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U.S. Tariff Hike - Update

Vietnam exporters dodge tariff hit, global trade shift demands strategic pivot

On July 2, 2025, U.S. President Donald Trump announced a new trade agreement with Vietnam via social media, just days ahead of the July 9 deadline when the previously suspended 46% tariffs were set to resume. Under the deal, Vietnamese exports to the U.S. will face a 20% tariff, while goods identified as transshipped from third countries—primarily from China—will be taxed at 40%. In exchange, Vietnam will eliminate tariffs on selected U.S. exports, including large-engine vehicles, agricultural products, and premium consumer goods.

As of now, the Vietnamese government has not officially confirmed these terms.

If implemented as announced, the deal offers short-term relief for Vietnamese exporters by averting the 46% tariff hike.

However, the new 20% rate still marks a significant increase from the current 10%, likely squeezing margins and dampening demand in key export sectors such as textiles, footwear, seafood, and machinery. Meanwhile, the automotive sector could face stronger competition from U.S. imports if tariffs are cut to zero.

The 40% tariff on transshipped goods introduces risks for Chinese manufacturers and Vietnam-based industrial park developers who rely on Chinese investment. Foreign-invested firms using Chinese inputs may also face increased scrutiny and operational headwinds.

Vietnam's potential removal of tariffs on U.S. goods would mark a constructive step toward narrowing the bilateral trade deficit and advancing the U.S. government's fair trade agenda.

Trump's announcement lacks clarity regarding the specific goods subject to the proposed 20% tariff, potential exemptions, the definition and enforcement of transshipment rules, and the timeline for implementation.

The scope of affected products, potential exemptions—particularly for electronics and steel—and the criteria for transshipment enforcement remain undefined. This ambiguity is especially concerning for non-Chinese foreign-invested firms sourcing inputs from China. No timeline has been set for negotiations or implementation.

Furthermore, the schedule for negotiating and finalizing these terms has not been defined. If recent U.S. trade deals with the UK and China are any guide, final terms may take months to materialize.

Until more specifics emerge, the full impact of the U.S.–Vietnam trade agreement remains uncertain.

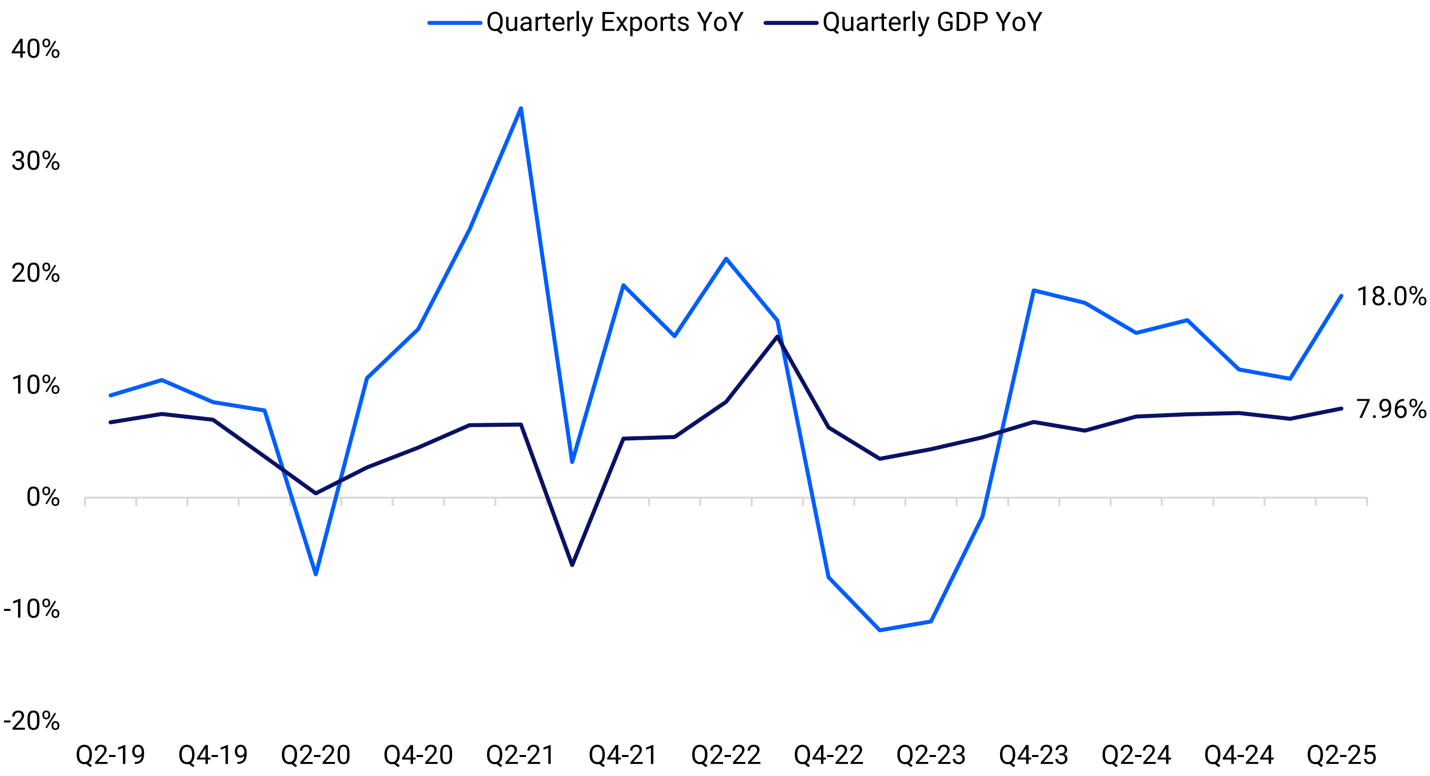
While the tariff cut may offer short-term relief for Vietnam's exporters, it comes amid broader shifts in global trade that threaten long-term competitiveness. To stay ahead, Vietnam must diversify export markets, deepen intra-regional trade, and accelerate its move up the value chain.

In Q2 2025, exports surged 18% year-over-year, fueling a robust 7.96% GDP growth (Exhibit 1). This underscores the outsized role of exports in Vietnam's economic engine. With an ambitious 8% GDP growth target for the year, sustaining export momentum is not just desirable—it's essential.

Vietnam's 17 free trade agreements (FTAs) offer a strategic lever. By pivoting toward the EU, East Asia, and other developed markets, exporters can reduce dependence on the U.S..

Simultaneously, strengthening intra-ASEAN trade will enhance supply chain resilience and regional integration, buffering against global demand shocks.

Exhibit 1: Export Growth Critical to Achieve Vietnam's 2025 GDP Target of 8%



Source: National Statistics Office, VIS Rating

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