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Update on Reciprocal Tariffs Announced on July 2, 2025

On the evening of July 2nd, U.S. President Donald Trump announced via Trust Media that, following highly positive discussions with General Secretary To Lam, the two countries have reached an agreement on tariffs as follows:

- Vietnam will be subject to a 20% tariff on goods exported to the U.S.
- This tariff may increase to 40% for transshipment goods.
- Vietnam will open its market to U.S. exports, imposing a 0% tariff.
- President Trump expressed his expectation that American automobiles—particularly SUVs—will have greater access to the Vietnamese market thanks to the reduced tariffs.

Our assessment of this development is as follows:

- The fact that the leaders of both countries were able to reach a tariff agreement ahead of President Trump's stated deadline (July 9th)—the date on which the higher tariff rate of 46% was set to be reinstated—represents a significant effort and a success on Vietnam's part.
- However, it is important to note that this is only preliminary information and likely constitutes a framework agreement (similar to what was seen in U.S.-China negotiations). Both sides will need to continue working together in the coming period to finalize an official agreement.
- It is not yet clear whether the 20% tariff will be applied as an average rate (i.e., with some goods subject to higher or lower tariffs), or if it will be a uniform rate imposed on all goods from Vietnam that meet the necessary requirements.
- Similarly, it remains uncertain whether the tariff reduction for U.S. goods will be broadly applied to all product categories or limited to certain strategic goods that align with the interests of both Vietnam and the U.S.
- The definition of transshipment goods is a critical issue in determining the applicable tariff rates. There are rumors that the U.S. is requiring India to achieve a minimum domestic content of 60% for goods to be recognized as originating from India, while India is negotiating for a 35% threshold. According to the OECD, the localization rates for several categories of Vietnamese goods are as follows:
 - Agriculture: 65%
 - Computers and electronic devices: 50%
 - Wood, paper, and chemicals: 48%
 - Garments and footwear: 45%



Positive Outlook for Domestic Sectors: Industrial Parks, Export-Import, and Consumer

Being one of the first partners to reach a tariff agreement with the U.S.—with a 20% tariff rate that is significantly lower than the previously announced 46% and well below the 55% rate imposed on Chinese goods—creates opportunities for Vietnam to further attract global supply chains. Notably, the localization rate requirement to qualify for the 20% tariff, as stipulated by the U.S., could incentivize deeper foreign investment into manufacturing operations within Vietnam, rather than mere transshipment activities as seen in the past. This shift is expected to create more opportunities for the local workforce to participate in production chains, thereby increasing incomes and strengthening the domestic consumer sector over the long term.

In addition to the positive aspects, there are several important considerations regarding this tariff agreement:

- Firstly, since both Vietnam and the U.S. are members of the WTO and bound by the Most Favoured Nation (MFN) principle, the tariff reductions for U.S. goods may need to be extended to other member countries (such as China, Japan, South Korea, etc.). To avoid this scenario, the tariff agreement between Vietnam and the U.S. would need to be formalized either as a Free Trade Agreement (FTA) or a customs union.
- President Trump's emphasis on U.S. automobile exports to Vietnam could place significant pressure on Vietnam's relatively nascent automotive industry, where many domestic companies are still facing high depreciation costs and substantial net losses.

CONCLUSION

The new tariff agreement is a commendable achievement, reflecting the efforts of the Vietnamese government and opening up positive prospects for various sectors. However, given the volatile nature of President Trump's trade policies and the likelihood of additional trade defense measures, Vietnam needs to prepare comprehensive strategies to adapt. By capitalizing on the opportunities presented by this agreement and implementing appropriate strategic planning, both Vietnam and its enterprises can maintain sustainable growth and remain competitive in the global market.



