



## **Vietnam in the Crossfire: Trump's Tariff Offensive and the Shifting Landscape of U.S.- Vietnam Trade**

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### **Introduction**

On April 2, 2025, U.S. President Donald Trump signed a sweeping executive order invoking national emergency powers to impose a 46% reciprocal tariff on Vietnamese imports.<sup>1</sup> The rationale behind this decision—grounded in claims of non-reciprocal tariff regimes and asymmetric trade relations—marked a revival of economic nationalism under the banner of "fairness." A reciprocal tariff, in this context, refers to a trade policy mechanism designed to mirror or counterbalance the higher tariffs or non-tariff barriers that U.S. exports reportedly face abroad. Vietnam, whose trade surplus with the U.S. reached USD 123.5 billion in 2024, was singled out as a top offender.<sup>2</sup>

This policy shift comes less than two years after the U.S. and Vietnam elevated their bilateral ties to a Comprehensive Strategic Partnership—a diplomatic milestone that had promised deeper cooperation in areas such as semiconductors, supply chains, and technology transfer.<sup>3</sup> The abrupt turn from strategic engagement to tariff escalation raises serious questions about

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<sup>1</sup> Rachel Wilson, "These Are the Hardest-hit US Trading Partners Under Trump's Tariffs," *CNN*, April 4, 2025, <https://edition.cnn.com/2025/04/03/business/trumps-reciprocal-tariffs-countries-list-dg/index.html>.

<sup>2</sup> The White House, "Regulating Imports With a Reciprocal Tariff to Rectify Trade Practices That Contribute to Large and Persistent Annual United States Goods Trade Deficits," April 2, 2025, accessed April 3, 2025, <https://www.whitehouse.gov/presidential-actions/2025/04/regulating-imports-with-a-reciprocal-tariff-to-rectify-trade-practices-that-contribute-to-large-and-persistent-annual-united-states-goods-trade-deficits/>.

<sup>3</sup> Lauren Mai, Gregory B. Poling, and Japhet Quitzon, "An Indispensable Upgrade: The U.S.-Vietnam Comprehensive Strategic Partnership," *Center for Strategic & International Studies*, August 19, 2024, accessed April 4, 2025, <https://www.csis.org/analysis/indispensable-upgrade-us-vietnam-comprehensive-strategic-partnership>.

the reliability of U.S. trade diplomacy and the fragility of economic alignment in an increasingly multipolar world.

Once praised for its export-led development, WTO integration, and emergence as a manufacturing alternative to China, Vietnam now finds its economic model under intense pressure. The new tariff regime not only threatens market access and investor confidence but also exposes the strategic risks of overdependence on the U.S. market. This paper examines how Vietnam's global integration—initially a source of resilience—has created new vulnerabilities amid resurgent American protectionism. It also evaluates the implications of the 2025 tariff escalation for Vietnam's trade resilience, industrial policy, and geopolitical positioning within an increasingly adversarial global trade landscape.

## **From Doi Moi to WTO: Vietnam's Entry to Global Trade**

Vietnam's emergence as a key global trading partner is rooted in the Đổi Mới reforms of 1986, which marked its transition from a centrally planned system to a market-oriented economy. These reforms ushered in foreign investment, industrial restructuring, and increasing openness to global markets.

A breakthrough came in 2001 with the signing of the Bilateral Trade Agreement (BTA) with the United States. The agreement significantly lowered trade barriers and brought Vietnam's trade practices closer in line with global norms.<sup>4</sup> It also laid essential groundwork for the country's accession to the World Trade Organization (WTO) in 2007, granting Vietnam nondiscriminatory access to global markets and formalizing its role in a rules-based trade system.<sup>5</sup>

Over the next two decades, Vietnam pursued an ambitious liberalization agenda—signing 17 free trade agreements (FTAs).<sup>6</sup> This helped transform the country from a marginal exporter into one of the world's fastest-growing trading economies. By 2023, Vietnam's total export

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<sup>4</sup> U.S. Mission Vietnam, "The U.S.-Vietnam Bilateral Trade Agreement (BTA)," U.S. Embassy & Consulate in Vietnam, accessed April 4, 2025, <https://vn.usembassy.gov/the-u-s-vietnam-bilateral-trade-agreement-bta-resources-for-understanding/>.

