities in facilitating cross-border trade through informal or semi-formal institutions (Scott, 2009).

Some literature also examines the role of commodities and localized exchange systems in shaping Vietnam–China economic relations. Chinese exports such as silk, ceramics, tea, and metal products circulated widely in Vietnamese markets, while Vietnam supplied agricultural products, spices, forest goods, and tropical commodities (Li, 2006). Archaeological evidence presented by Kleinen (2007) demonstrates extensive circulation of Chinese porcelain and manufactured goods in northern Vietnam during the Ming and Qing dynasties, reflecting deep material and cultural exchange between the two regions. These historical studies collectively indicate that Vietnam–China trade evolved through both institutionalized diplomacy and localized commercial interaction, forming an early regional economic system characterized by interdependence and connectivity. Despite extensive scholarship on the Silk Road and tributary systems, most historical studies focus primarily on political relations, cultural exchange, or premodern commercial structures. Relatively limited attention has been paid to how these historical trade networks contributed to the long-term evolution of regional production systems and contemporary Vietnam–China economic integration.

2.2 Regional Value Chain and Global Value Chain Theories

Theoretical discussions of regional and global value chains provide an important analytical framework for understanding the transformation of Vietnam–China trade from traditional exchange systems to modern production networks. Unlike conventional trade theories that focus mainly on the exchange

of final goods, value chain approaches emphasize the fragmentation of production processes and the distribution of value-added activities across multiple locations. One of the foundational contributions to this field is the Global Value Chain (GVC) framework developed by Gereffi (1994). The author argues that globalization has reorganized production into geographically dispersed but functionally integrated networks in which firms and regions specialize in different stages of production. Later studies by Gereffi et al. (2005) further classify governance structures within value chains and explain how lead firms coordinate production across countries through hierarchical or market-based relationships. In East Asia, this framework has been widely applied to explain the emergence of “Factory Asia,” where manufacturing processes are fragmented across regional economies according to comparative advantages in labor, infrastructure, and industrial capacity.

Closely related to GVC theory is the concept of Regional Value Chains (RVCs), which focuses on geographically concentrated production systems within a specific region. Kimura & Obashi (2010) argue that East Asia has developed one of the world’s most integrated regional production systems through extensive trade in intermediate goods and cross-border industrial specialization. Within these networks, China generally functions as the primary manufacturing core, while neighboring economies such as Vietnam participate in assembly operations and export-oriented processing. Baldwin (2016) further argues that contemporary globalization is increasingly characterized by trade in tasks rather than trade in finished goods, reflecting the deep fragmentation of production across interconnected economies. Besides, the “Smile Curve” concept introduced by Stan Shih also provides an important perspective on value creation within production networks. According to this framework, higher value-added activities such as research and development, branding, and post-production services generate greater economic returns than labor-intensive assembly operations. This perspective has been widely used to explain the unequal distribution of value within East Asian manufacturing systems, where many developing economies remain concentrated in lower value-added stages of production (Mudambi, 2008). In the context of Vietnam–China trade, the smile curve helps explain why Vietnam’s export growth in sectors such as electronics often remains heavily dependent on imported components and upstream technologies from China.

Another major theoretical approach concerns industrial upgrading within value chains. Humphrey & Schmitz (2002) define upgrading as the process through which firms or economies move toward higher value-added activities through technological learning, product diversification, and improved production capabilities. Studies on East Asian industrialization suggest that participation in regional production networks can create opportunities for technological diffusion and export expansion, but may also reinforce structural dependence on dominant manufacturing centers (Gereffi & Fernandez-Stark, 2016). This perspective is particularly relevant for analyzing

Vietnam’s increasing integration into China-centered production systems. The literature on dependency and interdependence further contributes to understanding the asymmetrical nature of regional production networks. Keohane & Nye (1977) argue that economic interdependence does not necessarily imply equal relationships; instead, asymmetrical dependence may create vulnerabilities for weaker economies within integrated systems. In the context of East Asian trade, several scholars have argued that while regional integration generates economic growth opportunities, it can also increase dependence on Chinese industrial inputs, logistics systems, and consumer markets (Athukorala, 2011). This duality between integration and dependence has become a central theme in recent studies on Vietnam–China economic relations and regional supply chain restructuring. It can be seen that the GVC and RVC theories collectively suggest that modern trade relations should be analyzed not only through bilateral trade volumes but also through production fragmentation, value-added distribution, industrial upgrading, and regional interdependence.

2.3 Related Theories

2.3.1. Interdependence Theory

Interdependence theory provides a political economy perspective for analyzing asymmetric relationships within integrated economic systems. According to Keohane & Nye (1977), interdependence refers to situations in which actors or economies are mutually affected by exchanges of goods, services, capital, or information. However, interdependence does not imply equality; rather, it often generates asymmetric dependencies that shape bargaining power and vulnerability. In the context of Vietnam–China trade, interdependence is characterized by structural asymmetry. Vietnam’s manufacturing sector is highly dependent on imported intermediate goods, industrial inputs, and machinery from China, while China has a more diversified industrial base and alternative export markets. This creates a dependency relationship in which disruptions in Chinese supply chains or policy changes can significantly affect Vietnam’s production capacity.

Recent scholarship on global supply chains has emphasized the increasing importance of supply-chain vulnerability in assessing economic interdependence. Highly fragmented production networks, while efficient, are also sensitive to external shocks, including geopolitical tensions, pandemics, and trade policy shifts. Athukorala (2011) argues that East Asian production networks are deeply integrated but simultaneously exposed to systemic risks due to concentrated upstream dependencies. Within this framework, Vietnam’s integration into China-centered value chains can be interpreted as a form of complex interdependence: it generates economic growth opportunities through access to inputs and markets, while simultaneously increasing exposure to external constraints. This dual structure of integration and vulnerability is central to understanding the political economy of Vietnam–China economic relations.

