30 YEARS | FRASERS LAW COMPANY

US Reciprocal Tariffs on Vietnam Updates, Implications and Strategic Considerations

Tax Update | April 2025

On April 2, 2025, US President Donald Trump announced a comprehensive tariff policy aimed at reshaping America's trade relationships, notably through the introduction of country-specific reciprocal tariffs with its major international trading partners, including Vietnam. This policy shift presents significant implications for trade, investment, and foreign direct investment (***FDI***) flows to Vietnam, as well as potential impacts on the Vietnamese currency.

1. Comparative Tariff Rates

The US Administration has introduced a two-tier tariff structure:

(i) Baseline Tariff: A universal 10% tariff on all imports

(ii) Country-Specific Reciprocal Tariffs: Additional tariffs (***Reciprocal Tariffs***) tailored to each country's trade practices

Vietnam's exports to the US from April 9, 2025, will be subject to a 46% tariff, placing it among the countries facing the steepest increases.

Subject to further guidance and confirmation from the relevant tax and customs authorities of the US Administration, it appears that the new tariff would be applied as a surcharge to any existing duties. For example, if a Vietnamese product is already subject to a 5% Most Favoured Nation (MFN) duty and now faces a 46% reciprocal tariff, the total duty burden would be effectively 51% — calculated as separate charges on the product's declared customs value.

The US Administration has indicated that these tariffs are intended to address trade deficits and promote fairer trade practices with its partners. The US Administration's objective is to move away from Most Favoured Nation (MFN) and Free Trade Agreement (FTA) benefits, favouring future country-by-country negotiations to address market access and unfair practices. This is described as a "Wall of Tariffs" approach. While no existing treaty mandates an automatic reduction of these tariffs, Vietnam's proactive measures may influence future negotiations:

(i) Tariff reduction on US Goods: In March 2025, Vietnam has reduced import duties on several American products, including liquefied natural gas (from 5% to 2%), automobiles (from a range of 45–64% to 32%), and ethanol (from 10% to 5%).

(ii) Approving US Services: Vietnam has authorised a five-year pilot programme for SpaceX's Starlink to provide satellite internet services in the country.

These actions demonstrate Vietnam's commitment to addressing trade imbalances and could serve as a foundation for future negotiations aimed at reducing the 46% tariff. However, any reduction is likely to result from bilateral discussions rather than existing treaty frameworks.

Historically, agreements such as the US–Vietnam Bilateral Trade Agreement have facilitated tariff reductions. Nonetheless, the current situation stems from recent unilateral policy changes and would require fresh negotiations to resolve.

2. How did Vietnam end up with 46% Reciprocal Tariffs?

The suggestion by the US Administration that Vietnam had imposed tariffs equivalent to an average of 90% across US products being imported into Vietnam has left Vietnam officials and pundits bemused. However, the actual trade weighted average tariff rate for Vietnam is approximately 5.1%.

It appears that the US Administration has calculated its 'tariff' of 90%, by taking Vietnam's trade surplus with the USA (approximately US$123.4 billion) and dividing it by the total amount of trade between Vietnam and USA (approximately US$136.5 billion).

This also appears to be how the US Administration has calculated "Tariffs" for each of the 60 jurisdictions which have been subjected to a country-specific tariff of more than the baseline tariff of 10%. The indicative table below shows how Reciprocal Tariffs have been calculated for the European Union (***EU***), Indonesia, India and Vietnam.

Country/Region	Trade Surplus with USA (in billions of US$)	Total Exports between two countries/regions (in billions of US$)	Imported Tariff on US Products	Country Specific Reciprocal Tariff
EU	235.6	605.8	39%	20%
Indonesia	17.9	28.1	64%	32%
India	45.7	87.4	52%	27%
Vietnam	123.5	136.6	90%	46%

3. Exemptions from Reciprocal Tariffs

There are also exemptions from the Reciprocal Tariffs possible for certain products:

(i) Mail and personal communications; donations; media; personal belongings.

(ii) Specified products: certain steel, aluminium, derivatives and automobile and parts already subject to Section 232 Tariffs (as discussed in more detail below); copper, pharmaceuticals, semiconductors, lumber, certain critical minerals and energy products; other products that become subject to Section 232 Tariffs in the future.

(iii) US content; if it accounts for at least 20% of total value of dutiable goods.

4. Summary of US Tariffs on Vietnam Products

The following tariffs/duties can be imposed on Vietnamese products exported to the USA:

(i) General Duties;

(ii) Antidumping Duties;

(iii) Reciprocal Tariffs **OR** Section 232 Tariffs; and

(iv) Others

5. Section 232 Tariffs

As discussed above, apart from Reciprocal Tariffs, there are also Section 232 Tariffs (***Section 232 Tariffs***).

Section 232 Tariffs refer to Section 232 of the US Trade Expansion Act of 1962 that enables the US President to impose trade restrictions if the US Commerce Department determines that imports threaten U.S. national security.

In 2018, President Trump imposed Section 232 Tariffs on steel and aluminium imports citing national security concerns. Originally, imports from certain countries were exempt from Section 232 Tariffs, and companies could seek product-specific exemptions. However, in February 2025, President Trump (i) terminated all exemptions, (ii) expanded the scope of products subject to these specific tariffs, and (iii) increased the duty rate on aluminium.