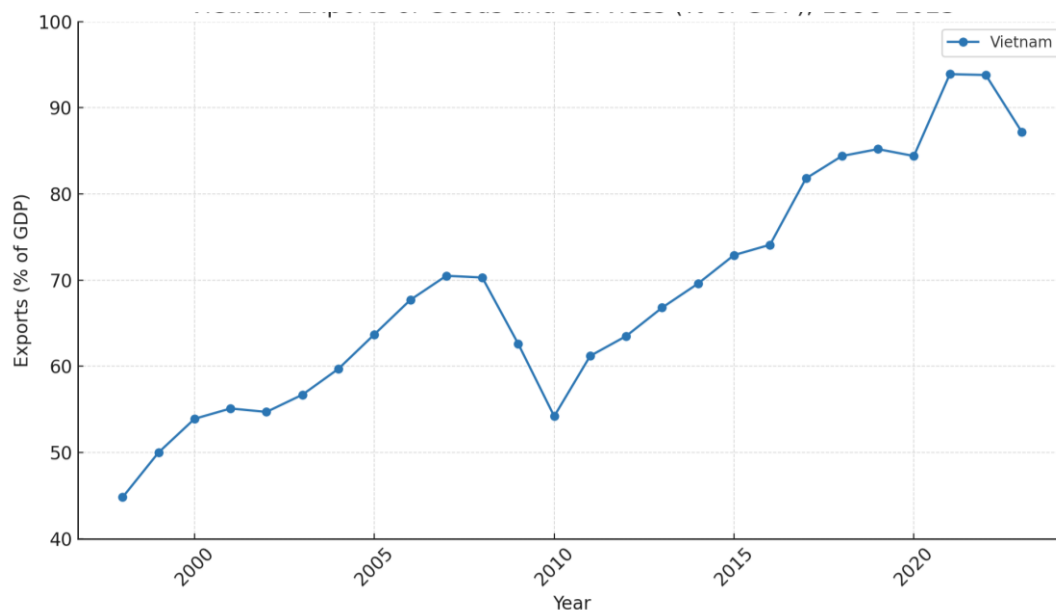
<sup>5</sup> Peter Vanham, "The Story of Viet Nam's Economic Miracle," World Economic Forum, September 11, 2018, accessed April 3, 2025, <https://www.weforum.org/stories/2018/09/how-vietnam-became-an-economic-miracle/>.

<sup>6</sup> Center for WTO and International Trade, "Vietnam's FTAs as of October 2024," WTO Center, October 8, 2024, accessed April 4, 2025, <https://wtocenter.vn/thong-ke/13814-vietnams-ftas-summary-as-of-april-2019>.

value reached USD 424 billion, making it ASEAN’s second-largest exporter after Singapore and placing it among the top 11 exporters globally.<sup>7</sup>

Its momentum extended into multilateral platforms as well. Though the U.S. withdrew from the Trans-Pacific Partnership (TPP) in 2017, Vietnam pushed forward with the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), reinforcing its commitment to open trade even as U.S. policy turned inward.<sup>8 9</sup>

**Exhibit 1: Vietnam Exports of Goods and Services (% of GDP) from 1998 - 2023**



Source of Data:

<https://data.worldbank.org/indicator/NE.EXP.GNFS.ZS?end=2023&locations=VN&start=1998&view=chart>

As illustrated in Exhibit 1, Vietnam’s export of goods and services has surged from just 44.8% of GDP in 1998 to a peak of 93.9% in 2021, highlighting the country’s deepening integration into the global economy.

However, Vietnam’s success has come with growing dependencies. Foreign direct investment (FDI) enterprises account for roughly 70% of their export turnover, while the domestic value-added (DVA) rate remains at 52%, below the global average. While the domestic sector showed

<sup>7</sup> “ASEAN Exports, Imports, and Trade Partners,” The Observatory of Economic Complexity, accessed April 4, 2025, [https://oec.world/en/profile/international\\_organization/association-of-southeast-asian-nations](https://oec.world/en/profile/international_organization/association-of-southeast-asian-nations).

<sup>8</sup> Office of the United States Trade Representative, “Overview of the Trans Pacific Partnership,” United States Trade Representative, accessed April 3, 2025, <https://ustr.gov/tpp/overview-of-the-TPP>.