APPENDIX

Sectors Exempted from Reciprocal Tariffs under Trump's Policy

Sector/Product	Tariff/Trade Measure and Rationale
Steel and Aluminum	Subject to separate tariffs; avoid double taxation to maintain the current structure.
Automobiles and Auto Parts	Maintain current trade measures to avoid further complications.
Copper	A critical material for the power, construction, and electronics industries. Ensure stable supply chains to prevent price increases for downstream sectors.
Pharmaceuticals	Includes medicines and medical products essential for public health. Safeguard access to pharmaceuticals to prevent negative impacts on patients.
Semiconductors	Includes chips and electronic components, vital for technology and national security. Support the technology sector and maintain domestic competitiveness and manufacturing.
Sawn Timber	Includes wood and wood products, important for construction. Stabilize prices for the construction sector and support economic growth.
Critical Minerals	Includes minerals such as rare earths, necessary for high-tech and defense industries. Ensure supply for strategic sectors, especially where domestic production is limited.
Energy and Energy Products	Includes oil, gas, and renewables, crucial for energy security. Safeguard energy security and price stability for consumers and industries.
Smartphones, Computers, and Electronic Components	Added to the exemption list on April 11, 2025. Prevent price increases and protect consumers and businesses, particularly against imports from China.
Products with at least 20% U.S. Value Added	Promote "Buy American" policies and support domestic employment.
Donations and Informational Materials	Includes books, educational materials, and goods from nonprofit organizations under 50 USC 1702(b). Promote cultural and educational exchange and humanitarian aid; exempt from tariffs.
Future Section 232 Products	Products potentially subject to investigation and tariffs under Section 232 in the future. Avoid double taxation and ensure consistency with national security measures.

Tariff Rates for Sectors Subject to Other Trade Defense Measures

Industry	Tariff (%)	Note
Solar Panels	120 – 813	Tariffs range from 120% to 813%, including anti-dumping and countervailing duties, announced in April 2025. These rates reflect U.S. concerns about unfair competition, particularly related to Chinese government support for manufacturers operating in Vietnam.
Steel	50	50%, based on Section 232 order; increased from 25% to 50% on June 4, 2025. Applies to most countries, including Vietnam, with the sole exception of the



United Kingdom. As steel is exempt from reciprocal tariffs, the 50% rate is the total applied.

Shrimp	~48.6	Includes anti-dumping duty (25.76%), countervailing duty (2.84%), and a newly updated reciprocal tariff of 20% announced by President Trump on July 2.
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Pangasius (Basa fish)		According to the latest announcement in June by the U.S. Department of Commerce (DOC), following the 20th administrative review (POR20) of anti-dumping duties on Vietnamese frozen pangasius exported to the U.S., several exporters are subject to a 0% anti-dumping duty, including Bien Dong Seafood Co., Bien Dong Hau Giang Seafood JSC, Can Tho Import-Export Seafood JSC, Dai Thanh Seafood Co., Dong A Seafood Co., Hung Ca 6 JSC, Nam Viet Corp., and NTSF Seafood JSC. Notably, VHC is not under the anti-dumping review and also enjoys a 0% duty. The nationwide duty rate under POR20 remains at USD 2.39/kg for other companies.
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Wood Products		According to the latest update in early June 2025, the U.S. Department of Commerce is considering launching an anti-dumping investigation into Vietnamese plywood, putting more than 130 companies at risk of being subject to tariffs. The alleged dumping margin for Vietnam ranges from 112.33% to 133.72%.
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COMPANY RATING DEFINITION

Benchmark: VN – Index.

Time Horizon: 6 to 18 months

Rating	Definition
Buy	Relative Performance is greater than 15% Or the Fundamental outlook of the company or sector is favorable
Accumulate	Relative Performance is 5% to 15% Or the Fundamental outlook of the company or sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the company or sector is neutral
Reduce	Relative Performance is -15% to -5% Or the Fundamental outlook of the company or sector is unfavorable
Sell	Relative Performance is lower than - 15% Or the Fundamental outlook of the company or sector is unfavorable

SECTOR RATING DEFINITION

Benchmark: VN – Index

Time Horizon: 6 to 18 months

Rating	Definition
Outperform	Relative Performance is greater than 5% Or the Fundamental outlook of the sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the sector is neutral
Underperform	Relative Performance is lower than -5% Or The Fundamental outlook of the sector is unfavorable

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