

China the target in US-Vietnam trade deal

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4 July 2025

The agreement reached by the US and Vietnam on “reciprocal tariffs” announced on Wednesday underscores the nature of Trump’s economic war against the world. It is aimed at establishing a global economic dictatorship directed against China, whose rise the US regards as an existential threat.

Under the deal, goods deemed to be of Vietnamese origin will receive a tariff of 20 percent while those designated to have been “transhipped”—that is primarily originating from China—be taxed at 40 percent, just below the initial 46 percent reciprocal tariff threatened against Vietnam on April 2.

This stipulation sets up an economic minefield for Vietnam and other countries whose economies are part of global supply chains. Items may have components and raw materials originating in China, but are then manufactured or assembled for export to the US and other markets.

How exactly the distinction between a primarily Vietnamese-made item and one that is being “transhipped” has not been spelt out. But it will be largely, if not entirely, determined by the US.

Responding to the US-Vietnam agreement, the Chinese commerce ministry said it was “conducting an assessment” of the deal.

“We firmly oppose any party striking a deal at the expense of China’s interests. If such a situation arises, China will take resolute countermeasures to safeguard its legitimate rights and interests,” it said.

Others have already pointed to the essential content of the deal. In comments to the *Financial Times*, Julien Chaisse, an international law academic in Hong Kong said: “The new US-Vietnam deal is not just about trade; it is clearly aimed at China... it’s meant to block the flow of Chinese goods that often move through Vietnam to dodge existing US duties.

“This fits a much wider trend: the US is lining up bilateral deals with countries near China to tighten

economic co-operation and, at the same time, [make] it harder for Beijing to strengthen its supply chain influence.”

Vietnam’s official state media reported that the head of the country’s ruling Communist Party, President To Lam, had a phone call with Trump on Tuesday. The two sides had reached a consensus in a “fair and balanced reciprocal trade agreement framework.”

It was anything but that. Vietnam had a gun held at its head, with the threat that a 46 percent tariff if it did not capitulate would devastate its economy. Bloomberg economists have estimated that even the lower 20 percent tariff could lead to a 25 percent fall in Vietnamese exports to the US, and a possible 2 percent cut in its growth rate.

The US market comprises 30 percent of Vietnam’s exports. Since 2018, Vietnam’s exports to the US have increased from under \$50 billion to \$137 billion in 2024. Much of this increase was a result of the tariffs against China during the first Trump administration as companies moved operations to Vietnam.

Over the same period US exports to Vietnam have risen from less than \$10 billion to just over \$13 billion. This has led to a widening trade gap, resulting in it having the third largest trade deficit with the US—more than \$123 billion last year.

In typical fashion, Trump used Orwellian language—where words have their opposite meaning—to describe the deal.

“It will be a Great Deal of Cooperation between our two Countries,” he wrote on his social media.

Having imposed major tariffs on the US side, Trump secured agreement from Vietnam that all American goods entering the country would be duty free.

Hailing this decision in a delusional manner, Trump declared: “It is my opinion that the SUV or, as it is sometimes referred to, Large Engine Vehicle, which does so well in the United States, will be a wonderful

addition to the various product lines within Vietnam.”

A government survey in Vietnam earlier this year found that only 9 percent of Vietnamese households own a car with most people using motorcycles and motorbikes as their mode of transportation.

The Vietnamese News Agency reported that the president had asked Trump that the US recognise Vietnam as a market economy, which would remove restrictions on its import of high-tech products. This has been a longstanding demand of Hanoi which Washington has consistently dismissed, with no sign of movement on this occasion.

The so-called “deal” has more the character of the unequal treaties imposed on colonies in the heyday of imperialist rule in the late 19th and early 20th centuries than any genuine trade negotiation. Its implications go far beyond Vietnam.

It will be the template for the agreements that the US attempts to impose on other countries, whether they be advanced or less developed economies, above all to disrupt supply lines originating in China.

India, which is reported to be close to securing a framework deal with the US, has been in discussion over what “rules of origin” will apply. According to a report on Bloomberg, Washington has stipulated that to qualify as “Made in India” at least 60 percent of the value added must be locally based. India has pushed for this level to be 35 percent.

The issue is certain to be at the centre of US negotiations with other countries.

In a recent report cited by Bloomberg, Alicia Garcia Herrero, Asia-Pacific chief economist at the financial firms Natixis, said: “Asia’s dilemma when it comes to Trump’s trade war is all about dependence on US final demand while relying on China’s value-added in domestic production.” Vietnam, Cambodia and Taiwan are among the most exposed.

The trade war has a significant military component. It is aimed at forcing those countries, particularly in Asia, which have been seeking to strategically balance between Washington and Beijing, to get off the fence and more directly align themselves with the US preparations for war against China.

This is clearly recognised in Beijing, and it may well respond.

Bloomberg economist Rana Sajedi noted: “The looming question now is how China will respond.

Beijing has made clear that it would respond to deals that come at the expense of Chinese interests and the decision to agree to higher tariffs on goods deemed to be ‘transhipped’ through Vietnam may fall in that category.”

On the other hand, it may decide to stay its hand, not wishing to upset the delicate strategical balance in southeast Asia. In any case, the issue is going to arise again because the US is pushing for anti-China measures to be included in any agreements with the European powers.

Such measures were part of the agreement with the UK in May. It included supply chain security requirements that sectors such as steel, pharmaceutical and aerospace are not sourced from or reliant on Chinese inputs.

The deal committed the UK and the US to enhanced cooperation on investment security and export controls. It stipulated that there be co-ordinated action to address “non-market policies of third countries”—a code phrase for China.

It also made clear that tariff reductions in UK exports such as cars and metals were conditional on compliance with US national security requirements. Such stipulations will not stop at the UK.



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