2.3.2. Economic Corridor Framework

The Economic Corridor framework provides a spatial and infrastructure-based perspective for analyzing regional integration and trade connectivity. Economic corridors are defined as geographically concentrated zones that integrate transportation infrastructure, logistics systems, industrial clusters, and urban development along specific routes to enhance economic efficiency (Asian Development Bank - ADB, 2014). Economic corridors play a critical role in reducing transaction costs associated with cross-border trade. Improved transport infrastructure such as highways, railways, and ports—lowers logistics costs, shortens delivery times, and increases the reliability of supply chains. In the Vietnam–China context, corridors such as the Kunming–Lao Cai–Hanoi–Hai Phong route facilitate the movement of intermediate goods between Chinese manufacturing centers and Vietnamese industrial zones.

Beyond transport efficiency, economic corridors also contribute to deeper logistics integration by aligning customs procedures, regulatory frameworks, and border management systems. Ishida (2009) argues that corridor development in the Greater Mekong Subregion has significantly enhanced trade facilitation by improving connectivity between inland production regions and coastal export hubs. From a spatial economics perspective, economic corridors also reshape industrial geography by influencing the location of production activities. Krugman's (1991) new economic geography framework suggests that firms tend to concentrate in areas with strong market access and low transportation costs. As corridor infrastructure improves, production networks expand along these routes, leading to the emergence of cross-border industrial clusters and regional specialization patterns. In the case of Vietnam–China relations, economic corridors have contributed to the reconfiguration of regional production space, linking southern China's industrial base with northern Vietnam's manufacturing zones. This spatial integration reinforces the formation of interregional value chains by physically embedding production networks into transport and logistics infrastructure.

2.4 Economic Corridor

The concept of economic corridors has become increasingly important in studies of regional integration and cross-border production networks in Asia. Economic corridors are generally understood as geographically integrated development zones connecting transportation infrastructure, logistics systems, industrial clusters, and urban centers across multiple regions or countries (ADB, 2014). In East and Southeast Asia, economic corridor development has been closely associated with regional connectivity strategies, trade facilitation, and the expansion of regional value chains. One of the most significant corridors in mainland Southeast Asia is the Kunming–Lao Cai–Hanoi–Hai Phong economic corridor, which forms part of the Greater Mekong Subregion cooperation framework supported by the Asian Development Bank. According to ADB (2008), the corridor was designed to

strengthen transportation connectivity between southwestern China and northern Vietnam through integrated road, railway, and port infrastructure. Studies on the corridor emphasize its role in facilitating cross-border trade, reducing logistics costs, and supporting industrial relocation from coastal China to neighboring economies (Ishida, 2009). The modernization of transport systems linking Yunnan province with Vietnamese ports has significantly increased trade flows and strengthened the integration of northern Vietnam into regional supply chains.

The Belt and Road Initiative (BRI), launched by China in 2013, has further expanded discussions of economic corridor development in Asia. The BRI seeks to improve regional connectivity through large-scale investments in transportation infrastructure, logistics networks, ports, and industrial zones across Eurasia and the Global South. According to Rolland (2017), the BRI represents not only an infrastructure strategy but also a broader geopolitical and economic framework aimed at deepening China's regional influence and supply chain connectivity. Within Southeast Asia, BRI-related projects have contributed to the expansion of railways, highways, and port systems linking China with ASEAN economies. Scholars such as Summers (2016) argue that these corridors strengthen regional production integration by facilitating the movement of intermediate goods, industrial components, and investment flows across borders. ASEAN connectivity initiatives also constitute an important area of economic corridor literature. The ASEAN Economic Community (AEC) and related connectivity programs aim to enhance physical, institutional, and digital integration across Southeast Asia. According to ASEAN (2025), regional connectivity strategies focus on transportation infrastructure, customs harmonization, logistics modernization, and trade facilitation in order to support deeper economic integration. Studies on ASEAN connectivity emphasize that improved infrastructure and trade coordination are essential for the development of regional value chains and cross-border manufacturing systems (Menon, 2013). Vietnam has increasingly benefited from these initiatives due to its strategic geographical location and expanding participation in East Asian supply chains. Recent literature further suggests that economic corridors are evolving beyond simple transportation routes into integrated production spaces connecting industrial clusters, logistics hubs, and regional supply chains (Korgun, 2023). In the context of Vietnam–China relations, economic corridors play a crucial role in linking Chinese manufacturing centers with Vietnamese assembly industries and export-processing zones. At the same time, however, scholars also highlight potential risks associated with uneven regional development, excessive dependence on Chinese infrastructure financing, and supply chain vulnerabilities resulting from concentrated production networks (Jones & Zeng, 2019).

2.5 Research Gaps

Existing literature provides extensive analysis of the Silk Road, tributary trade systems, regional value chains, and

economic corridor development in East and Southeast Asia. Historical studies have successfully examined the role of maritime commerce, border trade, and political diplomacy in shaping long-term Vietnam–China interactions. Similarly, studies on global and regional value chains have contributed significantly to understanding production fragmentation, industrial specialization, and the emergence of China-centered manufacturing networks in Asia. However, several important gaps remain in the literature.

Firstly, many historical studies focus primarily on cultural exchange, diplomatic relations, or premodern commercial systems without sufficiently examining the long-term economic continuity between historical trade networks and contemporary regional production systems.

Secondly, studies on Vietnam–China trade often concentrate on bilateral trade volumes, political relations, or border commerce, while relatively limited research applies value chain perspectives to analyze the structural transformation of bilateral economic relations.

Thirdly, existing studies on regional value chains and economic corridors mainly emphasize China’s industrial expansion or ASEAN integration separately, rather than examining how historical connectivity, regional infrastructure, and modern supply chains interact within the evolution of Vietnam–China trade. Therefore, this study seeks to bridge economic history and regional value chain analysis by examining the evolution of Vietnam–China trade from the Silk Road era to contemporary economic corridors within the broader framework of interregional production networks. The study contributes to the literature by integrating historical trade connectivity, regional value chain theory, and modern economic corridor analysis into a unified analytical framework for understanding Vietnam–China economic relations.

