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Trade Imbalances between Viet Nam and China in 2022–2026 and Implications for Ukraine

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This paper examines Viet Nam's merchandise trade imbalance with China during 2022–2026 and develops reference lessons for Ukraine's economic integration with European partners. It combines official Vietnamese trade statistics, a consistent Eurostat compilation for EU–Ukraine trade, and an analytical framework linking bilateral balances, production networks and domestic value creation. Viet Nam's deficit with China increased from USD 60.55 billion in 2022 to USD 115.6 billion in 2025. During January–August 2026, the bilateral deficit reached USD 107.7 billion, while the national merchandise balance recorded a USD 20.46 billion deficit. These observations challenge assessments that equate rising exports or an aggregate surplus with successful industrial upgrading. The comparison with Ukraine identifies a shared need to convert imported inputs and external market access into productive capabilities, while recognising Ukraine's distinct recovery conditions, financing needs and institutional path towards European integration. The paper proposes supplier development, credible origin documentation, infrastructure diversification and investment appraisal based on domestic value creation and external financing capacity. Its contribution is a conditional policy framework rather than a causal estimate or a forecast for the full year 2026.

Keywords: Viet Nam, China, Ukraine, Trade imbalance, Global value chains, European integration, Reconstruction

JEL classification: ***F14, F10, F17, F15***

У статті досліджено дисбаланс у торгівлі товарами між В'єтнамом і Китаєм у 2022–2026 рр. та сформульовано орієнтири для економічної інтеграції України з європейськими партнерами. Дослідження поєднує офіційну статистику зовнішньої торгівлі В'єтнаму, узгоджену вибірку даних Eurostat щодо торгівлі між ЄС та Україною, а також аналітичну рамку, що пов'язує двосторонні торговельні баланси,

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виробничі мережі та створення внутрішньої доданої вартості. Дефіцит В'єтнаму в торгівлі з Китаєм зріс з 60,55 млрд дол. США у 2022 р. до 115,6 млрд дол. США у 2025 р. У січні–серпні 2026 р. двосторонній дефіцит сягнув 107,7 млрд дол. США, тоді як загальний баланс торгівлі товарами країни зафіксував дефіцит у 20,46 млрд дол. США. Ці спостереження ставлять під сумнів оцінки, що ототожнюють зростання експорту або сукупний профіцит з успішною промисловою модернізацією. Порівняння з Україною виявляє спільну потребу перетворювати імпортовані ресурси та доступ до зовнішніх ринків на продуктивні спроможності, водночас враховуючи специфічні умови відновлення України, її потреби у фінансуванні та інституційну траєкторію європейської інтеграції. У статті запропоновано розвиток постачальників, достовірне документальне підтвердження походження товарів, диверсифікацію інфраструктури та оцінювання інвестицій за критеріями створення внутрішньої доданої вартості й спроможності до зовнішнього фінансування. Науковий внесок роботи полягає у формуванні умовної рамки для політики, а не в отриманні причинно-наслідкової оцінки чи прогнозу на весь 2026 р.

Ключові слова: В'єтнам, Китай, Україна, торговельний дисбаланс, глобальні ланцюги створення вартості, європейська інтеграція, відбудова

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1. Introduction

Viet Nam's economic relationship with China illustrates a central problem in international economics: a country can expand its exports, deepen regional production links and simultaneously accumulate a large deficit with its principal supplier. A bilateral deficit alone does not establish whether integration benefits national development. The relevant questions concern the composition of imports, the domestic capabilities they support, the distribution of income and exposure to disruption. Macroeconomic conditions and the international division of production also shape bilateral balances, limiting the effectiveness of policies that target a particular bilateral deficit in isolation [1].

This paper asks how Viet Nam's trade imbalance with China evolved from 2022 through the available months of 2026, what that evolution reveals about its position in production networks, and which lessons can inform Ukraine's relations with European economies. The argument distinguishes an imbalance that accompanies productive investment from dependence that fails to generate sufficient domestic income or future foreign exchange. Gross export statistics cannot settle that distinction because production crossing several borders contains foreign value added and possible double counting [2].

