July 3, 2025

Analyst Pham Phuong Linh
(+84) 24-7303-5333 linhpp@kbsec.com.vn

Trade War 2.0

US-Vietnam trade deal reached

The US will levy a 20% tariff on Vietnamese exports and a 40% on transshipped goods

— On July 2, 2025, President Donald Trump announced a trade deal with Vietnam, under which the US will impose a 20% tariff on exports originating from Vietnam and a 40% tariff on transshipped goods. In return, Vietnam will eliminate all import tariffs on US goods, reducing them to 0%.

— KBSV believes that the 20% reciprocal tariff is higher than what the market recently anticipated. However, this is still considered a relatively favorable outcome for two main reasons: (1) the new rate is significantly lower than the previously proposed 46%; and (2) Vietnam is among the first three countries to secure an early agreement with the US. Nonetheless, the current tariff announcement remains a preliminary framework. Many critical details have yet to be finalized, especially the criteria for identifying transshipped goods and specific tariffs applicable to individual product categories. Based on the available information, we provisionally interpret the new tariff structure under two possible scenarios:

Scenario 1: The 20% is the new level, inclusive of the existing MFN tariff (5-15%) and an estimated 10% reciprocal tariff

— If applying President Trump's tariff announcement method for China's 55% tariff to Vietnam's case, the 20% tariff can be interpreted as already incorporating the existing most-favored nation (MFN) tariff that Vietnamese goods currently face when exported to the US (5-15% depending on the product). The remaining portion would be the reciprocal tariff, estimated at around 10%. This suggests a relatively favorable scenario as the overall rate is significantly lower than the 46% previously announced for Vietnamese goods on April 2, and not substantially higher the ~10% tariff applied universally during the 90-day tariff reprieve.

— While the 20% tariff is viewed as relatively favorable, its impact will vary across product categories. Items previously subject to low US import duties, such as electronic components (at approximately 1%), will see a proportionally larger increase in their effective tariff burden.

Scenario 2: The 20% represents the reciprocal tariff alone, implying a higher final tariff for Vietnamese goods

— If the 20% rate refers solely to the reciprocal tariff, its comparison with tariffs imposed on other countries becomes more relevant than simply the rate Vietnam faces. To date, Vietnam is the third country to reach a deal with the US (after the UK and China). Vietnam's 20% reciprocal tariff remains competitive compared to China's 10-30% range and is not significantly higher than the UK's lowest rate of 10%.

— Overall, the newly announced tariff rates exceed recent market expectations, which may trigger short-term correction pressures. However, the 20% tariff remains significantly lower than the initially proposed 46%, and the actual impact will largely depend on the tariff levels the US sets for other countries. If the US tariffs on other nations are not substantially lower than those on Vietnam (i.e., the gap is within 10%), the negative effects on trade activity and FDI shifts may be partially offset. This is due to Vietnam's other competitive advantages, including (1) investor-friendly policies aimed at attracting FDI, (2) a low-cost labor force, and (3) a strategic geographic location within the regional supply chain. These factors continue to reinforce Vietnam's attractiveness to FDI investors focused on substantive production.

— Conversely, Vietnam's decision to reduce import tariffs on US automobiles to 0% will lower market entry barriers, heighten competitive pressure, and could compress profit margins of domestic manufacturers.

Key factors to monitor going forward

— To assess the potential impact across different sectors, we will continue monitoring developments until the detailed tariff schedule for specific product categories is released and can be compared with those of competing countries. Additionally, while the 40% tariff will apply to transshipped goods, a clear and concrete definition of transshipment (e.g., based on raw material content or production stages) has yet to be provided. This will be a critical factor in determining the actual implications of the new policy.

— The USD/VND exchange rate will also be an important variable to watch in the near term. The newly announced US tax policy may influence the strength of the US dollar more directly than capital flows into and out of Vietnam.

KB SECURITIES VIETNAM RESEARCH

Research Division
research@kbsec.com.vn

Nguyen Xuan Binh – Head of research
binhnx@kbsec.com.vn

Financials

Nguyen Anh Tung – Manager
tungna@kbsec.com.vn

Pham Phuong Linh – Analyst
linhpp@kbsec.com.vn

Consumer

Nguyen Duc Quan – Analyst
quannd@kbsec.com.vn

Nguyen Hoang Duy Anh – Analyst
anhnhd@kbsec.com.vn

Real Estate

Pham Hoang Bao Nga – Manager
ngaphb@kbsec.com.vn

Nguyen Thi Trang – Analyst
trangnt6@kbsec.com.vn

Industrials & Materials

Nguyen Duong Nguyen – Senior analyst
nguyennd1@kbsec.com.vn

Nguyen Thi Ngoc Anh – Analyst
anhntn@kbsec.com.vn

Macro & Strategy

Tran Duc Anh – Head of macro & strategy
anhtd@kbsec.com.vn

Nghiem Sy Tien – Analyst
tienns@kbsec.com.vn

Nguyen Dinh Thuan – Analyst
thuannd@kbsec.com.vn

Energy, Utilities & IT

Nguyen Viet Anh – Analyst
anhnv3@kbsec.com.vn

Support Team

Nguyen Cam Tho – Assistant
thonc@kbsec.com.vn

Nguyen Thi Huong – Assistant
huongnt3@kbsec.com.vn

KB SECURITIES VIETNAM (KBSV)

Head Office:
Levels 16&17, Tower 2, Capital Place, 29 Lieu Giai Street, Ba Dinh District, Hanoi, Vietnam
Tel: (+84) 24 7303 5333 - Fax: (+84) 24 3776 5928

Hanoi Branch:
Level 1, Office Building, 5 Dien Bien Phu Street, Ba Dinh District, Hanoi, Vietnam
Tel: (+84) 24 7305 3335 - Fax: (+84) 24 3822 3131

Ho Chi Minh Branch:
Level 21, Vietinbank Tower, 93-95 Ham Nghi Street, District 1, HCMC, Vietnam
Tel: (+84) 28 7303 5333 - Fax: (+84) 28 3914 1969

Saigon Branch:
Level 1, Saigon Trade Center, 37 Ton Duc Thang Street, District 1, HCMC, Vietnam
Tel: (+84) 28 7306 3338 - Fax: (+84) 28 3910 1611

CONTACT INFORMATION
Hotline: 1900 1711
Email: info@kbsec.com.vn
Website: www.kbsec.com.vn

Investment ratings & definitions

Investment Ratings for Stocks
(Based on the expectation of price gains over the next 6 months)

Buy:	Neutral:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors
(Based on the assessment of sector prospects over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market