3. METHODOLOGY

3.1 Research Design

The study employs a multi-layered analytical framework integrating three complementary approaches. Firstly, a historical-comparative approach is used to examine the evolution of Vietnam–China trade across different periods, ranging from pre-modern Silk Road exchanges to contemporary economic corridor integration. This allows the study to identify long-term continuities and structural shifts in trade patterns. Secondly, a value chain analytical approach is applied to interpret modern trade relations through the lens of Global Value Chains (GVCs) and Regional Value Chains (RVCs). This approach focuses on production fragmentation, intermediate goods trade, and the spatial distribution of value-added activities across countries. Thirdly, a regional economic geography approach is employed to analyze the role of economic corridors, logistics infrastructure, and spatial connectivity in shaping trade flows between Vietnam and China. This helps explain how physical infrastructure and policy initiatives (BRI, ASEAN connectivity...) influence production networks.

3.2 Data Sources

The study relies on secondary data sources, including: International trade statistics from UN Comtrade Database; Macroeconomic and trade reports from the World Bank; Regional development and corridor data from the Asian Development Bank; Industrial and trade statistics from the National Statistics Office of Vietnam; Policy and economic integration reports from ASEAN Secretariat and World Bank regional studies. Historical and qualitative data are drawn from peer-reviewed academic literature on the Silk Road, tributary trade systems, and colonial trade networks. These sources provide contextual evidence for long-term trade evolution.

3.3 Analytical Framework

The analytical framework of this study is structured around three interrelated conceptual dimensions in order to explain the evolution and structure of Vietnam–China trade within interregional value chains. Firstly, the trade structure analysis focuses on the composition of bilateral trade, particularly the distinction between intermediate goods imports and export goods. Vietnam’s imports from China are primarily composed of machinery, electronics inputs, and industrial materials, while its exports consist mainly of electronics assembly products, textiles, and agricultural goods. This distinction helps to identify Vietnam’s position within regional production networks, particularly its dependence on upstream industrial inputs and its specialization in downstream production activities.

Secondly, the value chain positioning analysis applies Global Value Chain and Regional Value Chain theories to interpret Vietnam’s role in East Asian production networks. The analysis emphasizes three key aspects: Vietnam’s upstream dependence on Chinese industrial inputs, its downstream specialization in assembly-based manufacturing, and the distribution of value-added across different production stages. This conceptual approach is grounded in Gereffi et al. (2005), Baldwin (2016), and the “smile curve” framework developed by Mudambi (2008), which highlights the unequal distribution of value creation along global production chains.

Thirdly, the spatial-logistics analysis examines how economic corridors and infrastructure networks shape Vietnam–China trade flows. Particular attention is given to major connectivity initiatives such as the Kunming–Lao Cai–Hanoi–Hai Phong economic corridor and broader Belt and Road Initiative (BRI)-related logistics systems. This dimension focuses on transport connectivity through roads, railways, and ports, the role of border trade facilitation mechanisms, and the spatial clustering of industrial activities along major trade corridors.

3.4 Analytical Method

This study employs a descriptive-analytical method combined with conceptual synthesis rather than econometric modeling. Trade patterns, structural changes, and historical developments are interpreted through established theoretical

frameworks, including GVC/RVC theory and regional economic geography, rather than statistical estimation techniques. This methodological choice is justified by the research objective, which is to trace the long-term structural evolution of Vietnam–China trade, identify Vietnam’s position within regional production networks, and explain the institutional and spatial mechanisms underlying trade integration. By focusing on structural interpretation rather than causal estimation, the study aims to provide a comprehensive understanding of how trade, production, and infrastructure interact across different historical and economic phases. This approach is consistent with previous research on global and regional value chains, where qualitative mapping and conceptual analysis are widely used to complement quantitative trade studies and to capture the complexity of fragmented production systems (Gereffi & Fernandez-Stark, 2016).

4. HISTORICAL EVOLUTION OF VIETNAM–CHINA TRADE

4.1 Pre-modern Silk Road Connections

Vietnam–China trade relations have deep historical roots embedded in the broader Eurasian exchange system of the Silk Roads, which combined overland, maritime, and regional trade networks. Rather than a bilateral economic relationship in the modern sense, early Vietnam–China trade was structured through imperial hierarchies, maritime connectivity, and culturally embedded commercial exchange. A central mechanism of this period was the tributary trade system, which organized economic relations under a political framework centered on imperial China. According to Fairbank (1968), the tributary system functioned as both a diplomatic order and a regulated commercial mechanism in which trade was embedded within political recognition and ritual exchange. Vietnam participated in this system through periodic missions to Chinese courts, where tribute goods were exchanged for imperial gifts and trade privileges. In parallel, the Maritime Silk Road played an increasingly important role from the Tang and Song periods onward. As highlighted by Valerie Hansen (2012), maritime trade networks connected Chinese coastal ports with Southeast Asia, the Indian Ocean, and the Middle East, facilitating large-scale movement of goods such as silk, ceramics, spices, and precious metals. Vietnam’s coastal ports, especially those in northern and central regions became strategic nodes linking China with Southeast Asian maritime routes (Hall, 2011). Beyond institutional trade, this period was characterized by deep cultural-commercial diffusion, where merchants, monks, and envoys facilitated not only goods exchange but also the transmission of technologies, religions, and administrative practices across East Asia (Frankopan, 2015). These early interactions laid the historical foundation for Vietnam’s later integration into regional maritime and economic systems.