This comparison is relevant in the context of the institutional transformations taking place amidst the new geostrategic situation. At the same time, the context of Ukraine's recovery and its EU accession process differs fundamentally from the experience of Vietnam's integration into the manufacturing sector. Therefore, the European Union is viewed here as a specific group of 27 partners rather than as a statistical synonym for Europe. The aim is not to impose an Asian development model on Ukraine, but rather to identify policy mechanisms that can be adapted to Ukrainian realities and to outline the limits of their application.

2. Methods and analytical framework

The study uses descriptive trade accounting and a structured institutional comparison. The information cut-off is September 2026. Viet Nam's 2022–2024 bilateral observations come from the historical chart in the Ministry of Industry and Trade's 2024 report, which incorporates later customs figures [3, p. 64]. The 2025 observation comes from the Ministry of Foreign Affairs [4]; January–August 2026 comes from the National Statistics Office (NSO) [5]. National totals and ownership categories are checked against NSO releases [6, 7]. Ukraine's 2022–2025 comparison uses the European Commission's 20 May 2026 factsheet, based on Eurostat Comext [8, p. 3].

Let X denote exports and M imports for the same bilateral relationship and period. The merchandise balance is $B = X - M$, and export coverage of imports is $C = 100X/M$. For Viet Nam, both flows are recorded from the Vietnamese perspective. The opposite sign describes China's counterpart surplus within that same accounting series; it is not a separately measured Chinese customs balance. For Ukraine, EU-reported imports from Ukraine represent the outward flow from Ukraine, and EU-reported exports represent the reverse flow. These are explicitly mirror observations, not Ukrainian-reported statistics.

All values are nominal. Vietnamese merchandise statistics generally value exports free on board and imports inclusive of cost, insurance and freight; partner attribution, valuation and timing can produce mirror discrepancies. The paper retains the source and vintage of each observation and calculates indicators before rounding. Annual 2022–2025 figures are distinguished from January–August 2026; the latter are neither annualised nor compared with annual totals to infer growth. Published year-on-year rates refer to matching eight-month periods. EU data remain in euros, and no direct comparison of euro and dollar levels is attempted.

The analytical framework separates bilateral accounting, domestic value creation and external sustainability. A merchandise balance is not the current account, which also includes services and income flows. Import coverage is a descriptive ratio, not a welfare score. The assessment examines whether imported resources can support domestic capabilities and whether financing remains manageable if expected export receipts are delayed. Annual aggregates cannot identify individual production linkages, tariff effects or the causal impact of Covid-19. The term post-pandemic identifies the study window, rather than a common date at which pandemic effects ended in both countries.

3. Results

3.1. The bilateral imbalance and its industrial composition

Table 1 documents a persistent Vietnamese deficit with China. A narrowing in 2023 was followed by a substantial widening in 2024 and 2025.

The 2023 narrowing combined higher bilateral exports with lower imports. Between 2022 and 2025, however, imports increased by approximately 57.0%, compared with 21.5% for exports; the deficit expanded by 90.9%. These calculations establish increasing asymmetry in gross flows. They do not identify the shares attributable to industrial investment, final consumption or processing for export.

The commodity structure supports a production-network interpretation, while qualifying any simple exchange of raw materials for manufactures. In 2024, Viet Nam imported USD 34.6 billion of computers, electronic products and components and USD 29.0 billion of machinery, equipment, tools and spare parts from China. Together, these categories represented approximately 44.2% of bilateral imports. Viet Nam also exported USD 15.4 billion of phones and components and USD 12.6 billion of computers, electronic products and components to China [3, p. 64]. Two-way industrial trade is therefore substantial. Aggregate categories nevertheless cannot reveal how much imported content enters particular export consignments.

Table 1

Viet Nam's merchandise trade with China*

Period	Exports USD bn	Imports USD bn	Balance USD bn	Coverage %
2022	57.94	118.49	−60.55	48.9
2023	61.32	110.65	−49.33	55.4
2024	61.21	144.02	−82.81	42.5
2025	70.4	186.0	−115.6	37.8
Jan–Aug 2026	54.2	161.9	−107.7	33.5

Sources: [3, p. 64] for 2022–2024; [4] for 2025; [5] for January–August 2026.

Author's calculations (2026): Coverage = exports/imports × 100. Annual values and partial-year values are distinguished. Source precision is retained; balances use unrounded inputs. A negative balance denotes Viet Nam's deficit.