<sup>9</sup> James McBride, Andrew Chatzy, and Anshu Siripurapu, “What’s Next for the Trans-Pacific Partnership (TPP)?,” *Council on Foreign Relations*, September 21, 2021, <https://www.cfr.org/backgrounder/what-trans-pacific-partnership-tpp>.

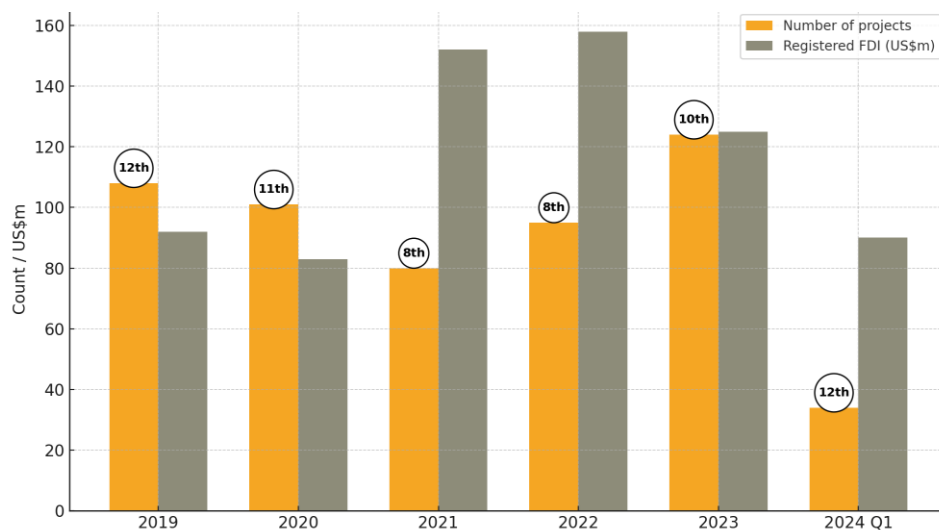
promising growth in 2024—contributing 32% to trade turnover and expanding four times faster than the FDI sector—Vietnam’s export engine remains largely externally driven. This makes it increasingly susceptible to geopolitical headwinds, including shifts in U.S. trade policy.<sup>10</sup>

## Manufacturing Boom, Mounting Surplus

Vietnam’s rise as a manufacturing hub accelerated during the U.S.-China trade war when multinational firms began shifting supply chains away from China.<sup>11</sup> As companies relocated operations to Vietnam to avoid steep U.S. tariffs, American imports from Vietnam surged—reaching USD 136.6 billion in 2024, a 19% increase from the year prior. Vietnam is now the largest ASEAN exporter to the U.S. and the eighth-largest U.S. trading partner overall.<sup>12</sup>

At the same time, U.S. imports from China dropped by 18% from 2022 to 2024, underscoring how Vietnam has benefited from trade diversion.<sup>13</sup> The result is a rapidly expanding trade surplus, with Vietnam posting a USD 123.5 billion surplus with the U.S. in 2024 alone—third only to China and Mexico.<sup>14</sup>

Exhibit 2: US FDI Projects in Vietnam (2019 - 2024)



<sup>10</sup> Việt Nam News, “Việt Nam Rises to the Top 11 Largest Exporters Globally,” WTO Center, December 6, 2024, accessed April 4, 2025, <https://wtocenter.vn/chuyen-de/26538-viet-nam-rises-to-the-top-11-largest-exporters-globally>.

<sup>11</sup> Pritesh Samuel and Thu Nguyen, “Why Vietnam Has Become an Alternative for US Businesses in Asia,” Vietnam Briefing News, August 22, 2022, <https://www.vietnam-briefing.com/news/why-vietnam-has-become-promising-alternative-for-us-businesses-in-asia.html/>.

<sup>12</sup> Office of the United States Trade Representative, “Vietnam,” United States Trade Representative, accessed April 3, 2025, <https://ustr.gov/countries-regions/southeast-asia-pacific/vietnam>.

<sup>13</sup> Ibid.