4.2 Cold War and Socialist Trade Period

Following the mid-20th century geopolitical restructuring, Vietnam–China trade entered a highly politicized phase shaped by socialist planning systems and ideological alignment. During the 1950s–1970s, trade relations were conducted primarily under centrally planned bilateral agreements, in which quotas, prices, and exchange structures were determined administratively rather than by market forces. In the early Cold War period, China provided Vietnam with substantial economic and military assistance, including industrial goods, infrastructure support, and technical aid. However, relations deteriorated significantly after the late 1960s due to ideological divergence and border conflicts, leading to a sharp contraction in trade flows. From a theoretical perspective, this period reflects a shift from market-based or network-based trade to state-controlled exchange systems, where economic relations were subordinated to geopolitical strategy. According to Naughton (2007), socialist trade systems in East Asia were characterized by limited efficiency, low specialization, and weak integration into global markets, as production was organized within national planning structures rather than regional value chains. As a result, Vietnam–China trade during this period was fragmented, politically constrained, and largely decoupled from broader Asian maritime and production networks.

4.3 Doi Moi Reforms and Normalization (1991–2001)

The late 1980s and early 1990s marked a fundamental turning point in Vietnam–China economic relations. Vietnam’s Doi Moi reforms (1986) and China’s earlier reform and opening-up policy (1978) created the institutional basis for reintegration into regional and global markets. A critical milestone was the normalization of diplomatic relations in 1991, which reopened official trade channels and restored cross-border economic interaction. Following normalization, border trade expanded rapidly through official border gates such as Lang Son, Lao Cai, and Mong Cai. According to the World Bank (2009), trade liberalization and improved cross-border connectivity were key drivers of economic integration in Southeast Asia during this period. Vietnam’s trade with China shifted from politically constrained exchange to market-oriented border trade, supported by emerging private enterprises and informal commercial networks. Empirical evidence shows that Vietnam–China trade grew rapidly in the 1990s, driven by rising demand for intermediate goods and consumer products. This period also marked the beginning of Vietnam’s integration into early regional production networks, particularly in agriculture, textiles, and light manufacturing.

4.4 WTO and ASEAN Integration Era (2001–2013)

The period after 2001 represents the structural transformation of Vietnam–China trade into a production-network-based relationship, driven by WTO accession and ASEAN-centered trade liberalization. China’s accession to the WTO in 2001 and Vietnam’s in 2007 significantly reduced tariff barriers and facilitated integration into global value

chains. At the regional level, the establishment of the ASEAN–China Free Trade Area (ACFTA) (implemented in 2010) played a decisive role in deepening economic interdependence. According to China Briefing (2023), ACFTA eliminated tariffs on more than 90% of traded goods, significantly accelerating trade flows between China and ASEAN economies, including Vietnam. During this period, Vietnam–China trade expanded rapidly both in scale and complexity. According to GSO data, China became one of Vietnam’s largest trading partners, particularly in machinery, electronics, textiles, and intermediate industrial inputs (GSO, 2023). Bilateral trade increasingly reflected intermediate goods exchange, indicating deepening participation in regional value chains. From a structural perspective, this phase reflects the emergence of Factory Asia, where China functions as the primary manufacturing hub while Vietnam increasingly specializes in assembly and export-oriented manufacturing (Kimura & Obashi, 2010). This shift also reflects early stages of production fragmentation and supply chain specialization across East Asia.

4.5 BRI and Economic Corridor Era (2013–present)

Since 2013, Vietnam–China trade has entered a new phase characterized by infrastructure-led integration, supply chain restructuring, and digital transformation under the framework of the Belt and Road Initiative. The BRI has emphasized the development of cross-border economic corridors, logistics infrastructure, and connectivity networks. One of the most important routes in the Vietnam–China context is the Kunming–Lao Cai–Hanoi–Hai Phong economic corridor, which links southern China’s industrial base with northern Vietnam’s manufacturing and export hubs (Asian Development Bank, 2014). Recent trade data highlights the scale of integration. Bilateral trade reached approximately US\$198 billion in 2023, with Vietnam importing significantly more from China than it exports (UN Comtrade, 2023). Electronics, machinery, and intermediate industrial inputs dominate China’s exports to Vietnam, while Vietnam exports electronics, agricultural products, and textiles to China (MetricsHour, 2023). This period is also characterized by the expansion of regional value chains and manufacturing relocation, as multinational firms adopt “China+1” strategies and shift assembly operations to Vietnam while maintaining upstream supply dependence on China (World Bank, 2023). At the same time, digital trade and logistics modernization have become increasingly important. Improvements in customs automation, cold-chain logistics, and cross-border e-commerce platforms have strengthened Vietnam’s integration into China-centered supply networks. However, structural asymmetries remain. Vietnam continues to run a persistent trade deficit with China, reflecting its dependence on imported intermediate goods and industrial inputs. According to recent WTO-aligned analyses, this asymmetry reflects a typical upstream–downstream configuration in regional value chains, where China occupies higher-value upstream segments while Vietnam remains concentrated in downstream assembly activities (Athukorala, 2011). It can be seen that the BRI era

reflects a transition from traditional trade liberalization to infrastructure-driven regional production integration, where logistics corridors and supply chain networks jointly shape trade patterns and industrial geography.

5. VIETNAM–CHINA TRADE IN INTERREGIONAL VALUE CHAINS

5.1 Structure of Bilateral Trade

The structure of Vietnam–China bilateral trade has undergone a profound transformation over the past three decades, evolving from primarily border-based commodity exchange into a highly integrated system of interregional value chain (RVC) linkages. This structural shift reflects not only increasing trade volume but also a deep reconfiguration of the composition of traded goods, particularly the growing dominance of intermediate inputs and production-sharing activities. From a macro-structural perspective, Vietnam imports from China are heavily concentrated in machinery, electronics components, industrial materials, textiles inputs, and chemical products. According to the General Statistics Office of Vietnam (2023), machinery, equipment, and intermediate goods consistently account for the largest share of Vietnam’s imports from China, reflecting Vietnam’s dependence on upstream industrial inputs. Similarly, UN Comtrade (2023) data confirms that electrical machinery and mechanical appliances (HS codes 84–85) constitute the dominant categories of Chinese exports to Vietnam. These imports are not final consumer goods but are primarily intermediate inputs embedded in production networks, indicating Vietnam’s structural position in regional supply chains. Athukorala (2011) notes that East Asian trade is increasingly characterized by “vertical specialization,” where countries import components to assemble products for export rather than producing entire goods domestically. Vietnam’s import structure from China is a clear reflection of this pattern.