Export coverage fell from 55.4% in 2023 to 37.8% in 2025 and 33.5% in January–August 2026. In the eight-month period, exports to China increased by 29.4% year on year, while imports increased by 37.3% [5]. China's share of Viet Nam's total imports was approximately 40.9% in 2025 and 41.0% in the eight-month period, calculated from [4–7]. This concentration warrants investigation at product and supplier level; the country share alone does not measure the availability of substitutes or the cost of interruption.

3.2. National balances and the change observed in 2026

A deficit with China coexisted with a national merchandise surplus of USD 20.03 billion in 2025 [6]. The January–August 2026 release instead records exports of USD 374.84 billion, imports of USD 395.30 billion and a deficit of USD 20.46 billion. Compared with the surplus of USD 14.02 billion reported for the corresponding 2025 period, the balance deteriorated by USD 34.48 billion [7]. Accordingly, an interpretation based on a permanently compensating aggregate surplus would be inconsistent with the available 2026 evidence (Fig.1).

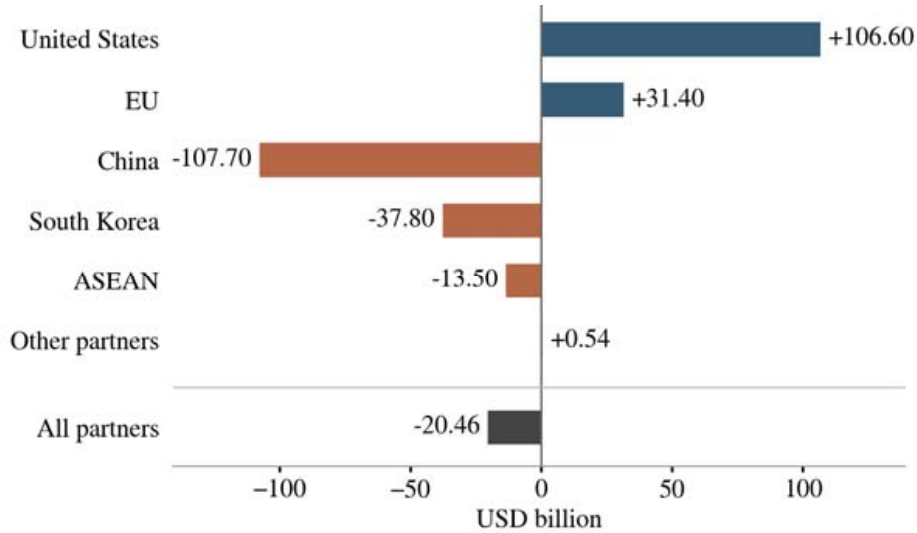


Fig. 1. Viet Nam's merchandise balances by partner
January–August 2026

Sources: [5, 7].

Values in USD billion. Positive values denote Viet Nam's surplus. Other partners is the residual of the national balance after subtracting the five identified partner balances; it includes rounding differences. All partners is the national total, not an additional partner.

Fig. 1 shows that surpluses with the United States and EU offset substantial deficits with Asian suppliers, but did not secure an overall surplus in the eight-month period. This geographical accounting is consistent with international production sharing; it does not trace Chinese value added into exports to either market. It also does not, by itself, support conclusions about origin compliance or the movement of goods through third countries. Such conclusions require transaction records, origin evidence and applicable legal tests.

NSO classifies 94.1% of January–August 2026 imports as means of production [7]. That broad category is not synonymous with fixed investment or technological upgrading. Imported components may sustain assembly without expanding domestic engineering capabilities. Conversely, an initial machinery purchase may increase imports before generating output. The World Bank's assessment of Viet Nam identifies domestic supplier connections, higher-value services and skills as necessary complements to export expansion [9]. These mechanisms provide a more informative policy focus than the direction of the trade balance alone.

3.3. The comparison with Ukraine and the EU

The EU mirror series shows that Ukraine's goods deficit with the bloc widened from EUR 2.45 billion in 2022 to EUR 24.68 billion in 2025 (Table 2). Export coverage declined from 91.8% to 46.8%. In the same 2025 compilation, agricultural products under the WTO classification accounted for 48.9% of EU imports from Ukraine, whereas industrial products represented 90.4% of EU exports to Ukraine [8, pp. 2–3]. These categories describe a different trade structure from Viet Nam's substantial two-way electronics trade.