<sup>14</sup> Francesco Guarascio, “Vietnam’s Trade Surplus With US Hits Record High in 2024,” *Reuters*, February 5, 2025, <https://www.reuters.com/world/asia-pacific/vietnams-trade-surplus-with-us-hits-record-high-2024-2025-02-05/>.

Source of Data: <https://www.freiheit.org/vietnam/vietnams-journey-industrialization-us-connection>

According to the Vietnamese Ministry of Planning and Investment (MPI), U.S. companies initiated 124 new projects in Vietnam in 2023 and invested an additional USD 626.3 million in registered capital in these new companies and in several existing companies. This made the U.S. one of the top 10 foreign investors in Vietnam in 2023. Cumulatively, American firms have poured roughly USD 12 billion into 1,374 projects over the past 30 years—signaling strong investor confidence in Vietnam’s economic fundamentals and strategic location.<sup>15</sup>

Yet, beneath the headline growth lies a structural vulnerability. Foreign-invested enterprises (FIEs) account for 70% of Vietnam’s export turnover, while the domestic value-added (DVA) contribution remains below the global average at just 52%. Although the domestic sector’s share of trade rose to 32% in 2024—growing four times faster than the FDI sector—Vietnam’s trade engine remains dependent on foreign capital, global markets, and favorable geopolitical conditions.<sup>16</sup>

## Tariff Politics Resurfaces: Trump's 2025 Protectionist Revival

On April 2, 2025, President Donald Trump signed a sweeping executive order invoking emergency powers under the *International Emergency Economic Powers Act*. Citing “non-reciprocal tariff and non-tariff barriers” and “asymmetric trade relationships,” the order marks a dramatic revival of protectionist trade policy, particularly targeting countries with large trade surpluses with the United States. Vietnam—America’s eighth-largest trading partner—is among the hardest hit.<sup>17</sup>

Exhibit 3: Top 10 Countries Facing Highest U.S. Reciprocal Tariffs (2025)

Countries	Tariffs	2024 US Imports	Trade Deficit
<i>Lesotho</i>	50%	\$0.24B	-\$0.23B
<i>Saint Pierre and Miquelon</i>	50%	<\$10M	<\$10M
<i>Cambodia</i>	49%	\$12.66B	-\$12.34B

<sup>15</sup> Andreas Stoffers, “Vietnam’s Journey to Industrialization: The US Connection,” Friedrich Naumann Foundation, June 30, 2024, accessed April 3, 2025, <https://www.freiheit.org/vietnam/vietnams-journey-industrialization-us-connection>.

<sup>16</sup> Việt Nam News, “Việt Nam Rises to the Top 11 Largest Exporters Globally.”

<sup>17</sup> The White House, “Regulating Imports With a Reciprocal Tariff to Rectify Trade Practices That Contribute to Large and Persistent Annual United States Goods Trade Deficits.”

<i>Laos</i>	<b>48%</b>	\$0.80B	-\$0.76B
<i>Madagascar</i>	<b>47%</b>	\$0.73B	-\$0.68B
<i>Vietnam</i>	<b>46%</b>	\$136.56B	-\$123.46B
<i>Sri Lanka</i>	<b>44%</b>	\$3.02B	-\$2.65B
<i>Myanmar (Burma)</i>	<b>44%</b>	\$0.66B	-\$0.58B
<i>Falkland Islands</i>	<b>41%</b>	\$0.02B	-\$0.02B

Source of Data: <https://edition.cnn.com/2025/04/03/business/trumps-reciprocal-tariffs-countries-list-dg/index.html>

Under Trump’s “reciprocal tariff” framework, Washington aims to impose duties that mirror or exceed the perceived tariff and non-tariff barriers imposed on U.S. exports. The administration claims that U.S. goods entering Vietnam face tariffs as high as 90%. However, according to the *2025 National Trade Estimate* by the Office of the U.S. Trade Representative, Vietnam’s actual average Most Favored Nation (MFN) tariff rate is only 9.4%—with 17.1% for agricultural products and 8.1% for non-agricultural goods—casting doubt on the methodology and transparency behind the 90% figure.<sup>18</sup>

Vietnam is now subject to a 46% tariff on all exports to the U.S., a rate among the highest globally—trailing only Cambodia (49%), Laos (48%), and Madagascar (47%) on the full country-wise list released by the White House. The tariff is scheduled to take effect on April 9, 2025, alongside the elimination of the *de minimis* exemption, which had previously allowed duty-free entry of low-value shipments under USD 800. Beginning May 2, such goods will be taxed at 30% or USD 25 per item, increasing to USD 50 by June 1.<sup>19</sup>

<sup>18</sup> Vu Nguyen Hanh, “Understanding the US Tariff List: Implications for Vietnam,” Vietnam Briefing, April 3, 2025, accessed April 4, 2025, <https://www.vietnam-briefing.com/news/understanding-the-us-tariff-list-implications-for-vietnam.html/>.

