



**STUDY ON THE SPILLOVER EFFECT OF CHINA'S
MONETARY POLICY ON THE ECONOMY OF COUNTRIES
ALONG THE "THE BELT AND ROAD"——TAKE VIETNAM'S
AGRICULTURAL PRODUCTS AS AN EXAMPLE**

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**AN INDEPENDENT STUDY SUBMITTED IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR
THE DEGREE OF BUSINESS ADMINISTRATION
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This Independent Study has been approved as a Partial Fulfillment of the
Requirement of International Master of Business Administration in
International Business Management

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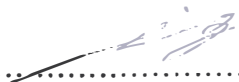
Title: Study on the Economic Spillover Effect of China’s Monetary Policy on the Countries Along the “the Belt and Road”—
Take Vietnam's Agricultural Products as an example

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Degree: Master of Business Administration

Major: International Business Administration

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Abstract

This study discussed the trade of Vietnamese agricultural products, mainly PEST analyzing the trade of Vietnamese agricultural products and exchange rate changes. The purpose of this paper is to analyze the spillover effect of the current situation of China's monetary policy on Vietnam's agricultural currency floats.

There were four research objectives: 1) To analyzed the impact of economic spillover effect of China’s monetary policy political factors on Vietnamese agricultural products; 2) To analyzed the impact of economic spillover effect of China’s monetary policy economic factors on Vietnamese agricultural products; 3) To analyzed the impact of economic spillover effect of China’s monetary policy social factors on Vietnamese agricultural products; 4) To analyzed the impact of economic spillover effect of China’s monetary policy technological factors on Vietnamese agricultural products.

This paper adopted documentary research method by reviewed the PEST theory, the research status of domestic and foreign scholars is reviewed, to analyze the spillover effects of the current situation of China's monetary policy on Vietnam's agricultural products.

The paper found that: 1) In a stable political environment, China and Vietnam have similar political systems. The socialist system and the reform and opening-up

policy have enabled the rapid development of both countries, which is conducive to the closer development and cooperation of bilateral trade. 2) Vietnam is extremely sensitive to China's economy. The rapid development of China's economy and its prudent monetary policy are conducive to the development of agricultural trade. 3) Due to historical and geographical reasons, Vietnam has frequent cultural and ethnic exchanges with China, which is conducive to promoting the diversified development of trade. 4) Vietnam's agricultural products were still in the stage of rough processing, backward transportation and storage, and a single means of payment. China is a technological power, and high technology can effectively develop to refinement and artificial intelligence, which can boost the trade of agricultural products.

Make some recommendations: 1) Further improve policies to support agricultural product exports and increase support efforts; 2) Carry out various forms of trade to diversify border trade; 3) Emphasis on the spillover effects of monetary policy. Therefore, the current analysis of China's monetary policy and the spillover effects on Vietnam area of countries along "the Belt and Road" has certain practical and theoretical significance.

Keywords: monetary policy, Agricultural trade, the belt and road, spillover effect, pest analysis

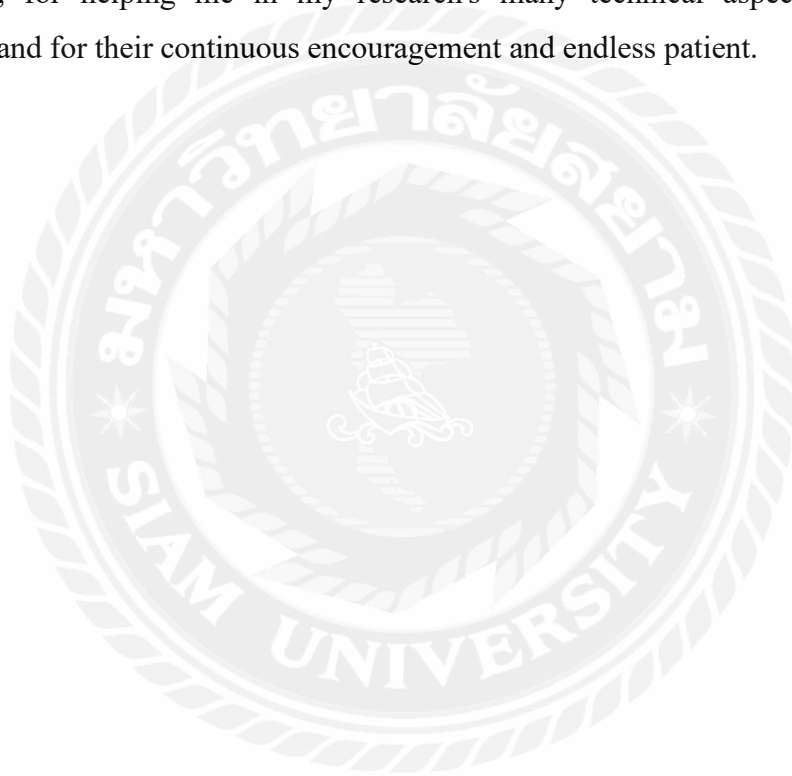
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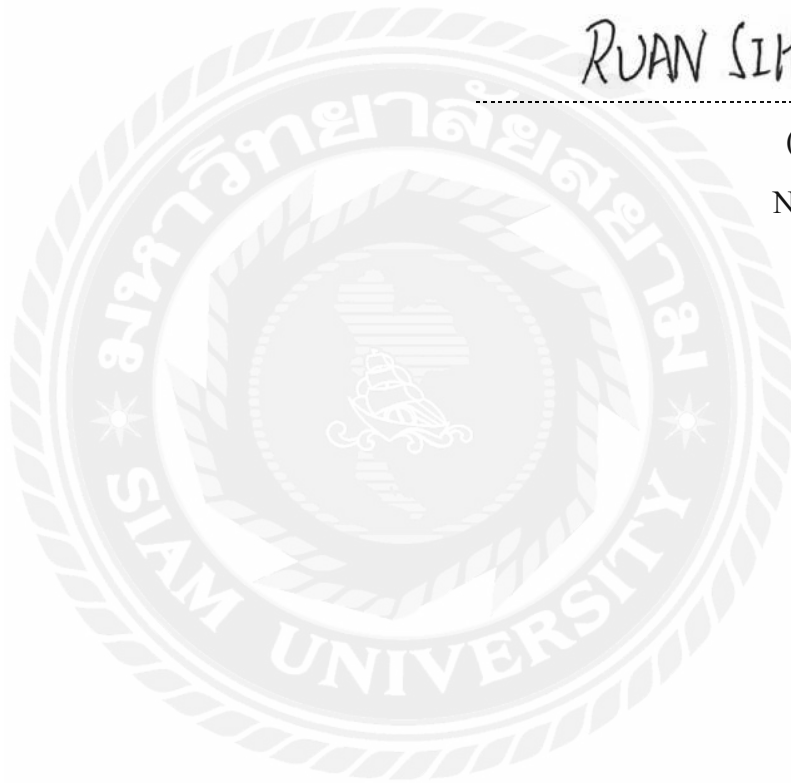
Declaration

I, Ruan Sihan, hereby certify that the work embodied in this independent study entitled “Study on the economic spillover effect of China’s monetary policy on the countries along the “Belt and Road” —Take Vietnam's agricultural products, for example is result of original research and has not been submitted for a higher degree to any other university or institution.

