

RELATIONSHIP BETWEEN INTERNATIONAL TRADE AND ECONOMIC GROWTH: A CASE OF HO CHI MINH CITY

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ABSTRACT: *Economic growth has been gradually reduced depending on investment capital, increasing scientific and technical factors. Commercial sector of Ho Chi Minh City (HCMC) continued to grow, total retail sales of goods and service revenue increased higher than the same period. However, the context of 2019, HCMC has facing many problems such as the limitations of investment resources, human resource quality... This requires HCMC must improve the quality of economic growth. Therefore, the objective of this study is to explore the determinants affecting the economic growth of HCMC. The researchers surveyed 400 managers related to exporting enterprise in HCMC. They answered 15 questions and 395 samples processed. The data collected from August 2018 to April 2019 in HCM. Simple random sampling technique. The data analyzed Cronbach's Alpha and the exploratory factor analysis (EFA), which used for Structural Equation Modelling (SEM) technique. Managers' responses measured through an adapted questionnaire on a 5-point Likert scale. Finally, the findings of the paper have three factors affecting the economic growth of HCMC with significance level 0.01.*

KEYWORDS: economic, growth, international, trade and export

INTRODUCTION

In recent years, the investment environment has continued to be improved, the policies to encourage development of the State have been effective to create conditions to mobilize investment resources for socio-economic development of the HCMC. The economic growth of HCMC has been able to integrate into the process of globalization, bringing into play the strengths of each industry, the comparative advantages of each sector to promote strengths when realizing present bilateral and multilateral treaties. Besides, HCMC has more than 7,000 foreign investment projects. Every year, City leaders meet many international delegations to learn and invest, proactively organize foreign investment promotion into potential countries and markets such as the US, Japan, Korea, EU... These factors continue to show that Ho Chi Minh City's economy is gradually taking the initiative in international integration.

In addition, the report of the HCM City Department of Industry and Trade showed that in 2018, the export turnover of city enterprises through the national border gate is estimated at 38.32 billion USD, up by 7.8% compared to last year. The group of agriculture, forestry and fisheries accounts for 16.6% with a turnover of 5.98 billion USD, down 2.4% over the same period. In

which rubber, pepper, cashew nuts continuously decreased by 7-36% over the same period. The reason is that the average export price of these products decreases. Only vegetables and fruits, seafood increased sharply compared to last year. Besides, the group of processed industrial products accounting for 75.8%, the turnover is estimated at 27.33 billion USD, up by 7.1%. In this group, computer and electronic components have lower growth rate than the same period (only 17.6%, while last year 29.6%). The cause is due to the impact of the US-China trade war. These products in HCMC are all produced and exported by foreign-invested enterprises, mainly imported from China. So they are affected by US tax imposition. Textile and garment group, the reason for low growth due to labor shortage and expensive premises cost.

In 2018, the HCMC has achieved and exceeded 17 targets in 20 economic cultural social targets. The HCMC economy still maintains the leading position of the economy of the country. In particular, the GRDP reached more than 1.33 million billion, estimated to increase 8.3% the same period increased 8.25%. In 2018, HCMC attracted 7.07 billion USD of foreign investment, the highest and accounted for 22% of the total foreign investment of the country. In addition, the City continues to be the largest budget collection locality in the country, estimated at VND 369,621 billion, accounting for 27.21% of the total national budget revenue. Based above mentioned analysis, the researchers want to explore various factors affecting the economic growth of HCMC, especially, factor is international trade such as exporting factor.