On the export side, Vietnam primarily exports to China agricultural products, textiles, footwear, electronics assembly products, and processed industrial goods. Agricultural exports such as fruits, seafood, rice, and coffee remain significant, particularly in border trade channels and seasonal supply chains. According to the World Bank (2023), Vietnam has become one of China’s major suppliers of tropical agricultural products, supported by improved cold-chain logistics and customs facilitation. In manufacturing, Vietnam’s export structure is increasingly dominated by assembly-based electronics and textile products, which are often produced using imported intermediate inputs. Electronics exports, in particular, reflect Vietnam’s integration into multinational production networks led by firms such as Samsung, Foxconn, and LG. These firms import a large share of components from China and other East Asian economies before assembling final products in Vietnam for export to global markets (World Bank, 2023). This bilateral trade structure demonstrates a clear asymmetric interregional value chain relationship. China occupies a dominant position in upstream production stages, supplying high-value intermediate goods and industrial inputs,

while Vietnam is concentrated in downstream assembly and processing activities. This division of labor reflects a classic GVC configuration in which value creation is spatially fragmented across regions with different levels of technological and industrial capacity. The Vietnam–China trade structure is no longer defined by simple bilateral exchange of goods, but by embedded production-sharing systems in which trade flows reflect the circulation of intermediate inputs within regional value chains rather than final goods exchange. This transformation highlights Vietnam’s increasing integration into China-centered production networks within East Asia.

5.2 Vietnam’s Role in East Asian Production Networks

Vietnam’s integration into East Asian production networks reflects a broader transformation of regional industrial geography characterized by production fragmentation, cross-border specialization, and the rise of China-centered supply chains. Within this structure, Vietnam has progressively evolved from a peripheral trading economy into a critical downstream node in regional interregional value chains, particularly in manufacturing and export-oriented assembly activities. At the systemic level, East Asian production networks are commonly described as “Factory Asia,” where production processes are fragmented across economies based on comparative advantages in labor costs, industrial capacity, and technological capabilities. According to Kimura and Obashi (2010), this network emerged through the rapid expansion of machinery and electronics trade, driven by falling coordination costs and improved logistics infrastructure. In this system, China functions as the central manufacturing hub supplying a wide range of intermediate goods, while neighboring economies including Vietnam specialize in assembly and processing stages.

Within this configuration, Vietnam’s role can be conceptualized as a downstream assembly platform embedded in China-centered supply chains. China provides a large share of upstream inputs such as semiconductors, electronic components, machinery parts, and industrial materials. These inputs are then processed or assembled in Vietnam before being exported to final consumer markets, primarily in the United States and the European Union. This structure reflects the logic of vertical specialization, where different stages of production are distributed across multiple economies within a single integrated value chain (Athukorala, 2011). A simplified representation of this production system can be described as:

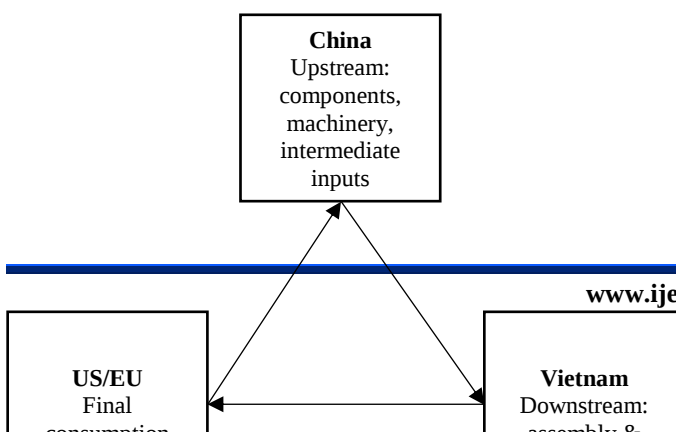


Figure 1: The Triangular Structure of Production System

Source: Authors’ analysis

This triangular structure illustrates Vietnam’s position as a transformation economy, where domestic value added is generated primarily at the assembly stage rather than at upstream technology-intensive stages. Gereffi (1994) emphasizes that in buyer-driven global value chains, lead firms control branding, design, and distribution, while production is outsourced to lower-cost manufacturing locations. In this context, Vietnam’s integration is largely driven by multinational corporations that coordinate regional production networks across East Asia. Empirical evidence supports this structural role. According to the World Bank (2023), Vietnam’s manufacturing exports particularly in electronics and textiles have grown rapidly due to foreign direct investment (FDI)-led production networks. However, a significant proportion of intermediate inputs used in these export sectors continues to originate from China and other East Asian economies. This indicates that Vietnam’s export competitiveness is closely tied to its ability to import and assemble intermediate goods within regional supply chains.

A key example is the electronics industry, where Vietnam has become a major global assembly hub. Firms such as Samsung have developed highly integrated production ecosystems in Vietnam, importing components from China, South Korea, and other regional suppliers before assembling final products for global markets. This reflects a classic modular production network, in which standardized components are sourced globally but assembled in geographically concentrated hubs to achieve economies of scale (Sturgeon & Kawakami, 2011). Beyond manufacturing, Vietnam also plays a growing role in regional logistics and trade facilitation. Its geographical proximity to southern China enables efficient cross-border flows of intermediate goods through key economic corridors and border gates. This spatial advantage reinforces Vietnam’s position as a logistics-linked assembly platform within East Asian production networks. Overall, Vietnam’s role in East Asian production networks is characterized by three key features: (i) dependence on imported intermediate inputs, particularly from China; (ii) specialization in downstream assembly and export processing; and (iii) integration into multinational-led production systems targeting global final markets. This configuration highlights Vietnam’s embeddedness in a hierarchical but highly interconnected regional value chain system, where value

creation is unevenly distributed across different production stages.

