

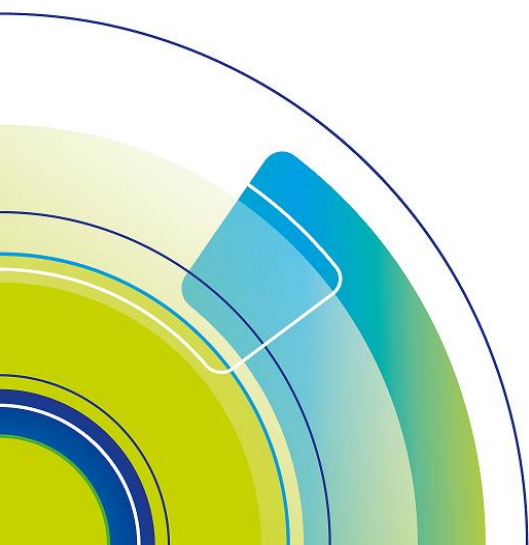


# Macro Flash Note

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## 20% TARIFF ON VIETNAM, 40% ON TRANSSHIPPED GOODS. FROM NEUTRAL IMPACT TO STRUCTURAL WAKE-UP CALL

On July 2, 2025, U.S. President Donald Trump posted on social media regarding retaliatory tariffs on Vietnam. Key points include:

- *The U.S. will impose a 20% tariff on goods exported from Vietnam to the U.S.;*
- *A 40% tariff will apply to goods transshipped through Vietnam to the U.S.;*
- *In return, Vietnam is to open its market to the U.S. with a 0% import tariff.*

As of now, beyond President Trump's statement, there has been no official announcement from the Vietnamese Government regarding this matter. Market reactions remain cautious.

### ACBS's QUICK COMMENT:

Based on the preliminary information from President Trump's announcement, and pending further details, we believe the outcome of the current U.S.–Vietnam tariff negotiation aligns with our base-case scenario (retaliatory tariffs in the 20–25% range), and the overall impact on Vietnam's economy is neutral to mildly negative. Several international research organizations have also forecast this scenario and suggested that it could lead to a decline in Vietnam's imports and exports, with an estimated negative impact of around 0.5% on the country's GDP. Our assessment is based on the following:

- (1) **We currently interpret the 20% tariff as an "all-in" rate**, likely inclusive of the existing provisional 10% base tariff. This level allows for comparison with current or proposed rates for other partners: 10% for the UK, 18% for Thailand (under negotiation), and 25% (possibly escalating to 50%) for the EU. Although the 20% rate is **lower than the initial 46% proposal**, it is still **not favorable** when compared to other nations that have finalized or are nearing final negotiations with the U.S. As a result, **Vietnam may continue to face FDI pressure**, particularly relative to countries other than China.
- (2) **The 40% tariff on "transshipped goods" remains vaguely defined**. Vietnam has previously faced accusations of serving as a **transit hub for Chinese goods** entering the U.S. market. A higher tariff rate aimed at deterring this practice is expected. However, President Trump's statement **does not provide a clear definition of transshipment**. Typically, such determination relies on two criteria: (a) **CO (Certificate of Origin)** and (b) **RVC (Regional Value Content)** =  $(\text{Value of regional inputs} / \text{FOB value}) \times 100\%$ . Under most FTAs, a product with **RVC  $\geq$  40%** qualifies for origin status and tariff preferences. While Vietnam and the U.S. do not currently have a bilateral FTA, we believe **RVC will be the likely basis** for determining origin. This would require **strict bilateral supervision and agreement** by product category. This presents a structural challenge for Vietnam, given the country's **high dependence on imported raw materials**.

from China and elsewhere. Moreover, Vietnam's **FDI-driven, labor-intensive export structure with low domestic value-added** content will require significant restructuring to meet origin requirements.

- (3) **However, the gap between the 40% tariff and the projected 54% tariff on Chinese goods may allow transshipment activities to persist in the short term.** This could benefit certain logistics companies in the near term, but it poses a risk of widening the trade imbalance over the medium to long term, potentially complicating Vietnam–U.S. trade relations.
- (4) **The impact of tariffs will vary across different sectors.** The table below outlines the top 10 export categories from Vietnam in Q1 2025, along with their respective FDI intensity (see Appendix 1). It is evident that **electronics & computers, mobile phones & components, machinery, footwear, textiles and inputs** are highly FDI-concentrated and **at risk of falling under the 40% transshipment tariff**. In contrast, **wood products, agricultural and seafood exports, rubber**, etc., are **less likely to face origin-related issues**.

## Appendix 1

Products	Total Export Value Q1/2025		Export by FDI Enterprises Q1/2025			Export to US Q1/2025		Total Import Value Q1/2025		Import from China Q1/2025	
	Bn USD	% YoY	Bn USD	FDI Share (%)	% YoY	% Export to US / VN Total Export	% YoY	Bn USD	% YoY	Bn USD	Import from China to VN/ Total Export (%)
<b>Total</b>	102.84	10.60%	73.44	71.40%	9.5%	30.50%	21.9%	99.68	17.00%	58.08	38.20%
<b>1 Electronics &amp; Computers</b>	21.12	29.20%	19.72	93.40%	23.2%	35.40%	48.3%	31.64	51.50%	10.56	32.70%
<b>2 Phones &amp; Components</b>	14.04	-0.90%	14.01	99.80%	-0.9%	19.60%	-10.2%	2.55	12.00%	0.00	88.50%
<b>3 Machinery &amp; Equipment</b>	12.37	13.60%	10.26	82.90%	5.8%	42.50%	25.3%	12.64	22.10%	7.77	61.50%
<b>4 Garments &amp; Fabrics</b>	8.69	11.10%	5.15	59.20%	10.4%	43.60%	15.2%	3.45	9.70%	2.29	66.40%
<b>5 Footwear &amp; Leather Materials</b>	5.37	12.10%	4.26	79.30%	10.9%	36.70%	15.6%	1.70	9.40%	0.98	57.00%
<b>6 Wood &amp; Wooden Products</b>	3.93	11.10%	1.73	44.00%	6.5%	54.30%	12.9%	0.67	24.70%	0.29	43.00%
<b>7 Vehicles &amp; Parts</b>	3.92	7.00%	3.14	80.00%	1.7%	19.10%	-1.9%	0.26	-27.20%	0.04	15.00%
<b>8 Coffee</b>	2.81	45.80%	0.94	33.50%	38.3%	6.40%	50.8%	#N/A	#N/A	#N/A	#N/A
<b>9 Seafood</b>	2.31	19.20%	0.19	8.40%	9.3%	16.10%	14.9%	0.76	23.00%	0.08	9.90%
<b>10 Iron &amp; Steel</b>	1.79	-25.10%	0.72	40.50%	-31.8%	11.70%	-47.7%	2.65	-9.60%	1.41	53.20%

Source: Custom Vietnam

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