LITERATURE REVIEW

Economic growth of HCMC (EG)

Economic growth is an increase in income or output calculated for the entire economy in a certain period (usually a year). Economic growth can be expressed as absolute numbers (growth scale) or relative numbers such as growth rate (Sikwila N. Ruvimbo N. & Mosikari T, 2014). In economic analysis, to reflect the extent of economic expansion, the concept of economic growth is often used. This is the percentage between the incremental output of the study period and the output level of the previous period or the base period (Adhikary, B.K, 2011). There have been many forecasts about world and HCMC economic growth in the short and medium term based on technical analysis and fundamental analysis. However, economic growth is a multivariate dependent variable that integrates the effects of many different influencing factors, sometimes resonating, eliminating and amplifying according to complicated developments (Babatunde, A, 2011). Identifying the influencing factors that help researchers have a more objective view of their potential impact on the future growth trend of the HCMC economy (medium-term perspective) is needed besides those quantitative forecasts are published by domestic and foreign research organizations (Manni H. Siddiqui S. & Afzal M, 2012).

Export capability (EC)

Positive effects from international economic integration. It is export capability factor. One of the factors to ensure the sustainable growth mentioned above is a consistent integration policy into the world economy (Chang, C. and Mendy, M, 2012). Of course, integration is not without cost but in terms of the final impact, deep economic integration brings more benefits than losses especially for developing HCMC. Besides, Vietnam has started to participate in the deep integration into the world economy since officially joining WTO (2007), thus enabling conditions

to expand economic exchanges and diversify export markets in most areas. In 2015, HCMC had marked a new development step to push the integration process to a higher level by signing a series of new generation economic agreements.... These agreements are considered to create a strong breakthrough in Vietnam's economic growth if the advantages are fully utilized (Dar, A., and Amirkhalkhali, S, 2010). This helps HCMC promoting exports to limit the level of trade deficit to improve the country's balance of payments is one of the key points in the fight against inflation and macroeconomic stability today. But it does not stop at the number of goods and exports, but it is essential to take into account the structure of the industry and export quality to ensure sustainable development (Khobai H. Kolisi N. & Moyo C, 2018). The above mentioned export capability, the researchers have hypothesis following:

Hypothesis H1: Export capability has a positive impact on the economic growth of HCMC.

Capital and Human (CH)

Production capital is directly related to economic growth in terms of physical capital rather than money (value), it is all material accumulated. Accumulation of the economy and include: Fixed capital (factories, factories, office facilities, office equipment, machinery, transport means, infrastructure) and working capital such as inventory of all types of goods (Eris, M. N., and Ulasan, B, 2013). On the other hand, to maintain or increase the level of production capital, there must be a cost called production investment capital. Investment capital for production is divided into capital invested in fixed assets and capital invested in mobile assets (Babatunde, A, 2011). Human is a major source of production and is indispensable in economic activities. Labor is a major source of production and is indispensable in economic activities (Klasra, M. A, 2011). Improving human capital will make labor organization, technology application effective, making labor productivity increase and thereby increasing production efficiency (Hye Q. & Lau Y, 2015). At present, the economic growth of developing countries is contributed much by the size, the number of employees, the human capital factor is not high due to the low level and quality of labor in these countries. The above mentioned capital and human, the researchers have hypothesis following:

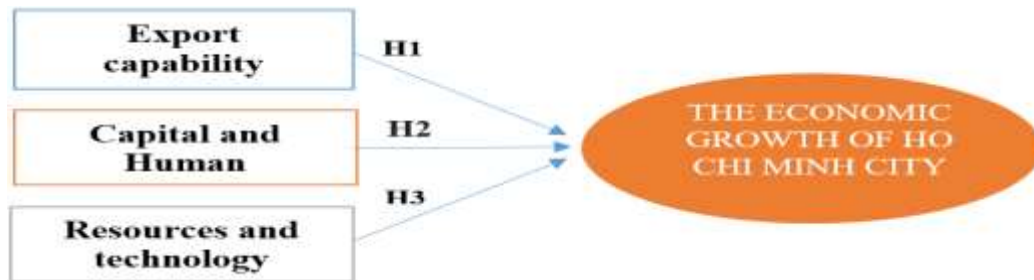
Hypothesis H2: Capital and human have a positive impact on the economic growth of HCMC.