RUAN SIHAN

(Ruan Sihan)

Nov, 23, 2023



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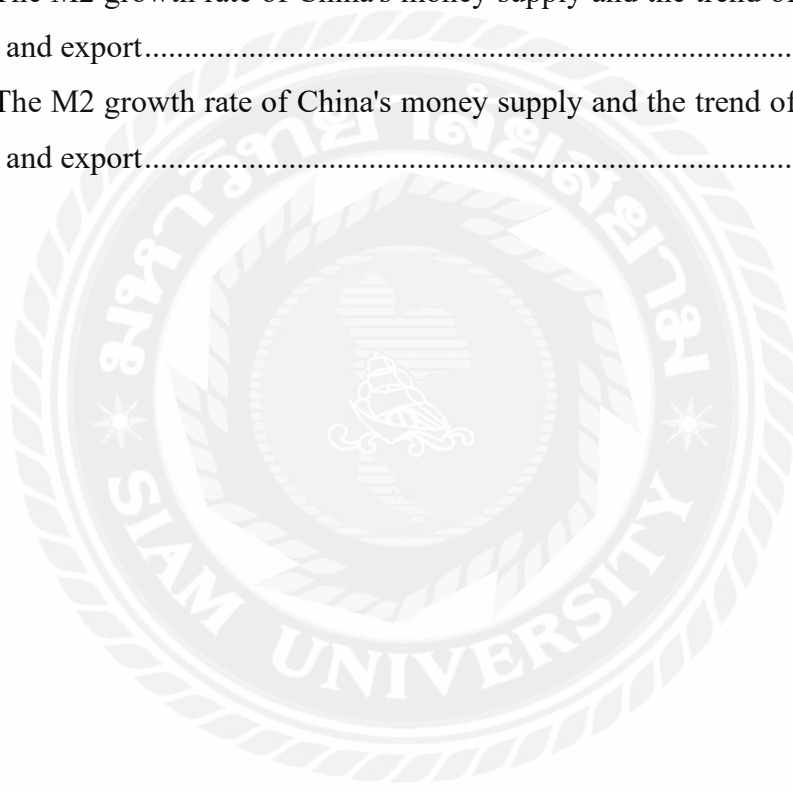
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Chapter 1 Introduction

1.1 Research background

In southeast Asian countries, Vietnam and China's close trade(Chen,2019), due to historical and geographical factors, Vietnam's social culture, political and economic system are similar to China, plus Vietnam and China adjacent, transportation is convenient and quick, the customs of the two countries have the same place, and agriculture in the status of the two countries, especially Vietnam's agricultural export trade than other products more developed, agricultural products exist differentiation between the two countries, so the agricultural trade between the two countries has great development.

How does a country's monetary policy affect a country's economy? In theory, various transmission methods exist (Vespignani, 2015). The Mundell-Fleming and Dohenship model focuses on transaction channels. Domestically, a tightened currency depreciates the foreign exchange, shifting the demand for export goods from domestic to export. It will also increase foreign production, thus promoting the balance of payments in foreign trade (Dekle and Hamada, 2015). On the other hand, tightening domestic monetary policy will reduce domestic demand for foreign products, thereby reducing foreign exports. It will also open the IS curve, thereby reducing the output of foreign products (i.e., the "income absorption effect"). In addition, more emphasis is placed on financing channels in the open, dynamic stochastic general equilibrium model.

China is the largest exporter of agricultural products in Vietnam (Dekle and Hamada, 2015). In 2013, the output value of seafood exports from Vietnam to China (including rice) reached us \$4.14 billion, down 4.7 percent from 2012. Accounting for 20.9% of the country's total exports. In addition, in Vietnam's exports of Chinese agricultural products in 2013, vegetables rose 3.87 percent, and cashew nuts rose 3.8 percent (Łasak et al., 2019). In addition, exports of agricultural products, such as coffee, fell 26.2 percent, cassava and cassava products 19.8 percent, rubber 14.3 percent and tea 2.1 percent (Weili et al., 2022). The main reason is the lower export prices of the global leading agricultural and sideline products, and the sharp drop in the increased demand and supply from China, resulting in a decline in exports of rubber, cassava and cassava products.

The People's Bank of China's Monetary Policy Committee held its quarterly meeting for the third quarter of 2023 (Chen et al., 2023). The meeting emphasized the need to intensify the implementation of existing monetary policies, maintain reasonable and ample liquidity, and ensure a reasonable and steady growth pace in credit. It called for the effective use of ongoing structural monetary policy tools and continued support for key areas of the national economy, including inclusive finance, green development, technological innovation, and infrastructure construction. The committee also stressed the importance of implementing measures to support financing for technology-based enterprises, guiding financial institutions to increase medium and long-term loans to the manufacturing sector, and facilitating the development of a modern industrial system.

Additionally, there was a focus on optimizing consumer finance services in the bulk consumption and social services sectors. Furthermore, it was noted that on September 25th, the interest rates for first-home mortgages with existing balances were lowered (Bernanke, 2020). "It is expected that over 90% of eligible borrowers will enjoy the policy benefits immediately, and the interest rates for other borrowers with existing home loans will be adjusted by the end of October," said Zou Lan, Director of the Monetary Policy Department of the People's Bank of China. Most of the eligible first-home mortgage rates are expected to be lowered to the Loan Prime Rate (LPR), with those issued after May 2022 being reduced by 20 basis points below the LPR, effectively reaching the policy floor (Weili et al., 2022). As the trend of economic globalization and integration continues to strengthen, the economies of various countries are increasingly interdependent. Changes in the economic policies of one country can have spillover effects on both its own macroeconomy and other countries.

This paper focuses on the relevant theory of the impact of exchange rate fluctuations on imports and exports, there are also the status quo and characteristics of trade between Vietnam and China, especially agricultural trade, as well as various factors affecting agricultural trade between the two countries, It is expected to play a positive role in the future development of agricultural trade between the two countries and is of great significance.

1.2 Research Problem

The impact of China's monetary policy has significant spillover effects on the macro-financial variables of Vietnam area. China's unexpected tightening policy resulted in widening short-term interest rate spreads, falling stock prices, nominal and real depreciation of the renminbi, and improvements in average trade balances among the countries along the Belt and Road (Chen et al., 2023). According to the Vietnam general administration of customs forecast estimates, in 2017, Vietnam's agricultural exports to China will be more than \$6 billion, export products mainly rubber, cassava and fresh fruit, China is still Vietnam's largest export market of agricultural products (Weili et al., 2022).

Therefore, based on the above facts, this study aims to study four problems.

1) What is the impact of economic spillover effect of China's monetary policy political factors on Vietnamese agricultural products?

2) What is the impact of economic spillover effect of China's monetary policy economic factors on Vietnamese agricultural products?

3) What is the impact of economic spillover effect of China's monetary policy social factors on Vietnamese agricultural products?

4) What is the impact of economic spillover effect of China's monetary policy technological factors on Vietnamese agricultural products?

1.3 Objectives of the Study

The purpose of this paper is to analyze the spillover effect of the current situation of China's monetary policy on Vietnam. Through this study, we can gain a more comprehensive understanding of the theoretical and empirical research on the spillover effects of monetary policy, providing scientific basis and policy recommendations for formulating effective monetary policies and promoting regional economic cooperation.

There are four research objectives:

1) To analyze the impact of economic spillover effect of China's monetary policy political factors on Vietnamese agricultural products.

2) To analyze the impact of economic spillover effect of China's monetary policy economic factors on Vietnamese agricultural products.

3) To analyze the impact of economic spillover effect of China's monetary policy social factors on Vietnamese agricultural products.

4) To analyze the impact of economic spillover effect of China's monetary policy technological factors on Vietnamese agricultural products.

1.4 Significant of the Study

In the second half of 2013, China put forward the "the Belt and Road" initiative. Over the past five years, the "the Belt and Road" strategy has been developing from point to area, focusing on Afro-EurVietnam, but also opening to the world (Chan, 2018). It has become one of China's three Grand strategy. In the context of China's increasingly close ties with countries along the "the Belt and Road", the monetary policy pursued by the People's Bank of China, on the one hand, will affect the domestic economic operation, on the other hand, it will also have a certain impact on the economy of cooperative countries (Łasak et al., 2019). The influence of RMB exchange rate change on the import and export trade of agricultural products between Vietnam and China not only has theoretical value, but also has the same value Time also has a positive practical significance.

1.5 Scope of the study

This paper studies on Vietnamese agricultural trade, adopted documentary research method, collected the relevant information and data on the trade process between China and Vietnam area of countries along "the Belt and Road".

