

On Thursday, April 3, 2025, AmCham convened a virtual meeting with 170 members from the manufacturing and logistics sectors to analyze the implications of the newly imposed 46% tariff rate. The overwhelming consensus revealed deep concern among US-based companies and those exporting to the US market. The following is a detailed summary of their key concerns:

1. **Critical Lack of Implementation Lead Time:** The abrupt implementation of the tariffs, with minimal notice, has created significant operational challenges. Companies with inventory already en route or held in US ports are facing immediate uncertainty regarding tariff compliance. They are urgently requesting a more reasonable lead time, exceeding the current two-day window, to enable proper planning and adjustment. This short notice is causing logistical bottlenecks and financial strain.
2. **Erosion of Competitive Advantage:** The 46% tariff renders US-affiliated companies significantly less competitive in the global market. Customers are actively seeking alternative suppliers in countries with lower tariff rates. This shift threatens to reduce market competition, ultimately leading to higher prices for American consumers due to both the tariff and the diminished competitive landscape.
3. **Direct Pass-Through of Costs to Consumers:** Multiple companies emphasized their inability to absorb the substantial cost increase imposed by the tariff. They anticipate directly passing these costs onto American consumers, resulting in a noticeable rise in retail prices for a wide range of goods.
4. **Persistent Labor Shortages in US Manufacturing:** Several companies highlighted the chronic shortage of skilled labor in the US manufacturing sector. They described the situation as "impossible," stating that securing adequate staffing in the US remains a significant obstacle, forcing them to rely on overseas production.
5. **Imminent Order Cancellations and Potential Business Closures:** The tariff is expected to trigger widespread order cancellations in the short term. Many manufacturers foresee potential business closures, leading to tens of thousands of job losses and the potential for social unrest due to economic hardship.
6. **Disruption to US-Based Exporters and Supply Chains:** One US-based exporter articulated the considerable challenge of relocating manufacturing to the US, estimating a minimum timeframe of five years. Alternatively, absorbing the tariff would necessitate price increases for US customers, potentially leading to reduced sales, supply shortages, and inflated prices. This company, which pays US taxes, sources materials from US suppliers, and utilizes US transportation, faces significant disruption. The potential closure threatens 300 jobs and impacts US suppliers and customers, and reduces US tax revenue. This sentiment was widely shared by other members.
7. **Negative Impact on US Investment in Vietnam:** For US-based companies working in Vietnam, they forecast a significant drop in demand for their products, and the tariffs would trigger a cycle of contraction of revenue and investment for their businesses. They did state that a reduction of tariffs and barriers would help to bring in more US goods into Vietnam to use for their manufacturing requirements.
8. **Focus on Reciprocal Trade Opportunities:** Importers of US products urge the administration to prioritize creating opportunities for US imports into Vietnam, rather than restricting US exports. They advocate for reciprocal tariff reductions, aligning US tariffs with those applied to goods from other countries, and mirroring the duties the US applies to Vietnamese goods. They highlight that the US, while being Vietnam's largest

export market, maintains some of the highest duty rates among Vietnam's trading partners. They express hope for a mutually beneficial reduction in duty rates, ensuring the continuation of a trade relationship that benefits all stakeholders.

9. **Reassessment of the Trade Deficit:** The reported trade deficit of \$126 billion requires a more nuanced analysis. The US maintains a significant trade surplus with Vietnam in services, including financial, accounting, engineering, legal, and transportation services. US investments in Vietnamese equity markets generate substantial returns for US retirees and pension funds, which are not reflected in traditional trade calculations. The reported deficit does not account for the value of US components and finished products imported into Vietnam via third countries, such as China, and labeled as non-US exports. These items, including tractors, generators, and engines, represent significant value. Therefore, the actual trade deficit is likely considerably lower.

Please note that AmCham members had several suggestions for the Vietnamese government to improve the business environment to promote American products and services. AmCham will work with the Vietnamese government for suggestions and will keep you updated accordingly.