Resources and technology (RT)

Resources such as land is a classic production factor. Land is an important factor in agricultural production and is an indispensable element in the implementation of economic facilities. Abundant rich resources are exploited to facilitate rapid output, especially for developing countries. Besides, technological factors that need to be fully understood in two forms: First, it is the knowledge achievements, that is grasping scientific knowledge, research, giving the principles and testing of product improvement, technological process or technical equipment. Secondly, HCMC has the application of popular research and testing results in practice to improve the general development level of production for exporting goods (Khobai H. Abel S. & Le Roux P, 2016). Finally, economic growth is clearly not merely an increase in labor and capital, but on the contrary, it is a process of constantly changing production technology. Production technology

allows the same amount of labor and capital to produce higher output, meaning more efficient production (Zahonogo, P, 2017). Technology is growing rapidly and today information technology, biotechnology, new materials technology... have made great strides to contribute to increasing the efficiency of production for exporting goods (Khobai H. Kolisi N. & Moyo C, 2018). The above mentioned resources and technology, the researchers have hypothesis following:

Hypothesis H3: Customers' cooperation has a positive impact on the economic growth of HCMC.
Research model for factors affecting the economic growth of HCMC.

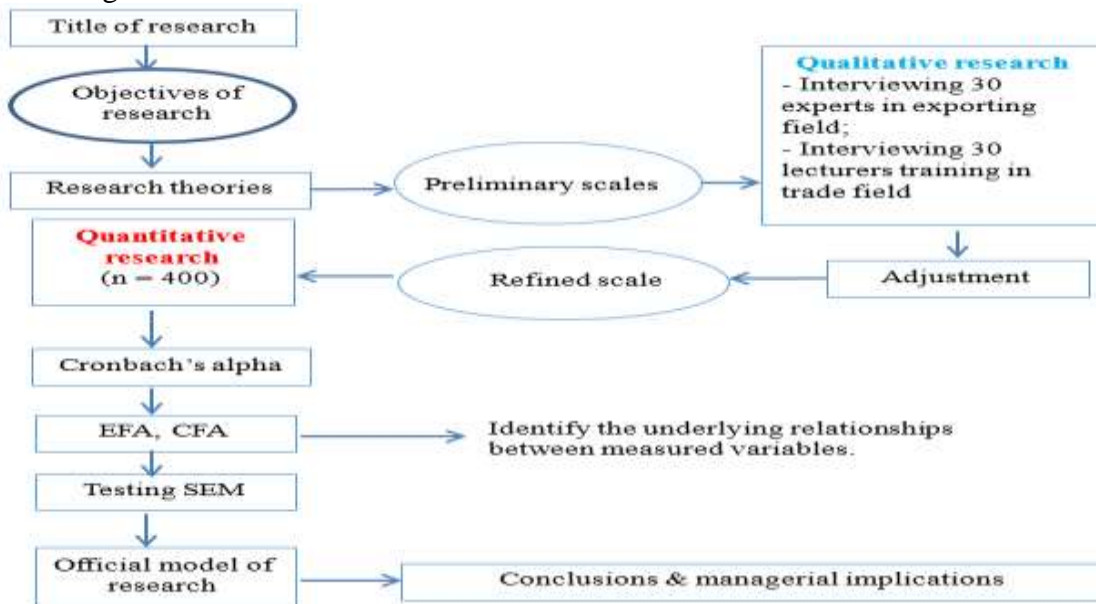


(Source: Researchers proposed)

Figure 1: Research model for factors affecting the economic growth of HCMC

METHODS OF RESEARCH

The research process for factors affecting the economic growth of HCMC having three phases following.



(Source: Researchers proposed)

Figure 2: Research process for factors affecting the economic growth of HCMC

Phase 1: Researchers applied the expert methodology and based on 30 experts' consultation about trade fields and based 30 lecturers training in export and import fields as group discussions are to improve the scale and design of the questionnaire. The results of surveying 30 experts and 30 lecturers who agreed that factors affecting the economic growth of HCMC. Researchers created a list of possible factors gathered from the literature reviews as mentioned in the above studies (Hair, B.B., & Anderson, 2010).