This paper reviews more than 80 articles related to China's exchange rate policy, Vietnam agricultural trade and PEST analysis, and compares the growth rate of China's money supply from 2014-2022 with the trend of Vietnam's total import and export and Vietnam's economic development data in 2022. Research, analysis and summary of the existing research results can help to clarify the research direction of this paper, form the basic research ideas, and provide a theoretical basis for the subsequent research.

Chapter 2 Literature Review

2.1 Literature Review of Monetary Policy

Monetary policy controls the quantity of money available in an economy and the channels by which new money is supplied (Bernanke, 2020). Economic statistics such as gross domestic product (GDP), the rate of inflation, and industry and sector-specific growth rates influence monetary policy strategy. The monetary policy tool in this study is open market operations. Open market operations will be carried out when the amount of bank reserves and interest rate levels are affected.

The degree of global economic integration is constantly deepening, and the connections between national economies, trade, and other factors are gradually deepening. The monetary policy formulated and implemented by a country can impact other economies through various channels (Huang et al., 2020). It can even impact the stable operation and sustainable development of other countries' financial markets and the real economy. Relatively, the operation of the domestic economy is also subject to interference from the implementation of foreign monetary policies, and the phenomenon of mutual influence in the implementation process of monetary policies between countries is called the monetary policy spillover effect.

The spillover effect of monetary policy is essentially an externality, and this externality can also be positive or negative (Guzman et al., 2018). If a country's monetary policy has promoted other countries' economic development, then this Externality is called a positive effect. Otherwise, it is called a negative effect. Given the rapid advancement of economic globalization and integration, the impact of spillover effects caused by the implementation of monetary policies in economies has become increasingly significant (Wei & Han, 2021). And the dependence and sensitivity of the world economy on monetary policies implemented by major economies, especially the United States, China, and other regions, are also increasing.

2.2 Literature Review of Spillover Effects

The spillover effect refers to the effect on the economy of a country from unrelated events happening in another country (Weili et al., 2022). An incident, including a natural disaster like an earthquake or a political crisis, may have a positive or negative impact on a nation's economy. The spillover effect of monetary policy refers to the

increasing frequency of economic activities among countries in the international environment of economic globalization and the increasing dependence on trade between countries. The monetary policy formulated by a central bank of a country not only affects domestic economic variables but also affects the economic operation of other countries through the transmission mechanism of monetary policy (Wei & Han, 2021). This impact is called the spillover effect of monetary policy. The existence of monetary policy spillover effects causes the monetary policies of various countries to penetrate and constrain each other.

Therefore, when formulating monetary policy, a central bank of a country should not only consider the needs of its own economic development but also closely monitor the monetary policy trends of relevant international interest countries, especially the potential impact of developed economies on its monetary policy (Degaspero et al., 2020). Generally speaking, monetary policy can have spillover effects on the economic operation of other countries through channels such as interest rate transmission, non-monetary asset transmission, and exchange rate transmission. The spillover effect of monetary policy will weaken the effectiveness of domestic monetary policy, which can easily lead to monetary policy not achieving the expected goals.

2.3 Literature Review of the Current Situation of Vietnam's Agricultural Products

Among countries around the world, there are significant differences in agricultural output and development levels due to differences in geographical location, terrain conditions, climate, soil conditions, and other factors. The Vietnamese economy is still in the early stages of industrialization, with agriculture accounting for about 14% of Vietnam's three industry structure and contributing more than 10% to GDP growth. It also solves one-third of the employment problem. Therefore, the agricultural product trade industry is of great significance for the development of the national economy and receives strong support from the government.

Wang et al. (2019) believe that the Vietnamese government's support policy for agricultural producers is mainly achieved through the transfer of individual product producers. Among them, export oriented agricultural products are more negatively protected, while import substitution agricultural products are relatively more positively protected. Shkodina et al. (2020) believes that in ASEAN countries, agricultural

production is still in the transitional stage between primary small-scale agricultural production and large-scale operation. As an important regional agricultural production country, Vietnam's vast and sparsely populated agricultural production conditions bring abundant resources to export trade, and due to its low agricultural production costs, it occupies an important position in international grain export trade. Zeng et al. (2021) also studied the issue of agricultural exports in Vietnam and believes that there are significant differences between Vietnamese agriculture and EU agriculture due to geographical and climatic reasons, and agricultural trade has a strong complementary trade nature. Therefore, Vietnamese agricultural products have a wide market in the European Union. At the same time, it is believed that only by further improving the quality of Vietnamese agricultural exports and meeting EU standards can Vietnam fully leverage its low-cost advantages and rapidly expand its market share in the EU. Zhao et al. (2023) analyzed agricultural labor productivity in ASEAN countries from a purely economic perspective and found that among the ten ASEAN countries, Vietnam has a relatively high level of agricultural labor productivity, which is manifested as having an advantage in agricultural product prices in international competition. Therefore, Vietnam's agricultural exports are mainly exported to "neighboring" countries such as China, where production costs are gradually rising.

Since the normalization of China-Vietnam relations in 1991, the exchanges and cooperation in the economic and trade field between the two countries have been developing in breadth and depth. (CA Thayer, 1994) In 2006, Vietnam joined the WTO and signed the agreement on expanding and deepening bilateral economic and trade cooperation, in 2007, bilateral agricultural trade volume reached 905 million US dollars, then maintained a high growth rate of 22%, even in 2011 reached an increase of 61.66%, bilateral trade volume in 2016 reached 6.606 billion US dollars, It has increased by 6.3 times in ten years. Trade between China and Vietnam is deepening, and relations between the two countries are getting closer. In the decade since 2007, only in 2007 and 2012, Vietnam had a trade surplus with China, while the rest were those with China. With the continuous expansion of bilateral trade, the trade balance between China and Vietnam is also expanding, and Vietnam has been in a trade deficit. In 2008, Vietnam's trade deficit was only \$210 million in 2008, reached \$1.03 billion in 2016 and increased to \$1.03 billion in 2016, a nearly fivefold increase in the decade. The growth rate of trade is accelerating, the trade balance is gradually rising, and Vietnam's balance of payments deficit is also increasing rapidly.

However, the Exchange rate regime must be considered together with the independence of capital flow and monetary policy. Therefore, the impact of the Exchange rate regime on the spillover effect needs further discussion. In addition to the degree of economic openness, the country's Comprehensive National Power and the Exchange rate regime, economic structure, and national influence can also affect the spillover effect of monetary policy.

2.4 PEST Analysis

PEST analysis is the basic tool of strategic external environment analysis. Which was first proposed by the British scholar Francis J. Aguilar. In his 1967 book *Scanning the Business Environment*, he first proposed the concept of PEST analysis, which divided the enterprise environment into four aspects: political, economic, social and technical, and analyzed the impact of these factors and potential opportunities and threats to enterprises. It grasps the macro environment from the perspective of political (Politics), economic (Economic), social (Society) and technical (Technology) or four aspects, and evaluates the impact of these factors on the strategic goals and strategy formulation of enterprises (Degasperi et al., 2020).

P is Politics, the political element, which refers to the political power and relevant laws and regulations that have an actual and potential impact on the organization's business activities (Pfeffer, 1992). When the political system and system, the attitude of the government towards the business operated by the organization change, and when the government issues the laws and regulations with binding force on the operation of the enterprise, the business strategy of the enterprise must be adjusted accordingly. The legal environment mainly includes the laws and regulations formulated by the government that have binding force on enterprise operation, such as anti-unfair competition law, tax law, environmental protection law and foreign trade regulations. In fact, the political and legal environment is a group of factors closely related to the economic environment.

E is Economic, economic elements, refers to a country's economic system, economic structure, industrial layout, resources, economic development level and economic trend in the future (Cypher, 2014). The key elements that constitute the economic environment include the development trend of GDP change, interest rate level, inflation degree and trend, unemployment rate, household disposable income

level, exchange rate level, energy supply cost, the improvement degree of market mechanism, market demand situation and so on.

