

VIETNAM AND US MAKE PROGRESS ON TRADE NEGOTIATIONS

Following a call with General Secretary To Lam on Wednesday (July 2nd) evening, President Trump announced that the US has reached an agreement with Vietnam on tariffs – the first with an ASEAN country. Despite the fact that many details are yet to be determined¹, the agreement creates “a framework for a fair and balanced reciprocal trade agreement,” according to a statement from the Vietnamese Government². The publicized 20% average tariff that the US will levy on imports from Vietnam is around the consensus expectation and obviously a significant improvement on the proposed 46% “reciprocal tariff” announced by Trump on April 2nd.

The VN Index has reacted to the news in a mildly positive way as of mid-day Thursday (July 3rd), although the stocks of industrial park developers and exporters were down. Meanwhile in the US, the stocks of companies like Nike, Under Armour and other retailers directly affected by tariffs on Vietnam were up in trading on Wednesday.

Ultimately, we expect that any final agreement will have a tiered schedule of tariffs, with much lower rates for products that are 100% Made in Vietnam. Once the final agreement is announced, we will take a closer look at the potential impact those rates may have. In the meantime, we believe the 10% tariffs on Vietnam's exports to the US (plus exemptions on most electronics products) currently in place will likely remain in effect until a final agreement is signed.

Another key element of Trump's announcement is a 40% tariff on transshipments. A recent Harvard report³ estimates transshipments could range from as low as 2% to up to 17%, while other media reports have quoted an earlier Harvard report that pegged them at approximately 14%.

The Vietnamese Government has been aggressively cracking down on transshipments since the first Trump administration, and they are likely to be even more focused on combatting them going forward. That said, it is important to note that there is no clear definition of “transshipments,” and it will be critical to see how the term is defined in any final agreement to assess the impact of this provision.

Initial analysis of what this means for Vietnam's economy

While the announcement is a relatively positive initial step, we do not expect it to have much of an impact on the economy in the short term for several reasons.

¹ [“US and Vietnam reach initial tariff deal,” Politico, July 2, 2025](#)

² [“Trump Announces Preliminary Trade Pact With Vietnam,” The New York Times, July 2, 2025](#)

³ https://www.hbs.edu/ris/Publication%20Files/24-072_269c46d6-2410-40b0-b680-348c488c6730.pdf

First, exports to the US are set to slow over the second half of 2025 after having surged by nearly 30% this year, as US retailers sought to buy goods during the 90-day temporary pause on reciprocal tariffs, as can be seen in the chart below.



Source: Customs, VinaCapital

Foreign direct investment (FDI) into Vietnam has continued at very high levels: registered FDI is up nearly 50% this year to over USD 15b in 5M25, or more than 7%/GDP. Pending a final agreement, as long as Vietnam's tariffs are less than 10% higher than regional competitors, all of the advantages it had pre-tariffs in terms of workforce quality, costs, demographics, and location continue to apply. Vietnam should continue to be an attractive destination for global manufacturers and FDI for years to come.

We reiterate that Vietnam's growth in 2025 will be driven by internal factors such as increased public infrastructure spending, a resurgence of the real estate market, and significant government administrative reforms and initiatives, which some have called "Doi Moi 2.0" and which we have covered in several recent and upcoming reports.

Conclusion

We believe this initial announcement represents a constructive step forward for both countries. The 20% tariff is far lower than the 46% announced on April 2nd and it removes some of the uncertainty that has loomed since then. We eagerly await the announcement of a finalized agreement so that we can fully assess the potential economic impact.

In the meantime, the actions the Vietnamese Government has been taking and plans to take for the remainder of this year and beyond will be more important catalysts than exports for creating the growth required to meet its targets./.

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