Phase 2: Researchers tested a reliability scale with Cronbach's Alpha coefficient and exploratory factor analysis. Completed questionnaires are from export companies in HCMC and having 25 minutes to finish the survey. There are 400 managers related to exporting enterprise in HCMC. They answered 15 questions and 395 samples processed. The data collected from August 2018 to April 2019 in HCM. They answered 15 questions and 395 samples processed and surveyed by hard copy distributed among 50.000 managers related to exporting enterprise in HCMC. All data collected from the questionnaire are coded, processed by SPSS 20.0 and Amos. Any observational variables with a total correlation coefficient greater than 0.3 and Cronbach's Alpha coefficient greater than 0.6 would ensure reliability of the scale. This method is based on the Eigenvalue, the appropriate factorial analysis and the observed variables in the whole which are correlated when Average Variance Extracted is $> 50\%$, the KMO coefficient is within 0.5 to 1, Sig coefficient $\leq 5\%$, the loading factors of all observed variables are > 0.5 . In addition, the researchers testing scale reliability with Cronbach's alpha coefficient and exploratory factor analyses (EFA) were performed. Finally, multiple linear regression used (Hair, Anderson, Tatham, & Black, 1998).

Phase 3: Researchers performed CFA and model testing with Structural Equation Modelling (SEM) analysis. The purpose of CFA helps to clarify: (1) Unilaterality, (2) Reliability of scale, (3) Convergence value, and (4) Difference value. A research model is considered relevant to market data if Chi-square testing is $P\text{-value} > 5\%$; $CMIN / df \leq 2$, some cases $CMIN/df$ may be ≤ 3 or < 5 (Hair, Anderson, Tatham, & Black, 1998); $GFI, TLI, CFI \geq 0.9$. However, according to recent researcher' opinion, GFI is still acceptable when it is greater than 0.8; $RMSEA \leq 0.08$. Apart from the above criteria, the test results must also ensure the synthetic reliability > 0.6 ; Average Variance Extracted must be greater than 0.5 (Hair, B.B., & Anderson, 2010).

RESEARCH RESULTS

The scale reliability tests for factors affecting the economic growth of HCMC

Table 1: Testing for factors affecting the economic growth of HCMC

Items	Cronbach's Alpha if item deleted
EC1: The size and speed of export growth	.937
EC2: Export products are diversified and richer	.925
EC3: The export market has been continuously expanded and diversified	.935
EC4: Export growth is quite fast, making an important contribution to ensuring the trade deficit	.910
Cronbach's Alpha for export capability (EC)	0.944
CH1: Labor is a major source of production and is indispensable in exporting activities	.818
CH2: Improving FDI capital will make labor organization, technology application effective	.820
HCMC	.839
CH3: HCMC continuously focus on developing human resources for export, paying attention to training	.853
Cronbach's Alpha for capital and human (CH)	0.868
RT1: Human resource quality supporting export goods of HCMC	.862
RT2: Land is an important factor in agricultural production increase export growth	.868
RT3: Technological process and technical equipment supporting export goods of HCMC	.889
RT4: Production technology allows the same amount of labor and capital to produce higher output	.883
Cronbach's Alpha for resources and technology (RT)	0.904
EG1: Export capability (EC) affecting the economic growth of HCMC	.881
EG2: Capital and human (CH) affecting the economic growth of HCMC	.896
EG3: Resources and technology (RT) affecting the economic growth of HCMC	.909
Cronbach's Alpha for economic growth of HCMC (EG)	0.928

(Source: The researchers' collecting data and SPSS 20.0)

Table 1 showed that there are four components that have all of 15 items surveyed Corrected Item-Total Correlation greater than 0.3 and Cronbach's Alpha if Item deleted greater than 0.6. All of Cronbach's Alpha are very reliability. Observations make it eligible for the survey variables after testing scale. This showed that data was suitable and reliability for researching.