S is the Society, the social element. It refers to the national characteristics, cultural traditions, values, beliefs, educational levels and customs of the members of the society in which the organization is located (McCann, 2004). The elements that constitute the social environment include population size, age structure, ethnic structure, income distribution, consumption structure and level, and population mobility, etc. Among them, the population size directly affects the market capacity of a country or region, and the age structure determines the types and promotion mode of consumer goods.

T is Technology, a technical element (Lemonnier,1992). Technological elements include not only those inventions that cause revolutionary changes, but also the emergence and development trends and application prospects of new technologies, new processes and new materials related to enterprise production. In the past half century, the most rapid changes have occurred in the technology sector, where the rise of high-tech companies such as Microsoft, HP, and General Electric has changed the world and the way people live. Similarly, technology-leading non-profit organizations such as hospitals and universities are also more competitive than similar organizations that do not adopt advanced technology.

2.5 Vietnam's economic development

In the fourth quarter of 2022, Vietnam's GDP increased by 5.92%, of which agriculture, forestry and fishery increased by 3.85%, industry and construction increased by 4.22%, and service industry increased by 8.12%. The growth in the four quarters fluctuated greatly, with the horrible 13.71% in the third quarter and the annual average of 8.02% (Nguyen, 2022).



Figure 2-1 Vietnam's Economic Development in 2022

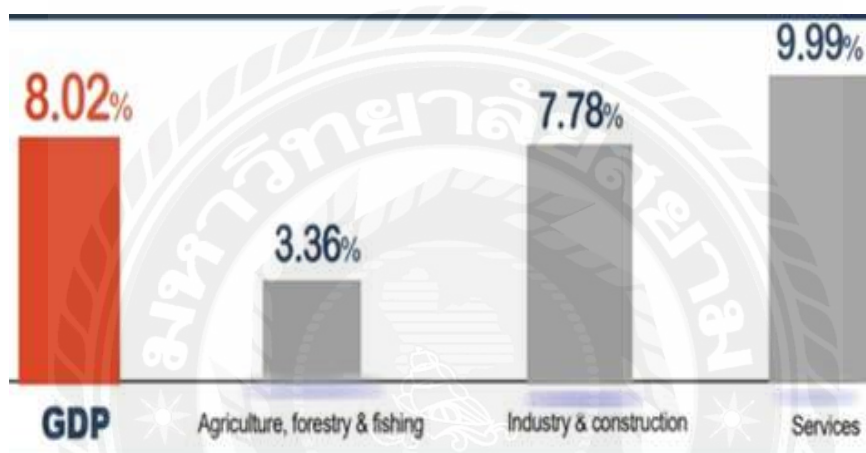


Figure 2-2 GDP growth rate in 2022

In 2022, Vietnam's agricultural, forestry, and fishery sectors grew by 3.36%, while the industrial and construction sectors experienced a growth rate of 7.78%, and the service industry expanded by 9.99%. Within the GDP composition, the service sector accounted for 41.33%, the industrial and construction sector represented 38.26%, and the agricultural, forestry, and fishery sector comprised 11.88% (Tran et., 2022). The service and industrial sectors continued to increase their share, while the agricultural sector continued to contract. The average rice yield was 60.2 quintals per hectare, slightly lower than in 2021, equivalent to 401.3 kilograms per acre. The total rice production reached 42.66 million tons, with a per capita output of over 400 kilograms, which is relatively high. Production of crops such as maize, potatoes, peanuts, and soybeans declined, while vegetables and legumes saw an increase in production. The newly added concentrated forest area expanded by 3.01 million hectares, a year-on-year increase of 3.4%, and wood production also rose by 7.2%. The fishery sector achieved a total production of 9.026 million tons, growing by 2.7%,

with the aquaculture sector outpacing the fishing industry in terms of growth rate.

The total import value of goods and services reached 386.15 billion USD in 2022. Specifically, the value of goods imports amounted to 360.65 billion USD, marking an 8.4% increase, while services imports accounted for 25.5 billion USD, showing a growth of 23.6%. The total foreign trade volume reached a high of approximately 770.9 billion USD, resulting in an overall deficit of around 14 billion USD. The service trade volume amounted to 38.4 billion USD, resulting in a deficit of 12.6 billion USD, which also exceeded market expectations.

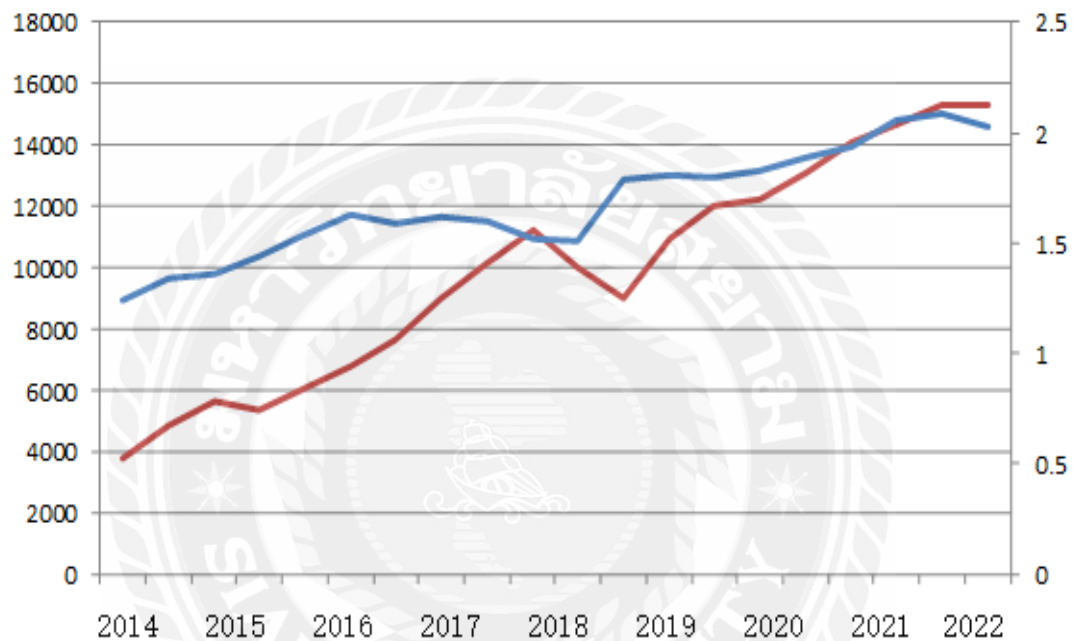


Figure 2-3 The M2 growth rate of China's money supply and the trend of Vietnamese GDP

As can be seen from Figure 3-4, China's money supply M2 is almost the same as Hangzhou's GDP.