<sup>19</sup> “CBP Proposes New Rule to Strengthen Enforcement and Limit Duty Exemption for Low-Value Shipments,” U.S. Customs And Border Protection, January 17, 2025, accessed April 3, 2025, <https://www.cbp.gov/newsroom/national-media-release/cbp-proposes-new-rule-strengthen-enforcement-and-limit-duty>.

These measures come amid intensifying domestic pressure in the U.S. Inflation expectations have risen to 6%, while the *Consumer Confidence Index* dropped to 92.9 in March 2025—its lowest since 2023.<sup>20</sup>

For Vietnam, the timing is especially disruptive. The United States remains its largest export market, absorbing nearly 30% of total export turnover, including key categories such as electronics, machinery, apparel, and footwear. The imposition of steep tariffs directly threatens these sectors, many of which are both labor-intensive and price-sensitive. The potential fallout is not just commercial but systemic—undermining years of supply chain integration, market diversification, and industrial upgrading.<sup>21</sup>

## Sectoral Fallout: Who Gets Hurt

The 46% tariff on Vietnamese imports is part of a broader escalation in U.S. protectionism. On February 10, 2025, the Trump administration reinstated 25% steel tariffs and raised aluminum tariffs to 25%, extending them to all countries, including Vietnam.<sup>22</sup> Days later, the White House introduced the “Fair and Reciprocal Plan”, a sweeping initiative to review all trade relationships deemed “non-reciprocal”—with Vietnam, China, Japan, and the EU explicitly named. These policies collectively reinforce Vietnam’s position not just as a trade partner, but as a strategic pressure point in America’s recalibrated global trade doctrine.<sup>23</sup>

The economic impact of these tariffs will not be felt evenly. Vietnam’s most vulnerable sectors are labor-intensive, export-dependent, and price-sensitive—particularly footwear, apparel, electronics, and furniture. In 2024, the top five exports to the U.S. were:

- **Electronics and components** – USD 23.2 billion
- **Machinery and equipment** – USD 22 billion
- **Textiles and garments** – USD 16.1 billion
- **Footwear** – USD 8.3 billion

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<sup>20</sup> The Conference Board, “US Consumer Confidence Tumbled Again in March,” March 25, 2025, accessed April 3, 2025, <https://www.conference-board.org/topics/consumer-confidence/press/CCI-Mar-2025>.

<sup>21</sup> Hanh, “Understanding the US Tariff List: Implications for Vietnam.”

<sup>22</sup> The President of the United States of America, “Adjusting Imports of Steel Into the United States,” The White House, February 10, 2025, <https://www.whitehouse.gov/presidential-actions/2025/02/adjusting-imports-of-steel-into-the-united-states/>

<sup>23</sup> Paul, Weiss, Rifkind, Wharton & Garrison LLP, “Regulatory/Administrative Tracker,” Paul Weiss, March 14, 2025, accessed April 3, 2025, [https://www.paulweiss.com/media/3985856/pw\\_regulatory\\_tracker\\_compendium.pdf](https://www.paulweiss.com/media/3985856/pw_regulatory_tracker_compendium.pdf).