Table 2: Coefficients from structural equation modelling (SEM)

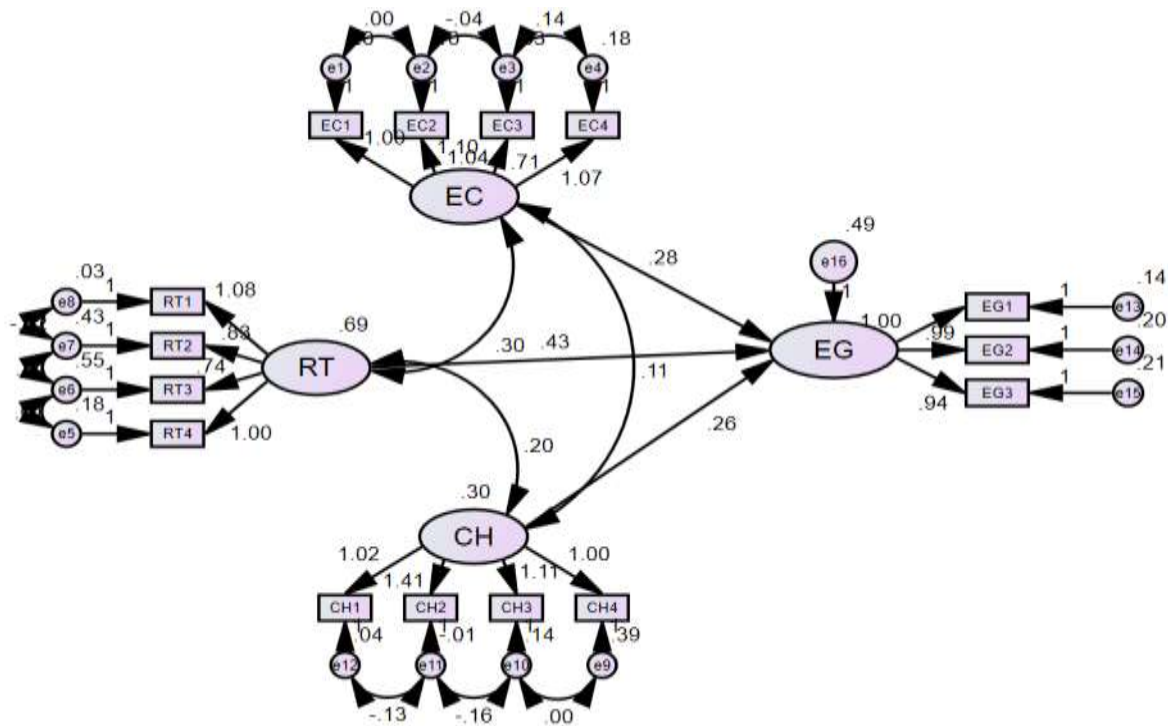
Relationships	Coefficient	Standardized Coefficient	S.E	C.R.	P	Conclusion
EG <--- EC	.278	.258	.055	5.067	***	H1: Supported
EG <--- CH	.257	.155	.072	3.571	***	H2: Supported
EG <--- RT	.427	.391	.057	7.520	***	H3: Supported

Note: *** Significant at 1 percent (All t-tests are one-tailed)

(Source: The researchers' collecting data, SPSS 20.0 and Amos)

Table 2 showed that column "P" < 0.01 with significance level 0.01 and column "Conclusion"

H1: supported; H2: supported; H3: supported. This showed that three factors affecting the economic growth of HCMC with significance level 0.01. Three factors including: (1) Export capability (EC), (2) Capital and human (CH) and Resources and technology (RT). Table 2 showed that researchers are to find out resources and technology ($\beta = 0.391$) affected the strongest and the second impact is export capability (EC) in three factors with significance level 0.01.