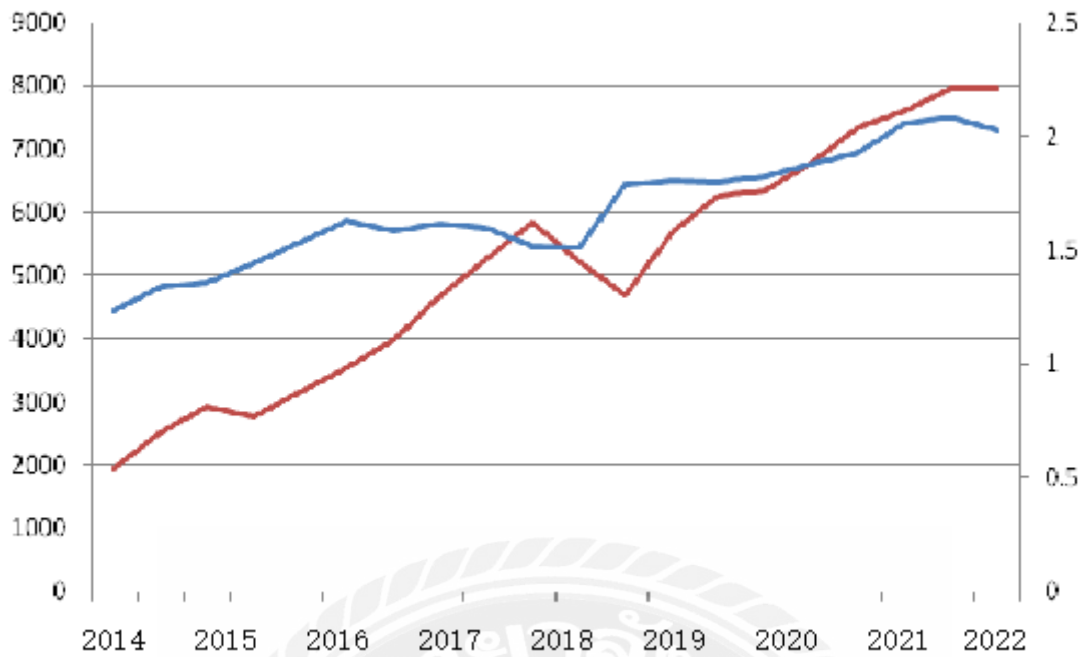


Figure 2-4 The M2 growth rate of China's money supply and the trend of Vietnamese total import and export

The real price rises. The economic growth rate of China to Viet Nam is higher than the nominal price rise, which leads to the possibility of psychological growth of imported goods prices (Lim, 2014). Recently, the soaring prices of major agricultural products have promoted the real life growth of prices. In the fourth quarter of 2018, the food prices in China increased by about 10.1% and 11.7% respectively (October) (November) and 9.6% (December), which led to the increase of consumer prices in China. The consumer price index in Vietnam has increased by 3.5%, and the price of agricultural products has increased by 26.5% compared with that in December 2017. Therefore, the price of real life has also increased. According to the analysis of the increase of import price based on the growth rate of consumer price, importing more products mainly affects the foreign imported goods imported by Qualcomm in 2018, with the import ratio reaching 16.8%, reaching the highest level compared with other countries. Daily necessities, clothing and other products account for more than 50% of the import price of agricultural products, accounting for 15.1%. Because of China's prosperity, the export growth rate of Vietnam's declining exports slowed down to 0.72%(Wong, 2001). Influenced by China's austerity policy, China's domestic demand growth and the slow recovery of the world economy, is Vietnam conducive to exporting to China, the decline of the world economic growth rate and the slowdown

of China's exports?The influence of these factors on the profitability of enterprises, according to the research of China and Vietnam's total export growth of about 1% in the first quarter, the recent export of raw materials and intermediate materials to China's domestic products in Vietnam and the tight domestic demand in China have also affected Vietnam's exports. In 2018, the profits of Vietnamese enterprises reached 59.1%, compared with 2016. 5.9%.

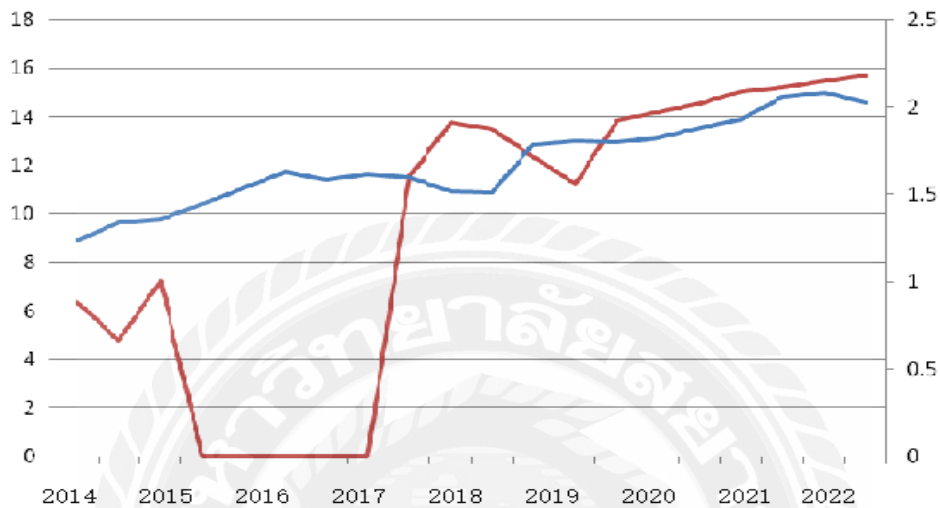


Figure 2-5 The M2 growth rate of China's money supply and the trend of Vietnamese total import and export

China's economic openness has increased rapidly, and China has a very close relationship with Vietnamese economic development(Malesky& London, 2014) .The rapid development of Vietnam's economy has brought many unstable factors such as fluctuations in international commodity prices and international food prices. Therefore, we can see that Viet Nam is more sensitive to China's monetary policy.

There is a positive correlation between China's money supply and Vietnam's interest rate to a certain extent, that is, if China adopts an expansionary monetary policy, the money supply will increase and overflow Vietnam, which will make Vietnam's unsecured market interest rate rise.

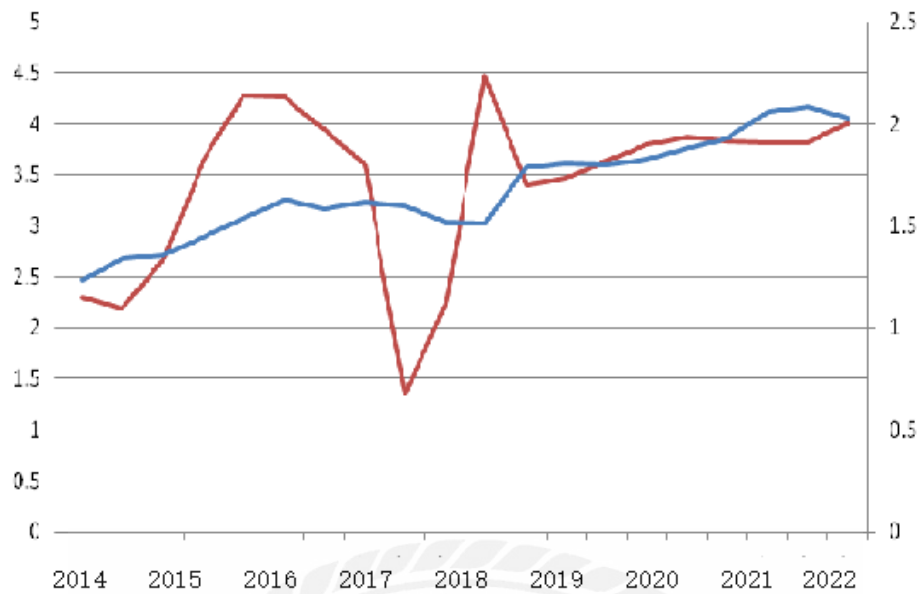


Figure 2-6 The M2 growth rate of China's money supply and the trend of Vietnamese total import and export

2.6 The impact of exchange rate changes on trade

The study on the impact of exchange rate fluctuations on international trade was first put forward by Alfred Marshall & Abba Lerner. Through the research, they demonstrated the most famous Marshall-Lerner condition, which pointed out that the condition of currency depreciation in improving the balance of payments is that the elasticity of export demand elasticity of a country's goods is larger than the elasticity of import demand. Paul Krugman (1989) By studying the relationship between the import and export trade of the United States and the real exchange rate, we found that the rise of the real exchange rate of the US dollar would increase the export trade volume, reduce the import trade volume, and then improve the international trade balance. Hassan Shirvani; Barry Wilbratte (1997), using the multiple co-integration method, based on bilateral trade between the United States and other G 7 countries, found that the trade balance did not respond to the exchange rate in the short term, but was significantly affected in two years, and currency depreciation did improve the trade balance.