- **Wooden products** – USD 9.1 billion

Together, these categories accounted for nearly 30% of Vietnam’s total export turnover, underscoring the economy’s reliance on U.S. consumer demand.<sup>24</sup>

Vietnam’s manufacturing boom has not only driven trade growth but also employment. As of 2019, the sector employed 7.6 million workers, with small and micro-enterprises dominating the landscape—62% of firms had fewer than 10 workers, and only 3% employed over 200. In component manufacturing alone—vital to electronics and machinery exports—employment grew by 56% over a decade, reaching 86,000. Notably, women’s participation surged 106%, reflecting a deeper reliance on female labor. With a 46% tariff, these sectors now face sharp price shocks, diminishing competitiveness and squeezing already thin profit margins.<sup>25</sup>

Global brands stand to lose as well. Nike, which employs approximately 450,000 workers across 159 factories in Vietnam, will face cost pressures that may either be passed onto U.S. consumers or force production shifts.<sup>26</sup> Adidas and Lululemon, which also heavily rely on Vietnamese manufacturing, face similar headwinds. However, relocating production is not a straightforward solution; Vietnam’s skilled labor force, especially in high-quality apparel and footwear, is not easily replicable.<sup>27</sup>

Pham Luu Hung, Chief Economist at SSI Securities, warns that tariffs of this scale may disrupt global supply chains, which “cannot adapt quickly in the short term.”<sup>28</sup> While Vietnam has begun diplomatic outreach, including tariff reductions on U.S. goods and proposals for deeper trade cooperation, the uncertainty casts a shadow on investor sentiment and global brand strategy.

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<sup>24</sup> Hanh, “Understanding the US Tariff List: Implications for Vietnam.”

<sup>25</sup> “Viet Nam’s Machinery and Equipment Industry: A Systemic Sector Assessment,” *International Labour Organization* (International Labour Organization, September 2023), accessed April 4, 2025, [https://www.ilo.org/sites/default/files/wcmsp5/groups/public/@ed\\_emp/@emp\\_ent/@ifp\\_seed/documents/publication/wcms\\_892986.pdf](https://www.ilo.org/sites/default/files/wcmsp5/groups/public/@ed_emp/@emp_ent/@ifp_seed/documents/publication/wcms_892986.pdf).

<sup>26</sup> Anisha Sharma and Mark Barnes, “Where Nike’s Factories Are Located in Vietnam,” *Vietnam Briefing News*, August 6, 2025, <https://www.vietnam-briefing.com/news/where-are-nikes-factories-located-in-vietnam.html>.

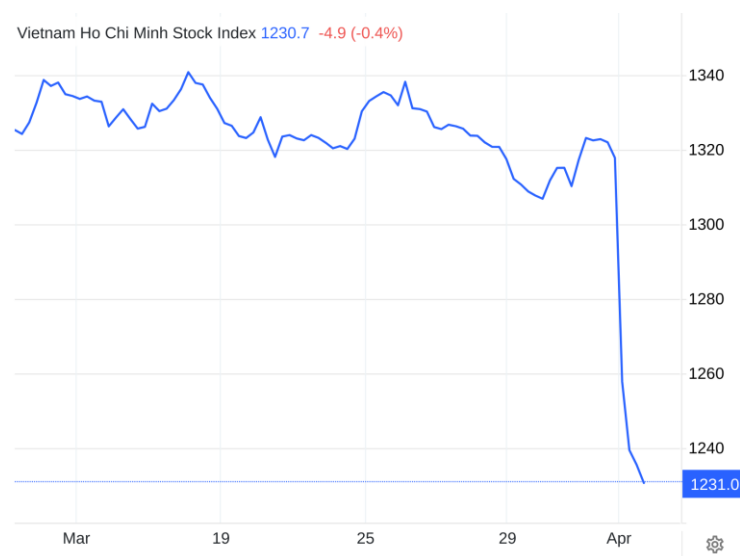
<sup>27</sup> Tri Duc, “Vietnam Remains Biggest Manufacturing Source of Adidas,” *The Investor*, March 10, 2025, <https://theinvestor.vn/vietnam-remains-biggest-manufacturing-source-of-adidas-d14813.html>.

<sup>28</sup> John Boudreau Boudreau, Nguyen Kieu Giang, and Nguyen Dieu Tu Uyen, “Vietnam Charm Offensive Fails to Stave Off 46% Trump Tariff,” *Bloomberg*, April 3, 2025, accessed April 3, 2025, <https://www.facebook.com/events/2087975101673795/>.