(Source: The researchers' collecting data, SPSS 20.0 and Amos)

Figure 3: The structural model showing the structural linkage Between EC, RT, CH and EG

Figure 3 showed that three of export capability (EC), capital and human (CH) and resources and technology (RT) affecting the economic growth of HCMC with significance level 0.01. Besides, the structural model showing the structural linkage between EC, RT, CH and EG.

Chi-square = 239.393; df = 75; p = 0.000; Chi-square/df = 3.192; GFI = 0.929; TLI = 0.957; CFI = 0.969; RMSEA = 0.075.

CONCLUSIONS & MANAGERIAL IMPLICATIONS

Conclusions

The macroeconomic achievement of HCMC is often assessed according to the key signs such as: stability, growth, social justice. In particular, economic growth of HCMC is the basis for implementing a series of economic, political and social issues. Besides, economic growth of HCMC is reflected by the increase in the quantity and quality of goods; services and the factors

that produce it. Thus, economic growth is a material premise to reduce the situation of the poverty. Rapid economic growth is a critical factor for all nations on the way to overcome the backwardness, towards wealth and prosperity. Moreover, three of export capability (EC), capital and human (CH) and resources and technology (RT) affecting the economic growth of HCMC with significance level 0.01. Based on above mentioned results. The researchers had managerial implications policymaker of HCMC continued to improve the quality of the economic growth in HCMC following.

Managerial implications

HCMC continues to create momentum and improve the quality of the economy's growth, HCMC should have socio-economic development policies that need to be based on the shared economic foundation and the 4th industrial revolution. Specifically, HCMC needs to have strategies and policies to increase productivity for small and medium enterprises and production industries in a specific. In addition, it is necessary to build a global value chain for large enterprise-oriented industries that play a leading role for small and medium enterprises.

Another solution recommended to increase the connection between HCMC and neighboring provinces and cities to expand the development and promote the advantages of the whole region. Accordingly, HCMC needs to be more proactive in proposing a mechanism for linking the southern key economic region. HCMC is playing the role of a financial, high-tech and commercial hub. The application of a tight regional linkage mechanism will help Ho Chi Minh City and other localities build commodity value chains. It is the place to gather, produce refining or exporting goods. This help HCMC solve the problem of output for industrial and agricultural products in the region, ensuring the goal of sustainable development.

In addition, HCMC should increase investment in developing export infrastructure system, at the same time effectively exploiting the existing infrastructure system to best serve the HCMC's export. HCMC should continue developing e-commerce, applying information technology in commercial transactions; promote facilitation activities and support market entry of non-state enterprises. HCMC should continue improving the implementation of trade promotion programs, developing export markets to improve efficiency in trade promotion. Strengthening the role and responsibility of HCMC's diplomatic missions and trade representatives abroad in providing information and supporting enterprises to access foreign markets and distribution channels...

HCMC should continuously focus on developing human resources for export, paying attention to training, applying market research, marketing skills, international negotiation skills, foreign trade techniques, raising legal qualifications international, foreign language proficiency, informatics application, skill improvement. The training needs to be in two directions, first of all, for workers who need to master skills and deep specialization. On the other hand, special attention must be paid to training and fostering talents, being able to apply and integrate human science and technology for HCMC's development in the long term.

Finally, HCMC should focus on supporting the development of small and medium-sized enterprises, while supporting and facilitating the formation of large enterprises and economic

groups operating effectively and positively. At the same time, promote the city's role and dynamics in the development of the key economic region in the South and the Southeast to further affirm the economic position of the country. Especially, in the current trend of strong globalization, export development is considered a driving force for economic development of HCMC. Therefore, HCMC should improve policies for exporting development that will impact economic restructuring, create new jobs and contribute to improving income for workers. On the other hand, export development will generate greater foreign currency revenue to meet the demand for foreign currency to purchase machinery and equipment, import intermediate products to meet the needs of industrialization and modernization. This helps HCMC be balance and healthy the balance of international payment, stabilize the economic situation, create a favorable environment for sustainable development.

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