2.7 The current situation of agricultural trade in Vietnam

The quality of Vietnamese agricultural products is uneven (Tuan, 2012). mainly manifested in the difficulty of meeting the needs of the Chinese market with the quality

of agricultural products exported from Vietnam, including breeding, screening, planting, processing of agricultural products exported from Vietnam, design and construction plans for agricultural export production bases, and storage in the export process.

Vietnam's small-scale trade in agricultural products exported to China using cash transactions (Thang et al., 2022). The export of agricultural products is mostly through small-scale trade, coupled with the longer border line between Vietnam and China. The active border trade between the two countries has led to rampant smuggling activities. Irregular transactions such as water cargo and cargo release have directly damaged the credibility of enterprises in both countries, making it difficult for local governments to collect taxes and fees. Vietnam's export of Chinese agricultural products is mainly based on cash settlement for small-scale trade, which poses risks such as receiving counterfeit currency and not receiving payment.

The instability of primary agricultural product prices in Vietnam agricultural product production, harvest, and trading are seasonal (Hung & Khai, 2020). the stock price will change the interest rate, while the interest rate will not cause the stock price change. Moreover, a nation's Central Bank may also use other methods to influence the value of assets and then spill over via the asset price channel.

Chapter 3 Research Methodology

3.1 Introduction

This paper adopted the documentary research method by reviewing the PEST theory. The research status of domestic and foreign scholars is reviewed, to analyze the economic spillover effect of China's monetary policy on the agricultural trade of Vietnam based on PEST theory.

3.1.1 Literature Study Method

Through a lot of reading and research literature, searching for relevant references on CNKI, various news websites, national data official websites, and libraries, and then comprehensively sorting out the literature and materials, this paper understands the current situation of agricultural trade between the two countries. Through reading and summarizing the literature, combined with the background of China's current monetary policy, this paper provides a theoretical framework for the research and analysis of this paper.

3.2 Research Design

Due to historical and geographical factors, Vietnam's social culture, political, and economic systems are similar to China's. Comparing the growth rate of China's money supply from 2014-2022 with the trend of Vietnam's total imports and exports and Vietnam's economic development data in 2022, found that Vietnam's agricultural trade is highly sensitive to China's monetary policy. This paper adopted the documentary research method by reviewing the PEST theory, by studying relevant literature on PEST theory, systematically reading and understanding the latest research results. Study and analyze existing research results, summarize, determine the appropriate theoretical framework for research, and clarify the research direction of this paper.

Firstly, political factors are the cornerstone of the agricultural trade between the two countries. By carefully studying the existing literature, most scholars believe that the two countries have similar political systems, which is conducive to long-term cooperation, and political stability.

Secondly, economic factors are the core factors affecting the agricultural trade

between the two countries. Through a systematic analysis of the economic literature, data comparison found that Vietnam is extremely sensitive to China's monetary policy, and a prudent monetary policy is the key to the sustainable development of trade.

Thirdly, social factors are the key factors affecting the agricultural trade between the two countries. By studying the literature on social factors in both countries, find that due to geographical and historical reasons, with the same social system and similar cultural customs, the people of the two countries live in harmony and develop together.

Finally, technical factors are an important factor affecting the agricultural trade between the two countries. By studying the literature on technical factors in both countries, find that the quality of primary products in Vietnam is uneven, and the logistics and warehousing are backward, resulting in the unstable prices of agricultural products.

This paper by carefully studying the existing literature, analyzed the influencing factors of bilateral agricultural trade by PEST theory. The integration of empirical evidence provides a tangible and authentic dimension to the research, enhancing its relevance and applicability in the field.

In conclusion, the current situation of agricultural trade in Vietnam is The quality of Vietnamese agricultural products is uneven; Vietnam's small-scale trade in agricultural products is exported to China using cash transactions; and The instability of primary agricultural product prices in Vietnam. The influencing factors of the bilateral agricultural trade are analyzed by PEST theory, through the analysis of trade status, trade structure, and other factors, the theoretical research Transformed it into practical application research, can further understand the economic spillover effect under the effect of China's monetary policy.

Chapter 4 Finding and Conclusion

4.1 Introduction

Vietnam is a big agricultural country, and agricultural products are the main export products of Vietnam at the present stage. In the process of promoting industrialization, Vietnam's agricultural trade plays a role in the rational distribution of resources to promote economic development. China is the largest exporter of agricultural products in Vietnam. In 2013, the output value of seafood exports from Vietnam to China (including rice) reached us \$4.14 billion, down 4.7 percent from 2012. Accounting for 20.9% of the country's total exports. Exchange rate fluctuations has a significant impact on the import and export of agricultural products in Vietnam.

4.2 The influence of economic spillover effect of China's monetary policy economic factors on Vietnamese agricultural products

China and Vietnam can cooperate and develop together in agricultural production and development. China is a world power with a development speed that ranks among the top in the world and advanced technology, especially in agriculture. Vietnam is still a developing country, so we must learn from China and draw on advanced professional knowledge and technologies, such as agricultural production processes, management organizations, research methods, planting techniques, and selecting suitable stubbles. China is a populous country focusing on developing industrialization, resulting in a relatively high demand for food and insufficient domestic supply, which enables Vietnam to provide. Vietnam is an agricultural country with a large arable land area and relatively low labor costs, so China can invest in Vietnam to develop agriculture. Both Vietnam and China are major agricultural countries. Due to their natural geography and socio-economic development differences, they have developed distinctive agricultural products, upstream and downstream enterprises surrounding agricultural products, and other productive service industries (Degaspero et al., 2020). For example, the main markets for many Vietnamese agricultural products such as rubber, lychee, cassava, and rice are all in China, And China's agricultural fertilizers, agricultural machinery, and other products also occupy an essential position in the Vietnamese market, with solid complementarity of agricultural products between the two sides. Therefore, Vietnam should make full use of the advantages of planting crops such as good sleep, rubber,

mango, longan, lychee, dragon fruit, cashew, coffee, etc., continuously improve product quality and precision processing, expand exports to China, develop agricultural product trade with China, and introduce advanced Chinese technology and agricultural machinery to improve its agricultural development level continuously.

4.3 The influence of economic spillover effect of China's monetary policy political factors on Vietnamese agricultural products

By the directions and tasks set out in the Strategy and Action Plan, practical solutions for market development, trade promotion, and international economic integration will be implemented simultaneously. Timely handling of complex market issues with good results: The import market recognizes Vietnam's efforts in controlling the food safety of exported products, creating favorable conditions for enterprises to enter and maintain the export market. The Ministry of Industry and Trade of Vietnam has proposed that the Prime Minister appoint ministries to simultaneously and effectively implement significant measures to promote export growth, thereby helping to improve trade balance. Complete the highest possible level of goals and focus on five main tasks, including product development, Market development, Improving the business investment environment and enhancing the competitiveness of export products, Issues related to international credit and payment, and measures to strengthen import management.

4.4 The influence of economic spillover effect of China's monetary policy social factors on Vietnamese agricultural products

Vietnam has a long history of agriculture and has considerable development potential in agricultural production. In the era of economic globalization. Vietnam is increasing its commercial exchanges with countries around the world. However, each country has its advantages, and agricultural products are Vietnam's advantage. Facts have proven that Vietnam's agricultural production and exports are significant to Vietnam's social and economic development. The production of agricultural products can not only meet domestic demand, make the country rich in food, solve labor distribution problems, etc. But also export can improve people's living standards and mobilize national productivity (Degasperi et al., 2020). The production of agricultural products can give full play to Vietnam's climate, geography, natural resources, human

resources, and other advantages. With this advantage, agricultural product exports are essential to Vietnam's economic development.