## Financial Shockwave and Investor Sentiment

The ripple effects of Washington’s tariff escalation were immediately felt in Vietnam’s financial markets. On April 3, 2025, the VN-Index slumped by 82 points, or 6.2%, falling to 1,236 by midday and effectively erasing the gains made the day prior.<sup>29</sup>

**Exhibit 4: Ho Chi Minh City Stock Index** (1:00 PM GMT+7, April 3, 2025)



Source of Graph: <https://tradingeconomics.com/vnindex:ind>

This sell-off reflects deep anxiety among both foreign and domestic investors about Vietnam’s trade exposure to the United States. In 2024, the U.S. absorbed nearly USD 120 billion of Vietnamese exports—accounting for approximately 30% of the country’s total export turnover. A 46% tariff now threatens to choke key export sectors like electronics, garments, and footwear, which operate on thin margins and dominate Vietnam’s listed industrial stocks.

Sector-specific losses were particularly steep in firms tied to U.S. supply chains. For instance, shares of Vietnam National Textile and Garment Group (Vinatex) plunged by over 10%, closing at -9,800 on the evening of April 4, 2025—the sharpest one-day decline in recent months.<sup>30</sup> As a major employer in the garment sector and a key exporter to the U.S., Vinatex’s stock dip underscores market fears about how steep tariffs could destabilize labor-intensive industries. The sell-off reflects broader investor anxieties about Vietnam’s economic exposure

<sup>29</sup> “Vietnam Stocks Plunge 6.2% After Trump’s Tariffs,” *Trading Economics*, April 3, 2025, [https://www.tradingview.com/news/te\\_news:453632:0-vietnam-stocks-plunge-6-2-after-trump-s-tariffs/](https://www.tradingview.com/news/te_news:453632:0-vietnam-stocks-plunge-6-2-after-trump-s-tariffs/).

<sup>30</sup> “Vietnam National Textile and Garment Group (VGT),” *Investing.com*, accessed April 4, 2025, <https://www.investing.com/equities/vietnam-national-textile-and-garmen>.

to U.S. trade policy, particularly in sectors reliant on razor-thin margins and high-volume exports.

Adding to the pressure is Washington's revived rhetoric. President Trump has previously described Vietnam as "worse than China" in trade behavior, citing the persistent imbalance.<sup>31</sup> In this context, tariff imposition came just as Vietnam was positioning itself as a more stable alternative to China in the global supply chain realignment. The sharp correction underscores the fragility of investor confidence in an economy where 70% of exports are driven by foreign-invested enterprises.

Though no official monetary policy adjustments have been announced, speculation of currency defense and liquidity injections began circulating in domestic news outlets. The State Bank of Vietnam is expected to closely monitor exchange rate volatility in the days leading up to the April 9 tariff enactment.

## **Vietnam's Policy Response and Trade Diversification Strategy**

Vietnam's rapid rise as a manufacturing powerhouse was catalyzed, in part, by earlier rounds of U.S. tariffs on China. Ironically, the same reciprocal logic now positions Vietnam as a primary target of American protectionism. In response, Hanoi has deployed a multi-pronged strategy to mitigate the fallout and preserve its hard-won access to the U.S. market.

In keeping with its long-practiced "*bamboo diplomacy*"—a flexible yet resilient approach to navigating great power rivalries—Vietnam has responded swiftly and tactfully. On March 31, just days before the executive order was signed, the Ministry of Industry and Trade held emergency consultations. It enacted modest MFN tariff cuts on a range of American goods, although these reductions—ranging from 2% to 25%—are unlikely to meaningfully offset the projected USD 50 billion duty burden now facing Vietnamese exporters.<sup>32</sup>

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<sup>31</sup> "The President's 2019 Trade Policy Agenda and the United States-Mexico-Canada Agreement," The Committee on Finance, *U.S. Government Publishing Office* (Washington, United States of America, n.d.), <https://www.govinfo.gov/content/pkg/CHRG-116shrg44362/pdf/CHRG-116shrg44362.pdf>.

<sup>32</sup> Vinh Tho and Duy Linh, "Vietnam's Party Leader to Lam Supports More Imports of US Goods," *Tuoi Tre News*, April 1, 2025, <https://tuoitrenews.vn/news/business/20250401/vietnam-s-party-leader-to-lam-supports-more-imports-of-us-goods/85679.html>.

