Quick Assessment of the U.S.–Vietnam Trade Negotiation Outcomes

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Economic and Financial Market Analysis Team

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Key points

- Vietnam is the third country, following two major powers, the United Kingdom and China to reach a trade agreement with the United States over the past three months.
- More specific information is needed to assess the impact on Vietnam's economy. These include: (1) Whether the 20% tariff is an additional charge or the total applicable tax rate; (2) Whether previously exempted goods are now subject to reciprocal tariffs; (3) How the tariff rates compare with those of competing countries.
- Based on initial reasoning, we provisionally assess this agreement as a success and a positive development for Vietnam's economy.

Vietnam has reached a trade agreement with the United States

On the evening of July 2, 2025 (Vietnam time), U.S. President Donald Trump announced on his social media platform that the United States and Vietnam had reached a bilateral trade agreement. In the context where diversifying export markets cannot be achieved in the short term, reaching an agreement with the U.S. which accounts for up to 30% of Vietnam's total export value is a welcome signal for Vietnam's economy, even though import tariffs still apply. From a communications perspective, this is also a relatively positive development for Vietnam, as it becomes the third country after two major powers, the United Kingdom and China to secure a trade deal with the U.S., especially with the July 9 deadline for tariff negotiations fast approaching. This achievement reflects the urgency, determination, and strong efforts of the Vietnamese government over the past three months, marked by numerous meetings aimed at accelerating negotiations to bring substantial benefits to Vietnamese businesses.

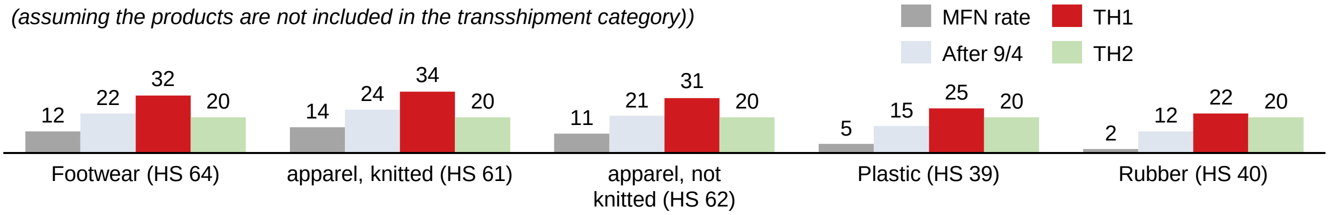
More specific information is needed to assess whether the tariff terms in this agreement are favorable

Based on the current information posted by President Trump on social media, we are still facing challenges in fully assessing the impact of this agreement on Vietnam's economy. In his post, when translated into Vietnamese, one section reads: "The terms are that Vietnam will pay the United States a 20% tariff on any and all goods sent into our territory, and a 40% tariff on any transshipped goods." This statement is considered insufficiently clear in terms of detail. In the first scenario, this could be interpreted as a reciprocal tariff added on top of the MFN (Most Favored Nation) import tariff under WTO regulations. For example, apparel products (HS code 61) were subject to an MFN tariff of approximately 14% before April 9, and 24% from April 9 onward (an additional 10% reciprocal tariff). If the new tariff is applied, this rate could rise to 34% starting July 9 (as the reciprocal tariff increases from 10% to 20%). In the second scenario, it could be understood that the new tariff rate for this product group is 20%, which would mean a 6% increase over the current MFN rate of 14%, assuming these are not transshipped goods. Clearly, if interpreted this way, the new tariff rate would be a positive signal for Vietnam's economy. Additionally, it is important to clarify whether this tariff applies to sectors that already face or will face separate tariffs (not subject to reciprocal tariffs), such as automobiles, pharmaceuticals, timber, and electronics. This is a critical point that requires further verification.

Sources: TCB Market Research

Estimated tariffs for selected Vietnamese export products to the United States under two scenarios

(assuming the products are not included in the transshipment category))



The assessment that Vietnam will face a total tariff of 20% when exporting to the United States is not unreasonable

Until official tariff details are released (expected in the coming weeks), we currently lean toward the second interpretation and the new tariff rate will not apply to sectors previously listed as exempt from reciprocal tariffs. This position is based on an analysis of the recent U.S.–China trade agreement. On June 11, President Trump posted on social media that China had accepted a 55% tariff. However, it was later clarified that this figure included tariffs already in place since 2018. This suggests that the U.S. President tends to announce the highest tariff rate imposed by the U.S. on its partners, and the lowest rate imposed by the partner on the U.S., in order to portray a "victory" in negotiations. Applying this logic to Vietnam's case, the total tariff figure of 20% may be more reasonable. Furthermore, within the 55% tariff applied to China, 10% was a reciprocal tariff, and special sectors such as automobiles, electronics, and pharmaceuticals were not subject to this rate.

Based on the studies, the value of Vietnam's transshipped goods to the United States is relatively small, and the impact is unlikely to be significant

Regarding the impact of the second U.S. demand that certain transshipped goods will be subject to a 40% tariff studies such as those by Iyoha et al. (2024) from Harvard Business School and Caroline Freund (2025) from UC San Diego estimate that transshipped goods account for approximately 7% of Vietnam's import value from China and around 16% of its export value to the United States. In our assessment, identifying transshipped goods is challenging. However, based on the aforementioned research, the value of these goods is relatively small, and the overall impact is unlikely to be severe.

Additional information on U.S. tariffs imposed on competing countries is needed to provide a more comprehensive assessment

As shared in our webinars and monthly macroeconomic reports, assessing the impact of U.S. tariffs on Vietnam requires not only examining the tariff rates imposed on Vietnamese exporters, but also comparing them with those applied to competing countries such as India, Malaysia, Indonesia, and Mexico. Although Vietnam enjoys several advantages, including: (1) Being among the top 10 countries in the region for innovation; (2) Low geopolitical risk; (3) High government transparency index; (4) Stable inflation for over a decade; a significant disparity in tariff rates could still affect profit margins and potentially redirect FDI flows toward countries with lower tariffs. So far, only three countries including Vietnam have disclosed tariff-related information with the U.S. Therefore, we need to wait until July 9 to obtain data from other countries. However, assuming the minimum tariff imposed by the U.S. on allies such as the EU is 10%, the 20% rate applied to Vietnam could be considered a relatively positive outcome.

Sources: TCB Market Research

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