In recent years, Vietnam's agricultural product export industry has developed rapidly and steadily, mainly the export of cash crops such as rice, coffee, and rubber, which account for a significant share of Vietnam's total import and export volume. In terms of climate, Vietnam has a tropical monsoon climate. Affected by the monsoon, it has abundant rainfall and abundant water resources. In addition, the multi-climate small areas formed by the diverse terrain are conducive to cultivating various agricultural products. For example, the north is suitable for growing tea and coffee; the central part is suitable for growing fruits; the Red River Plain is suitable for growing rice, and the plateau is suitable for growing tea; and the Mekong River Plain with a tropical climate in the south is the country's barn. In terms of land, on the one hand, Vietnam's agricultural land accounts for 1/3 of Vietnam's total area, making it a country with excellent land potential; on the other hand, Vietnam's soil has high economic value, such as red soil and is suitable for growing coffee, rubber, tea, and grain. The alluvial land of fruits, vegetables, etc. has a more significant competitive advantage than other countries in the same region.

In other respects, Vietnam is a developing country with intensive labor and low prices, and more than 70% of the labor force is agricultural labor. Therefore, the production cost of agricultural products is low, the export price is low, and it has considerable competitive advantages (Degaspero et al., 2020). The unique natural and socio-economic environment has created Vietnam's internationally competitive agricultural products, such as fruits and vegetables, coffee, cashew nuts, fragrant rice, rubber, wood, precious wood, etc.

4.5 The influence of economic spillover effect of China's monetary policy technical factors on Vietnamese agricultural products

For a long time, Vietnam has relied on its unique natural conditions to export primary and low-value-added agricultural products. However, with the changes in export market demand and the intensification of homogeneous product competition since the establishment of the free trade zone, the long-term low-cost competitive advantage strategy of agricultural product export trade has become increasingly difficult to effectively transform Vietnam's resource advantages and comparative advantages into

competitive advantages and export realities. In addition to labor-intensive low-cost competitive advantages, there are constraints such as low level of agricultural product processing, weak scientific and technological innovation ability, lack of leading brand products, and underdeveloped industry organizations. Analysis of Vietnam's agricultural product competitiveness is improved, self-discipline and order in the agricultural product export industry are chaotic, government support is insufficient, and management systems are chaotic, making it difficult to compete with the dominant US, EU. Therefore, Vietnam should adjust its low-cost competitive strategy as soon as possible, strengthen the cultivation of competitive advantages, and resist the risk of losing competitiveness caused by weakening its comparative advantage structure.

4.6 Conclusion

Vietnam and China the adjacent landscape, on the land border is more than 1350 kilometers, traffic is more convenient and quick, due to the historical and geographical factors, the customs of the two countries have the same place, and the status of agriculture in the two countries, the two countries need agricultural products differentiation, agricultural trade has great development. In the review of the existing literature at home and abroad, it is found that domestic and foreign researchers have conducted in-depth research on the influence of exchange rate on trade import and export. By analyzing the exchange rate system, trade status, trade structure and other factors of various countries, they are theoretical research Into practical application research, a deeper analysis of problems. All this shows that the study of exchange rate changes for the Vietnamese and Chinese farmers The influence of product trade This topic has important theoretical significance and academic value.

The current situation of agricultural trade in Vietnam is The quality of Vietnamese agricultural products is uneven; Vietnam's small-scale trade in agricultural products exported to China using cash transactions; The instability of primary agricultural product prices in Vietnam.

The influence of economic spillover effect of China's monetary policy economic factors on Vietnamese agricultural products. China is a world power with a development speed that ranks among the top in the world and advanced technology, especially in agriculture. Vietnam is extremely sensitive to China's economy. The rapid development of China's economy and its prudent monetary policy are conducive to the

development of agricultural trade.

The influence of economic spillover effect of China's monetary policy political factors on Vietnamese agricultural products. Since the normalization of China-Vietnam relations in 1991, the exchanges and cooperation in the economic and trade field between the two countries have been developing in breadth and depth. In a stable political environment, China and Vietnam have similar political systems. The socialist system and the reform and opening-up policy have enabled the rapid development of both countries, which is conducive to the closer development and cooperation of bilateral trade.

The influence of economic spillover effect of China's monetary policy social factors on Vietnamese agricultural products. China and Vietnam are adjacent to the mountains and rivers, with convenient transportation, the continuous strengthening of economic and trade ties, and the development of border trade is particularly prominent. Due to historical and geographical reasons, Vietnam has frequent cultural and ethnic exchanges with China, which is conducive to promoting the diversified development of trade.

The influence of economic spillover effect of China's monetary policy technical factors on Vietnamese agricultural products. Agricultural products have the problems of low level of science and technology, backward warehousing and logistics, and chaotic settlement system. Vietnam's agricultural products are still in the stage of rough processing, backward transportation and storage, and a single means of payment. China is a technological power, and high technology can effectively develop to refinement and artificial intelligence, which can boost the trade of agricultural products.

Through the analysis of the current situation of agricultural trade between China and Vietnam and the analysis of influencing factors, I found that in southeast Asian countries, Vietnam and China's close trade, due to historical and geographical factors, Vietnam's social culture, political and economic system are similar to China, plus Vietnam and China adjacent, transportation is convenient and quick, the customs of the two countries have the same place, and agriculture in the status of the two countries, especially Vietnam's agricultural export trade than other products more developed, agricultural products exist differentiation between the two countries, so the agricultural trade between the two countries has great development.

Chapter 5 Recommendation

5.1 Recommendation

5.1.1 Further improve policies to support agricultural product exports and increase support efforts

In the current context of globalization, on the one hand, agricultural product prices are increasingly dependent on macroeconomic policies such as national currencies, balanced budgets, exchange rates, international trade, and outward investment. On the other hand, due to the risk of weakening the comparative advantage of agricultural products, the government should increase guidance and support for agricultural product export trade to create a sustainable competitive advantage. Therefore, the government should continuously strengthen and expand the advantages of agricultural product export trade between Vietnam and China by improving policies on agricultural product trade, agricultural product production and export, increasing market services and popularizing market information, and establishing long-term, mutually beneficial, cooperative, win-win, and sustainable agricultural product bilateral trade relations with China and even other countries and regions. In terms of the global economic environment, there are significant differences in the direction of implementing monetary policy among countries. On the one hand, the United States tightened its monetary policy by raising interest rates; On the other hand, Japan and European countries still maintain loose monetary policies, especially Japan's ultra quantitative easing monetary policy, which shows no signs of exiting. In the complex global economic environment and its unique structural system, China's monetary policy still needs to be based on a stable tone.

5.1.2 Carry out various forms of trade to diversify border trade

To make full use of the national port location and policy advantages, speed up the construction of border trade processing industrial park, through the introduction of a batch of strength, and conforms to the asean market demand and local advantage of potential enterprises, to promote trade processing and drive investment and projects, form a competitive border port pillar industry. Develop industries matching with export trade, and build a number of import and export processing projects with

advantages, scale, market and characteristics, so as to form export-oriented industrial production. Through the border trade commodity fair, promote the economic exchanges and cooperation between Guangxi and Vietnam and ASEAN, and explore the markets of Vietnam and Southeast Asia. Enterprises engaged in border trade can actively participate in paying attention to national and monetary policies.