Further steps were taken through high-level diplomacy. Deputy Prime Minister Ho Duc Phoc led a delegation to Washington, while the Ministry of Foreign Affairs submitted formal requests to delay the 46% tariff and resume talks. Foreign Ministry spokesperson Pham Thu Hang emphasized Vietnam's regret, calling the tariffs inconsistent with the spirit of the Comprehensive Strategic Partnership. Meanwhile, Prime Minister Pham Minh Chinh convened an emergency cabinet meeting and ordered the formation of a rapid-response task force to stabilize trade and investor sentiment.<sup>33</sup>

Vietnam has also signaled openness to more substantial concessions, including government procurement of U.S. goods, regulatory reforms, and even easing restrictions on U.S. investors. However, these measures involve delicate trade-offs.<sup>34</sup> Currency appreciation, for instance, could undermine Vietnam's export competitiveness, while liberalizing market access risks domestic industry pushback. At present, the government's capacity to implement sweeping changes remains limited, but its strategic signaling is clear.

This delicate balancing act reflects Vietnam's broader diplomatic ethos: bending with the wind of geopolitical tension, but not breaking—true to the principles of *bamboo diplomacy*. As bilateral negotiations continue, Vietnam is also accelerating trade diversification efforts. It maintains 17 active free trade agreements (FTAs), including the CPTPP and EVFTA, and has deepened partnerships with markets in the EU, Japan, South Korea, and ASEAN.<sup>35</sup> These alternatives may help cushion short-term losses, but none rival the scale or immediacy of the U.S. market.

## **Conclusion: Strategic Partner of Convenient Target?**

On our final note of analysis, Vietnam's evolution from the Đổi Mới reforms to its status as a linchpin of global manufacturing underscores both the immense rewards and profound vulnerabilities of its export-led development strategy. The sudden imposition of a 46% tariff on Vietnamese goods by President Donald Trump on April 2, 2025, has laid bare the risks of

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<sup>33</sup> Vinh Tho and Duy Linh, "Vietnam's Party Leader to Lam Supports More Imports of US Goods," *Tuoi Tre News*, April 1, 2025, <https://tuoitrenews.vn/news/business/20250401/vietnam-s-party-leader-to-lam-supports-more-imports-of-us-goods/85679.html>.

<sup>34</sup> Vinh Tho and Duy Linh, "Vietnam's Party Leader to Lam Supports More Imports of US Goods," *Tuoi Tre News*, April 1, 2025, <https://tuoitrenews.vn/news/business/20250401/vietnam-s-party-leader-to-lam-supports-more-imports-of-us-goods/85679.html>.

<sup>35</sup> Center for WTO and International Trade, "Vietnam's FTAs as of October 2024."

heavy dependence on external markets.<sup>36</sup> With a USD 123.5 billion trade surplus now under threat, this aggressive protectionist maneuver not only jeopardizes Vietnam's economic stability but also sends shockwaves through global supply chains built around its skilled labor and competitive production capacity.<sup>37</sup>

Caught between its recently upgraded Comprehensive Strategic Partnership with the United States and the escalating demands of “reciprocal” tariffs, Vietnam now finds itself at a crossroads. As Hanoi turns to diplomacy, modest tariff concessions, and strategic recalibration, it must confront a broader truth: alliances forged in rhetoric may falter under the pressure of short-term political calculus.

This confrontation, however, is more than a bilateral trade dispute. It illuminates the reality facing trade-dependent nations amid the resurgence of economic nationalism.<sup>38</sup> Whether this episode proves to be a fleeting disruption or the beginning of a more profound rift in U.S.–Vietnam relations will hinge not only on diplomatic finesse—Vietnam's so-called “*bamboo diplomacy*”—but also on the unpredictable currents of U.S. electoral politics in 2025.

At this critical juncture, Vietnam's legacy of resilience and reform is on the line. This is no longer just about tariffs. It is a test of trust, credibility, and whether the U.S. can treat strategic partners as allies, not collateral when political winds shift.

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<sup>36</sup> Wilson, “These Are the Hardest-Hit US Trading Partners Under Trump's Tariffs.”

<sup>37</sup> Guarascio, “Vietnam's Trade Surplus With US Hits Record High in 2024,” February 5, 2025.

<sup>38</sup> Wilson, “These Are the Hardest-Hit US Trading Partners Under Trump's Tariffs.”

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