Table 2

Ukraine's merchandise trade with the EU
EU-reported mirror observations*

Year	Ukraine to EU EUR bn	EU to Ukraine EUR bn	Ukraine's balance EUR bn	Coverage %
2022	27.64	30.10	−2.45	91.8
2023	22.89	39.13	−16.24	58.5
2024	24.71	42.57	−17.85	58.1
2025	21.73	46.41	−24.68	46.8

Source: [8, p. 3], Eurostat Comext, 20 May 2026 vintage. Author's calculations (2026)

EU imports from Ukraine proxy the outward flow from Ukraine; EU exports proxy the reverse flow. Balances and coverage use source values in EUR million before rounding. These figures are not Ukrainian-reported statistics.

The institutional setting is equally distinct. Ukraine's trade relationship with the EU combines market access with regulatory approximation and an accession process. The upgraded Deep and Comprehensive Free Trade Area entered into force on 29 October 2025. It provides additional liberalisation, links aspects of agricultural access to alignment with EU production standards, and contains a safeguard mechanism [10]. Market access thus depends partly on institutional and compliance capabilities, while adjustment concerns can arise within individual member states.

Different recovery conditions and institutional settings preclude a direct performance ranking between the two cases. The joint fifth Rapid Damage and Needs Assessment estimates almost USD 588 billion in Ukraine's reconstruction and recovery needs over the following decade, assessed as of 31 December 2025 [11]. This is an estimate of needs, not an import forecast or committed funding. Rebuilding infrastructure can require imports even when productive capacity is weak. A rising deficit may therefore reflect essential recovery requirements or future investment, while still posing financing risks if external support or export recovery falls short.

4. Discussion and policy implications

4.1. Priorities for Viet Nam

Viet Nam should assess its relationship with China against domestic productivity, income generation and resilience. Imports that lower production costs can serve national interests, but the benefits depend on the capabilities retained and developed locally. A blanket restriction on Chinese inputs could raise costs for Vietnamese producers and weaken their position in third markets. Policy should instead identify specific bottlenecks where supplier development or alternative sourcing produces benefits exceeding its fiscal and commercial costs. This approach is consistent with Viet Nam's established orientation of independence and self-reliance, diversification and multilateralisation of external economic relations, and active international economic

integration. It does not imply disengagement from China; it supports more balanced, transparent and value-creating cooperation with all partners.

First, industrial and trade agencies should establish a common diagnostic system linking customs product data with enterprise surveys and, where available, input–output estimates. The system should identify critical inputs, concentration among suppliers, time required to qualify alternatives and domestic value added in export production. Firm ownership and value creation must remain separate indicators: a foreign-invested exporter can generate local wages and purchases, while a domestically owned exporter can depend heavily on imported content. Neither export ownership nor gross turnover provides a sufficient measure of national gains.

Second, supplier programmes should address identifiable capability gaps through shared testing facilities, technical training, production-quality assistance and access to working capital. Support should be contestable, time-limited and reviewed against additional qualified suppliers, repeat contracts and productivity improvements. The World Bank and OECD identify domestic linkages and firms' absorptive capacity as central to obtaining stronger benefits from international investment [9, 12]. The proposed evaluation should compare participating firms with suitable non-participants, rather than attribute every subsequent export increase to public support.

Third, economic engagement with China should be connected to the practical capacity of Vietnamese firms to supply reliably. Priorities include predictable clearance, verifiable product standards, traceability and commercial information for exporters. At the same time, firms should assess alternative sources for inputs whose interruption would halt production. Diversification has a cost and should be selective. Better origin documentation and transparent customs cooperation can protect legitimate production links and the credibility of Vietnamese exports in other markets.

4.2. A conditional agenda for Ukraine and European partners

A pragmatic near-term priority for Ukraine would be to restore productive capacity and maintain durable access to European markets. An effort to eliminate a bilateral goods deficit during reconstruction could restrict necessary equipment and energy supplies. Nevertheless, reconstruction projects should be appraised for the domestic capabilities they build and their financing requirements. An imported asset creates lasting economic benefits only if complementary infrastructure, maintenance, skills and demand permit its effective use.