5.3 Key Sectors in Vietnam–China Interregional Value Chains

The sectoral structure of Vietnam–China interregional value chains reveals a high degree of functional specialization across industries, with electronics, textiles, machinery, and agriculture emerging as the most important domains of production sharing. These sectors illustrate how Vietnam's integration into China-centered regional production networks is not uniform but varies significantly depending on technological intensity, labor requirements, and logistics complexity.

Firstly, the electronics industry represents the most advanced form of Vietnam–China value chain integration and the clearest example of cross-border production fragmentation in East Asia. China plays a dominant role in upstream activities, including semiconductor production, electronic components, circuit boards, and industrial machinery. Vietnam, in contrast, specializes in downstream assembly, testing, and packaging for export markets. According to the World Bank (2023), electronics have become Vietnam's largest export sector, accounting for more than 30% of total export value in recent years. However, a significant proportion of intermediate inputs used in this sector are imported, particularly from China and other East Asian economies, reflecting deep supply-side dependence. A prominent example is the smartphone and consumer electronics supply chain, where multinational corporations such as Samsung and LG operate large-scale manufacturing complexes in Vietnam. These firms import components such as semiconductors, displays, and batteries from China, South Korea, and Japan, before assembling final products in Vietnam for export to the United States and the European Union. This structure reflects a classic "China–Vietnam–US/EU production triangle", where value-added is distributed across geographically separated stages of production. Gereffi et al. (2005) describe such systems as modular and buyer-driven value chains, in which lead firms coordinate production across multiple countries while outsourcing labor-intensive assembly to lower-cost locations. Vietnam's electronics sector fits this governance structure closely, with limited domestic upstream capability but strong integration into global final markets.

Secondly, the textile and garment sector represents one of the earliest and most important entry points for Vietnam into regional value chains. In this sector, China continues to dominate upstream production stages, including fabric manufacturing, dyeing, and synthetic fiber production, while Vietnam specializes in cut-make-trim assembly operations. According to Athukorala (2011), the textile industry in East Asia is a textbook case of vertical specialization, where production stages are geographically dispersed according to labor costs and industrial capabilities. Vietnam imports a large share of textile inputs from China, particularly fabrics and accessories, before exporting finished garments to the United

States, the European Union, and Japan. Although Vietnam has gradually upgraded its capabilities toward higher value-added segments such as design and branding, the sector remains heavily dependent on imported materials. This indicates a partial upgrading trajectory, consistent with Gereffi's (1999) upgrading framework, where developing economies move incrementally from assembly toward more skill-intensive activities within global production networks.

Thirdly, the machinery and industrial equipment sector further highlights Vietnam's dependency on China for upstream industrial inputs. China is a major global producer of machinery, machine tools, and industrial equipment, supplying a significant portion of Vietnam's capital goods imports. According to UN Comtrade (2023), machinery and mechanical appliances (HS 84) consistently rank among the top import categories from China to Vietnam. These inputs are essential for Vietnam's manufacturing expansion, particularly in electronics, textiles, and construction-related industries. This structural dependence reflects what Baldwin (2016) describes as the second unbundling, where production stages are geographically separated and capital goods flows become central to global value chain expansion. Vietnam's industrial development is therefore closely tied to its access to Chinese machinery and intermediate industrial technologies.

Forthly, unlike manufacturing sectors, agriculture represents a more complementary and demand-driven value chain between Vietnam and China. Vietnam exports a wide range of agricultural products to China, including fruits (durian, dragon fruit, bananas), seafood, rice, coffee, and rubber. According to the World Bank (2023), China is Vietnam's largest agricultural export market, particularly for fresh fruits and perishable goods. This trade is increasingly supported by improvements in cold-chain logistics, border infrastructure, and customs facilitation, which have enabled the integration of agricultural products into time-sensitive regional supply chains. However, agricultural trade remains highly sensitive to regulatory and border conditions. Studies show that disruptions at border gates or changes in Chinese import standards can significantly affect Vietnamese agricultural exports, highlighting the vulnerability of this segment within interregional value chains (FAO, 2022).

Across these four key sectors, a consistent pattern emerges: Vietnam is primarily positioned in downstream, labor-intensive, and assembly-oriented segments, while China dominates upstream, technology-intensive, and capital goods production stages. This sectoral configuration reflects the broader logic of East Asian production networks, where value creation is unevenly distributed but tightly integrated through trade in intermediate goods. As a result, Vietnam–China trade is not simply bilateral exchange but a sectorally differentiated system of interregional value chain participation, in which each industry exhibits distinct patterns of dependency, upgrading potential, and vulnerability.

5.4 Economic Corridors and Logistics Integration

Economic corridors play a pivotal role in transforming Vietnam–China trade from traditional cross-border exchange into a logistics-driven interregional value chain system. Unlike conventional trade routes, economic corridors integrate transportation infrastructure, customs facilitation, industrial zones, and urban centers into a unified spatial framework that reduces transaction costs and enhances production connectivity across borders. In the Vietnam–China context, the most significant corridor is the Kunming–Lao Cai–Hanoi–Hai Phong economic corridor, which connects China’s southwestern Yunnan province with northern Vietnam’s industrial and export hubs. This corridor forms part of the broader Greater Mekong Subregion (GMS) cooperation framework supported by the ADB. According to ADB (2014), economic corridors in the GMS are designed to promote seamless connectivity by improving transport infrastructure, trade facilitation, and cross-border coordination.