6. Impact on Vietnam's Exports

Vietnamese exports, particularly in electronics, textiles, footwear, and furniture, are expected to face significant challenges as a result of the imposition of the Reciprocal Tariffs. The increased tariffs may undermine Vietnam's competitiveness in the US market, potentially leading to reduced export volumes and market share losses.

(i) Footwear and Apparel: Vietnam is a key supplier of footwear and apparel to US brands, particularly American athletic wear companies that manufacture extensively in Vietnam.

(ii) Electronics: Vietnam has emerged as a significant electronics manufacturing hub, attracting investment from major global mobile phone and consumer electronics companies.

(iii) Furniture: A substantial portion of furniture sold in the US is produced in Vietnam. The new tariffs are likely to increase costs, impacting both Vietnamese exporters and US consumers.

7. Broader Investment Impacts

Existing investors may evaluate restructuring supply chains or adopting diversification strategies to mitigate tariff-related risks. As a result, strategic investments may slow or shift towards domestic or non-US dependent markets.

In order to mitigate the impact of these tariffs, foreign manufacturers could adjust their supply chains by increasing the proportion of materials sourced from the US, thereby increasing the US origin content in their production in Vietnam.

Another solution is to apply US Customs law to their advantage by adjusting the products' classification, country of origin, and valuation techniques. These mitigating measures warrant careful consideration and analysis. With respect to goods' classification, companies might seek to identify a different, but still accurate, classification that carries a lower tariff. Concerning country of origin, companies might explore legal ways to accurately declare a different country of origin if the production process involves multiple countries. With respect to valuation techniques, companies might use legally permissible valuation methods to lower the declared value, thereby reducing the tariff amount. While this process may be complex, it may simply complicate exports.

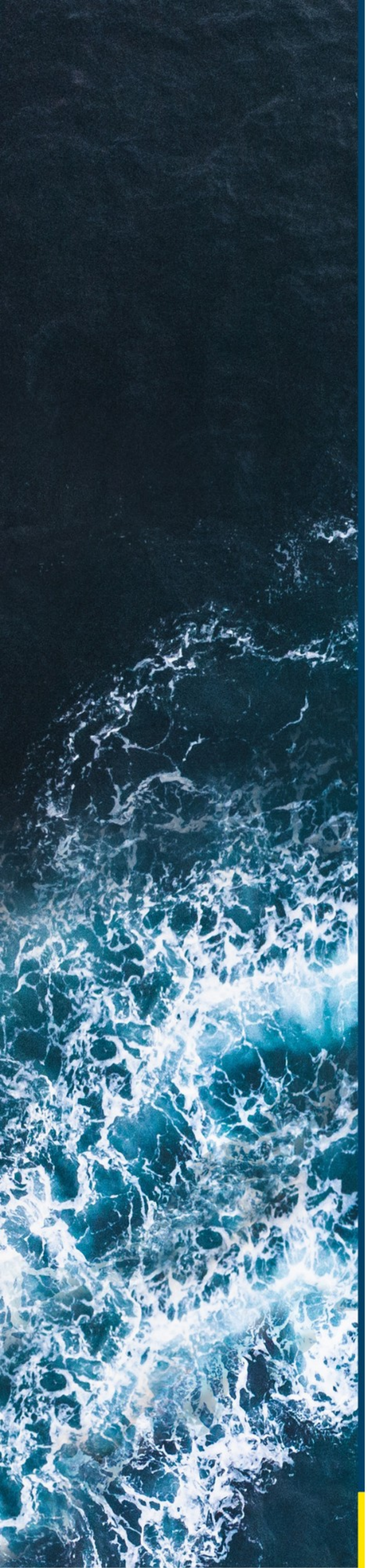
8. Currency Implications

In response to trade pressures, the State Bank of Vietnam may consider a moderate devaluation of the Vietnamese Dong against the US Dollar to bolster export competitiveness. However, any such devaluation would need to be carefully managed to avoid inflationary pressures and destabilisation of domestic financial markets.

9. Our View

We believe that it is a good time for cool heads to prevail. We believe that the calculation of the Reciprocal Tariffs is not based on a fully developed trade policy from the United States, and is more of an opening position for trade negotiations between the US and various countries (including Vietnam) to commence. We strongly believe that the 46% Reciprocal Tariff will be significantly reduced in the coming months as a result of subsequent trade negotiations between Vietnam and the United States of America. Investors should remember that the current Reciprocal Tariffs are temporary and subject to future changes. Therefore, long-term considerations are essential.

If you have any questions or require assistance navigating these new developments, please feel free to contact our Frasers team.



Authors

Mark Fraser
Managing Partner
mark.fraser@frasersvn.com

Phan Xuan Qui
Head of Tax
qui.phan@frasersvn.com

Ho Chi Minh City

19th Floor, Deutsches Haus
33 Le Duan Boulevard, District 1
Ho Chi Minh City, Vietnam
T: +84 28 3824 2733

Hanoi

15th Floor, Pacific Place
83B Ly Thuong Kiet Street, Hoan Kiem District
Hanoi, Vietnam
T: +84 24 3946 1203

Website www.frasersvn.com
Email legalenquiries@frasersvn.com