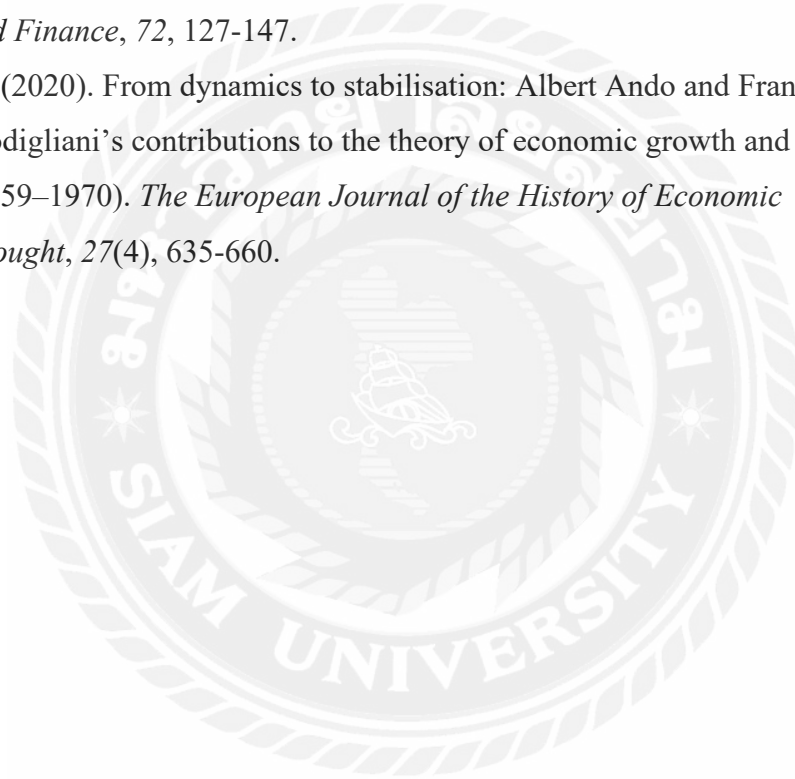
5.1.3 Emphasis on the spillover effects of monetary policy

Now, as the largest developing country in the world, with the rapid cooperative development of "the Belt and Road," "CAFTA," and "RCEP," China has long been not only the recipient of monetary policy spillover effect but also the perpetrator of monetary policy spillover effect. Based on this, as a preeminent country, China should take the initiative and actively assume its responsibilities as a significant country. In the context of the continuous promotion of the Belt and Road Initiative, it should pay more attention to the spillover effect of its monetary policy on other countries. To this end, China should attach importance to the spillover effect of its monetary policy (Ashraf et al., 2022). Monetary policy not only needs to consider achieving domestic economic goals but also needs to consider the ASEAN countries, Japan and South Korea, and other countries, reality, try to avoid causing other economic fluctuations, comprehensive as a whole monetary policy on the impact of the international, to strengthen international cooperation. In short, in the monetary policy, in ensuring its implementation of monetary policy to domestic macroeconomic regulation under the premise, more should fully consider the economic policy of ASEAN countries, the impact of the economy, assess the effect of spillover effect direction, the case of not damage their interests, try to prevent the occurrence of "beggar-thy-neighbor" situation, achieve win-win results.

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Appendix

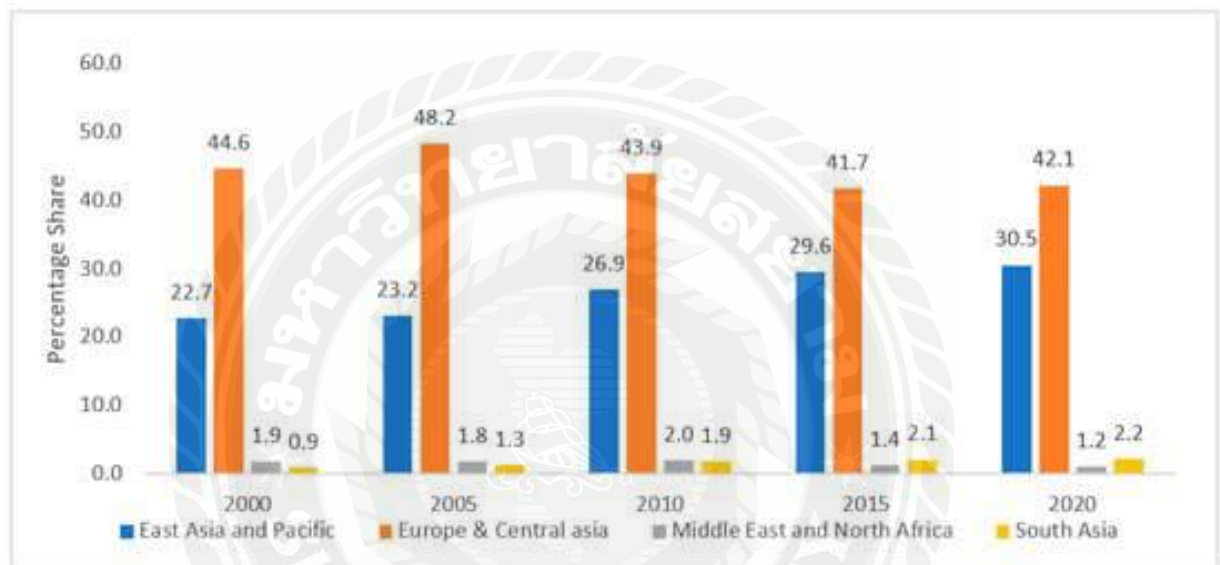
Conversely, BRI resources and intermediate goods will also serve as inputs to sustain Chinese production capacity. In addition, the BRI initiatives involved millions of workers and millions of emergent and affluent customers who will eventually produce a massive demand for imported consumer products. The BRI gigantic program covers 71 countries, including China, representing 62 percent of the world's population and 38.8 percent of the world's GDP. Since its completion has been projected in 2049, the BRI will stretch its influences and affect a growing list of countries that will account for 64.2 percent of the world's population and 40 percent of its economic output.

Economic and trade integration presents a new opportunity for China to discover through adopting the BRI projects. Since the early 1980s, China underwent structural market reforms, annulling trade protectionism policies and regulations to open its economic door to international markets. From 2013 to 2019, the total trade value of goods between China and BRI countries surpassed 7.8 trillion dollars, a remarkable and sustained result. In the past two years, China and BRI countries have grown up to 10.8%, surpassing the aggregated trade growth of China by 7.4%. As predicted by the Mundell–Fleming model, home monetary policy can affect foreign economic conditions. The home country's monetary expansion will raise the import demand and increase the foreign countries' national outputs and prices. Since the Chinese government controls its capital, the Chinese monetary policy shock will be transmitted through trade channels. In the interest of an ever-expanding significance of Chinese foreign trade into BRI economies, our paper is thus motivated to study the potential Chinese real and monetary sector shock on the dependent BRI economies.

Given that the BRI projects are successful, these will provide a bounteous opportunity for a large proportion of the global poor and vast swaths of the world's weak economies, with a significant locomotive effect (positive spillover) on universal welfare. Presently, BRI countries' economic development is below the world average, with an average GDP per capita of USD 3815, accounting for 37.4 percent of the global average. The showed that the total contribution of export from BRI countries to world export (**Figure 1**) has increased compared to export in the past twenty years

except for Europe and the Middle East. China contributes the lion's share to exports from BRI countries. Trade activities face constraints in countries with insufficient infrastructures, facilities, or mediocre policy institutions, such as Afghanistan, Nepal, Tajikistan, and Laos. In these countries, their considerable potential for economic development remains underexploited. The BRI initiatives in this context could enhance economic and trade integration and open new opportunities for weak economies.

Figure 1. Percentage Share of Exports from BRI Economies. Source: World Bank Group, 2018.



Given the background, this present study may contribute to policy formulation and the extant literature in the following aspects: First, it could leverage the Chinese authority to design the appropriate stabilisation policies and incentivise to solve any conflict peacefully. The country should understand that its growing economic power can enhance economic integration by reducing trade barriers and coordinating monetary policies. Better trade liberalisation will trigger market expansion, cross-border investment, and technology sharing, thus boosting a more robust political and economic cooperation between China and the BRI countries. Since BRI countries are sensitised to Chinese rising global demand and investment, identifying important macroeconomic impulses from the economic superpower would enhance their domestic competitiveness. The BRI countries should formulate and implement

national policies to strengthen their economic growth if superpowers like China intentionally propagate adverse shocks (beggar-thy-neighbour effect). According to the Mundell–Fleming framework, if the exchange rate for the home and host countries is flexible, the beggar-thy-neighbour effect might dictate a positive trade effect and thus negatively impact the BRI regions. In addition, BRI monetary authorities could stabilise the short-run output fluctuations by focusing more on the Chinese monetary policy development because it may create variances in prices/outputs.