From a value chain perspective, economic corridors function as enablers of production fragmentation and spatial specialization. By reducing transportation time and logistics costs, corridors allow firms to separate production stages across different locations while maintaining efficient coordination. Ishida (2009) argues that economic corridors in Asia significantly enhance the feasibility of cross-border production networks by linking inland production zones with coastal export gateways. The Kunming–Lao Cai–Hanoi–Hai Phong corridor illustrates this mechanism clearly. On the Chinese side, Kunming and surrounding industrial zones in Yunnan serve as entry points for intermediate goods and machinery exported from China’s coastal manufacturing centers. On the Vietnamese side, Hanoi functions as a major manufacturing and administrative hub, while Hai Phong port acts as a key gateway for international maritime exports. This spatial configuration effectively integrates inland China with global markets through Vietnam’s coastal logistics infrastructure. In addition to road connectivity, rail and port infrastructure have become increasingly important components of logistics integration. The modernization of the China–Vietnam railway network, particularly through border crossings such as Đồng Đăng–Pingxiang, has improved the efficiency of bulk cargo transport and intermediate goods movement. Similarly, Hai Phong port has developed into one of northern Vietnam’s most important logistics hubs, handling containerized exports linked to regional manufacturing supply chains. Recent developments also highlight the growing importance of cross-border economic zones (CBEZs) and border trade facilitation areas. These zones are designed to integrate customs procedures, industrial production, and logistics services within geographically concentrated areas along the border. According to World Bank (2023), improvements in trade facilitation and logistics infrastructure are critical drivers of Vietnam’s participation in regional value chains, particularly in manufacturing and agriculture.

From a spatial economics perspective, economic corridor development aligns closely with Krugman’s (1991) new economic geography theory, which suggests that firms tend to concentrate in regions with lower transportation costs and stronger market access. In the Vietnam–China case, corridor development reinforces the clustering of manufacturing activities along border provinces and major transport routes, thereby strengthening interregional production linkages. More broadly, economic corridors also contribute to regional industrial restructuring. As logistics efficiency improves, production activities become increasingly distributed across space rather than concentrated in a single country or city. This leads to the emergence of cross-border industrial networks, where Vietnam and southern China function as interconnected nodes within a shared production system. The economic corridors and logistics integration serve as the physical backbone of Vietnam–China interregional value chains. They enable the spatial coordination of production, reduce trade frictions, and facilitate the continuous flow of intermediate goods between upstream and downstream segments of regional production networks.

5.5 Risks and Asymmetries in Vietnam–China Interregional Value Chains

Despite the rapid expansion of Vietnam–China trade and deepening integration into East Asian production networks, the bilateral relationship remains characterized by significant structural asymmetries and systemic vulnerabilities. From the perspective of interregional value chains, these asymmetries are reflected not only in trade balances but also in technological dependence, upstream–downstream positioning, and exposure to geopolitical and supply-chain risks. One of the most visible structural issues is Vietnam’s persistent trade deficit with China. According to Vietnam Customs data, China has consistently been Vietnam’s largest source of imports, while Vietnam imports substantially more from China than it exports. In 2023, bilateral trade reached approximately US\$172–175 billion, with Vietnam recording a trade deficit exceeding US\$49 billion (General Department of Vietnam Customs, 2024). This imbalance is largely driven by Vietnam’s heavy reliance on Chinese intermediate goods, machinery, and industrial materials required for export-oriented manufacturing. From a value chain perspective, the trade deficit reflects the unequal distribution of value-added activities within regional production networks. China occupies dominant upstream positions involving industrial inputs, machinery production, and component manufacturing, while Vietnam remains concentrated in downstream assembly and processing activities. Johnson and Noguera (2012) argue that gross trade balances often conceal deeper asymmetries in value-added creation, particularly in fragmented production systems where imported intermediate inputs account for a large share of export value.

A second major concern is Vietnam’s dependency on Chinese industrial inputs, particularly in electronics, textiles, and machinery sectors. According to the World Bank (2023),

a substantial proportion of inputs used in Vietnam's export manufacturing industries originates from China. In electronics manufacturing, for example, semiconductors, printed circuit boards, batteries, and machinery components are heavily imported from Chinese suppliers before assembly takes place in Vietnam. This dependency creates significant supply-chain vulnerability, especially in periods of disruption. The COVID-19 pandemic demonstrated the fragility of highly fragmented regional production systems. Factory shutdowns and logistics disruptions in China during 2020–2022 caused shortages of industrial inputs for Vietnamese manufacturers, particularly in electronics and textiles. Baldwin & Freeman (2021) note that global production fragmentation increases efficiency under stable conditions but simultaneously amplifies systemic risks during external shocks.

In addition to economic disruptions, Vietnam's integration into China-centered production networks is increasingly affected by geopolitical tensions and strategic competition. The intensifying U.S.–China trade conflict has accelerated the relocation of some manufacturing activities from China to Southeast Asia, particularly Vietnam, under “China+1” strategies. While this trend creates opportunities for Vietnam to attract foreign investment, it also increases the country's exposure to geopolitical uncertainty and external policy shifts. Furthermore, regional supply chains face risks associated with technological competition, export controls, and strategic decoupling in high-tech industries. According to Gereffi (2020), emerging geopolitical fragmentation may gradually reshape global and regional value chains, forcing countries such as Vietnam to balance economic integration with strategic diversification.

Another structural asymmetry concerns technological capability and upgrading potential. Although Vietnam has achieved significant export growth, much of its manufacturing activity remains concentrated in labor-intensive assembly with limited domestic technological spillovers. Humphrey & Schmitz (2002) argue that participation in global value chains does not automatically guarantee industrial upgrading, as lead firms often retain control over higher value-added functions such as design, technology, and branding. This challenge is particularly evident in the electronics sector, where foreign-invested enterprises dominate production while domestic supporting industries remain relatively weak. As a result, Vietnam captures only a limited share of total value-added despite large export volumes. Mudambi (2008) describes this phenomenon as the “smile curve” effect, where the highest value-added activities are concentrated in upstream innovation and downstream branding rather than in manufacturing assembly itself. Moreover, infrastructure and logistics asymmetries also influence bilateral trade dynamics. While Vietnam has significantly improved transport connectivity and port infrastructure, China continues to possess substantial advantages in logistics efficiency, industrial scale, and supply-chain coordination. According to the World Bank Logistics Performance Index (2023), China maintains stronger logistics capacity in customs efficiency, freight infrastructure, and

international shipment connectivity, reinforcing its dominant role within regional production systems.