A first area for consideration is to integrate trade and investment appraisal into reconstruction programming. For each major project, the responsible authority could identify imported equipment, operating inputs, maintenance obligations and the expected sources of financing. It could assess export receipts or feasible import substitution separately from broader social benefits. Schools and essential public services can justify imports without generating export revenue. Foreign-exchange stress tests should therefore assess the investment portfolio and funding commitments, rather than impose an export-payback condition on every project.

A second area for consideration is to develop partnerships around complementary functions across European countries. Cooperation with

neighbouring EU member states could prioritise border throughput, transit reliability and access to alternative routes. Partnerships with industrial EU economies could focus on machinery, maintenance skills and qualification of Ukrainian suppliers. These are proposed areas for project screening, not rankings of partner performance. EU-level access conditions should be coordinated with member-state implementation and local transport constraints. The Solidarity Lanes already provide a framework for facilitating imports and exports through rail, road and inland waterways [13].

A third area for consideration is to incorporate capability development into commercially viable investment arrangements. Competitive procurement could include objectively justified training, maintenance and performance requirements where permitted by applicable rules. Supplier assistance should help Ukrainian firms meet European standards and compete for contracts, with explicit attention to small enterprises. Public support should not assume that imported technology automatically creates knowledge spillovers. Contracts and programme evaluations should track staff competence, qualified local suppliers and the ability to operate assets after external assistance ends.

A fourth area for consideration is to treat regulatory alignment as productive infrastructure. Public authorities, business associations and accredited technical bodies should translate EU requirements into sector-specific guidance, shared testing and practical compliance support. An exporter needs to understand which requirement applies, what evidence demonstrates compliance and which body can verify it. The upgraded DCFTA makes this institutional capacity commercially relevant [10]. Assistance should measure successful certification, repeat export relationships and compliance costs rather than attendance at information events alone.

A further consideration is for Ukraine to preserve alternative transport routes and commercially viable markets while pursuing EU integration. Redundancy is particularly valuable where a corridor can be disrupted, but investments should be screened against realistic traffic and maintenance costs. Export promotion should also distinguish the country of customs entry from the location of final demand. A shipment cleared through a neighbouring member state may ultimately serve a different European market; treating customs geography as the complete geography of demand would misdirect commercial strategy.

4.3. Implementation and limits of the comparison

A practical sequence begins with consistent data definitions and pilot projects in sectors with identifiable buyers. The next stage combines supplier qualification, infrastructure reliability and compliance support. Scaling should follow independent evaluation of additional domestic value creation, contract survival and financing exposure. Agencies should publish the assumptions behind each assessment and examine adverse cases, including delayed demand, higher operating costs and interruptions to external finance. Numerical performance targets should be set after a baseline is established, rather than imported from Viet Nam's experience.

The analysis does not estimate a counterfactual path for either economy. Nominal trade values combine price and volume effects; aggregate product

groups conceal differences between firms; and statistical revisions affect precise levels. The Ukraine comparison ends in 2025 because the selected annual EU compilation does not provide a matching 2026 series. Further research should link firm transactions, imported-input use and domestic value added, and distinguish recovery-related emergency imports from reconstruction investment. The recommendations remain conditional propositions requiring sector-specific assessment.

5. Conclusion

Viet Nam's 2022–2026 evidence shows that expanding bilateral trade and sustained export growth can accompany a widening deficit with China and, in the available 2026 period, a national merchandise deficit. The central policy issue is whether integration develops productive capabilities, supports domestic income and preserves feasible adjustment options. A bilateral balance provides an entry point for that assessment, not its conclusion.

One cautious reference lesson for Ukraine is to connect European market access and imported resources to the recovery of domestic production under sustainable financing arrangements. This requires coordination between reconstruction investment, supplier development, standards implementation and transport policy. Different recovery conditions and EU accession paths limit direct policy transfer, but strengthen the case for evaluating external economic relations through their contribution to national development rather than through a single surplus or deficit target.

Declaration on the Use of Artificial Intelligence. *ChatGPT (OpenAI) was used solely as a language and editorial assistance tool during the preparation of this manuscript. All substantive content, analysis, source selection, interpretation, and conclusions were created, reviewed, and approved by the authors. The authors bear full responsibility for the accuracy and integrity of the article.*

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