In summary, the Vietnam–China interregional value chain relationship is characterized by a dual dynamic of integration and vulnerability. Deep economic interdependence has generated rapid industrial growth and export expansion for Vietnam, but it has also created structural dependence on Chinese upstream production systems. These asymmetries highlight the importance of supply-chain diversification, domestic industrial upgrading, and strategic balancing in Vietnam's long-term economic development strategy.

6. CONCLUSION AND POLICY IMPLICATIONS

The empirical and historical analysis of Vietnam–China interregional value chains reveals a structurally embedded and asymmetric production system that has evolved through multiple stages of regional integration, from early maritime trade networks to contemporary corridor-based production systems. This section synthesizes the key findings and derives implications for trade strategy, industrial policy, and regional development.

Structural Transformation of Vietnam–China Trade

A central finding of this study is that Vietnam–China trade has fundamentally shifted from final goods exchange to intermediate goods-driven production sharing. This transformation reflects the broader evolution of East Asian trade toward vertically fragmented production networks, where countries specialize in specific stages of the value chain rather than producing complete goods domestically (Athukorala, 2011; Baldwin, 2016). Within this system, China occupies a dominant upstream position, supplying machinery, components, and industrial inputs, while Vietnam is primarily positioned in downstream assembly and export processing activities. This structural configuration is consistent with “Factory Asia” production networks (Kimura & Obashi, 2010), where regional economies are functionally integrated but hierarchically differentiated.

The analysis also demonstrates that Vietnam's participation in regional value chains has generated significant trade expansion and industrial growth, particularly in electronics and textiles. However, this integration is accompanied by persistent value capture asymmetries, where a large share of value-added is retained in upstream economies, especially China and other advanced industrial actors. This confirms the “smile curve” logic, where manufacturing assembly yields lower value-added compared to upstream innovation and downstream branding activities (Mudambi, 2008). Furthermore, the evolution of Vietnam–China trade highlights the increasing importance of logistics infrastructure and economic corridors as structural enablers of production networks. Rather than being purely market-driven, trade flows are now deeply shaped by spatial infrastructure such as ports, railways, and border economic zones, reinforcing the role of geography in modern value chains.

Policy Implications for Vietnam

A key policy implication emerging from the analysis is the urgent need for Vietnam to transition from an assembly-based growth model toward higher value-added participation within regional value chains. As highlighted by Gereffi & Fernandez-Stark (2016), upgrading within global value chains can occur through process upgrading, product upgrading, functional upgrading, and inter-sectoral upgrading. For Vietnam, this implies a strategic shift toward strengthening domestic supporting industries, particularly in electronics components and machinery production, while simultaneously developing higher-order capabilities in design, research and development (R&D), and branding. Increasing domestic value-added content in export manufacturing is essential to avoid long-term confinement in low-value assembly segments of regional production networks.

Another important implication relates to supply chain diversification and risk reduction. The findings indicate that Vietnam's manufacturing sector remains structurally dependent on Chinese intermediate goods, particularly in electronics, textiles, and machinery industries. This dependency exposes Vietnam to external vulnerabilities, including supply chain disruptions, geopolitical tensions, and policy shifts in major exporting countries. Therefore, Vietnam should adopt a diversification strategy by expanding its sourcing of intermediate inputs from alternative partners such as Japan, South Korea, ASEAN member states, and the European Union. Promoting supplier competition and reducing over-reliance on a single upstream hub is consistent with the emerging global trend of "China+1" strategies adopted by multinational corporations seeking to mitigate geopolitical and operational risks (World Bank, 2023).

In addition, logistics modernization and corridor-based development represent a central pillar for enhancing Vietnam's integration into regional value chains. Economic corridors such as the Kunming–Lao Cai–Hanoi–Hai Phong axis demonstrate the importance of infrastructure in shaping trade flows and production networks. However, logistics efficiency remains uneven across regions, and cross-border trade facilitation still faces institutional and technical constraints. Policy priorities should therefore focus on upgrading cross-border transport infrastructure, including highways, railways, and port systems, while also improving customs digitalization and border clearance efficiency. Expanding cold-chain logistics is particularly important for agricultural exports, which are highly sensitive to time and temperature conditions. Strengthening coordination mechanisms under ASEAN–China frameworks would further enhance Vietnam's role as a regional logistics hub rather than merely an assembly-based manufacturing location.

A further policy dimension concerns the enhancement of resilience in interregional value chains. In the context of increasing global uncertainty, supply chain resilience has become a critical policy objective for export-oriented economies. Baldwin and Freeman (2021) emphasize that while

fragmented production systems are efficient under stable conditions, they are also highly vulnerable to systemic disruptions such as pandemics, geopolitical conflicts, and trade restrictions. In response, Vietnam should develop strategic reserves for critical industrial inputs, strengthen domestic production capacity for essential intermediate goods, and promote digital supply chain monitoring systems. At the same time, improving risk management frameworks in trade and logistics systems is necessary to ensure continuity of production under external shocks.

Finally, Vietnam faces a long-term strategic challenge of balancing deep economic integration with China while maintaining diversification through multiple trade agreements, including RCEP, ACFTA, and CPTPP. This requires a multi-vector trade strategy that avoids excessive dependence on any single economic bloc while maximizing the benefits of regional connectivity and global market access. From a geopolitical economy perspective, Vietnam's position within interregional value chains is not purely economic but also strategic, requiring careful calibration between integration, autonomy, and resilience in order to sustain long-term development.

7. ACKNOWLEDGMENT

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8. REFERENCES

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