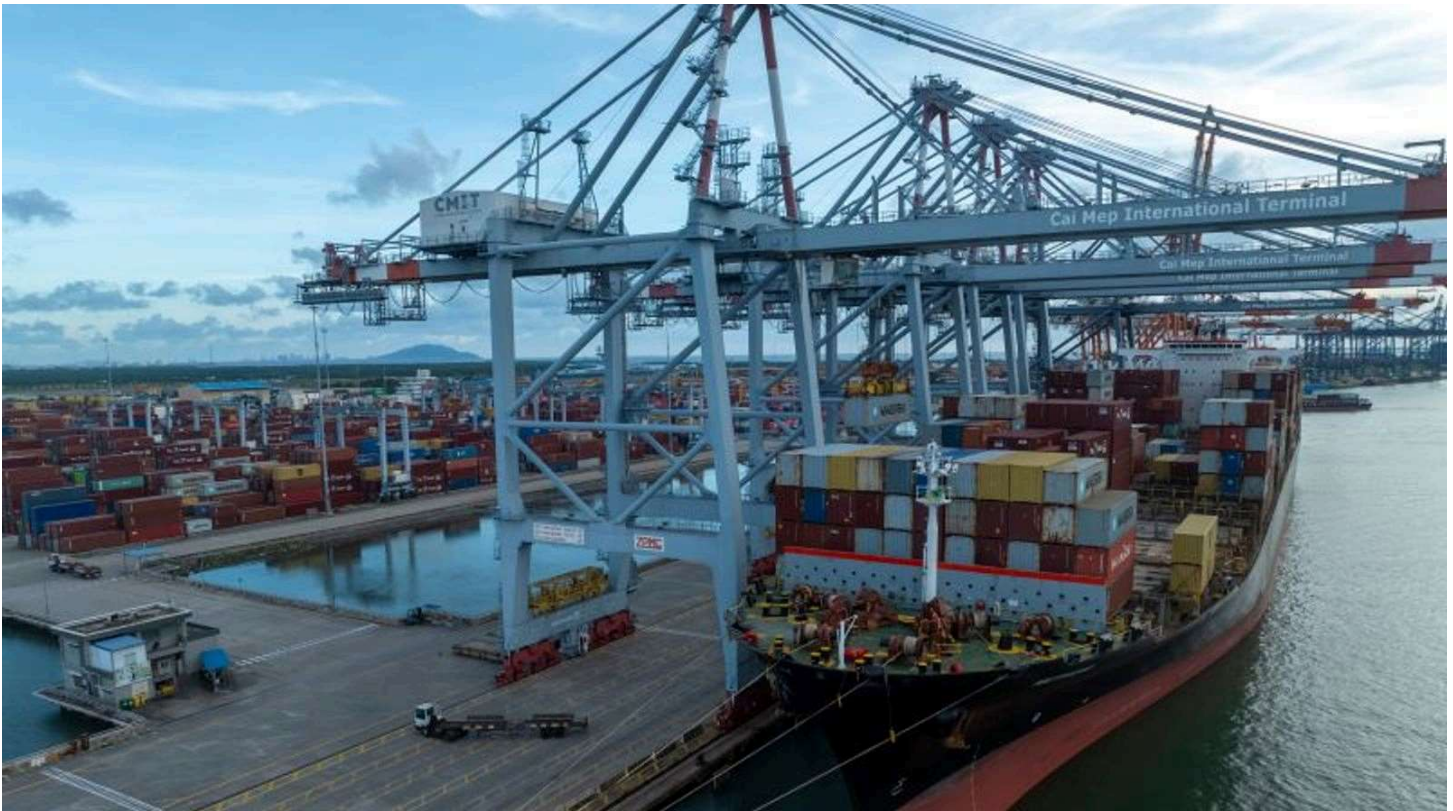


Trump's Vietnam 'transshipment' tariff puzzles US trade community



President Donald Trump indicated that goods routed from China through Vietnam would incur a 40% tariff upon arrival in the US, but industry experts say there has been little clarity about how that would work. Photo credit: Loner Nguyen / Shutterstock.com.

Eric Johnson, Senior Technology Editor | Jul 10, 2025, 10:57 AM EDT

How the Trump administration defines and regulates transshipment in the aftermath of a proposed trade deal with Vietnam will have major implications for the top Asia sourcing alternative to China.

While President Donald Trump's announcement on July 2 clarified new tariff levels of 20% on imports from Vietnam, his statements on applying a 40% tariff on goods that originate in China but are transshipped via Vietnam have confused some in the US trade community.

The uncertainty centers on what Trump considers transshipment and how US Customs officials would crack down on violations. At issue is the extent to which goods with a

Vietnam country of origin designation are actually just disguised China-origin goods.

Most importers define transshipment as the process of a container connecting from the port of origin to the port of destination via a third port. But the Trump administration appears to be attaching a trade compliance element to transshipment that draws considerations such as country-of-origin determination, minimum local content, and substantial transformation, trade experts told the *Journal of Commerce*.

“On the face of it, the transshipment tariff makes no sense,” said Robert Khachatryan, CEO of Southern California-based forwarder Freight Right Global Logistics, noting that the 40% rate is still lower than US tariffs of 55% on imports sent directly from China. “Which is why I think the language in the announcement is referring to something else.”

Minimum input requirement

One possibility is that the administration will deem that a minimum requirement of inputs into the shipped goods must come from Vietnam, said Paul Diedrich, compliance officer at Virginia-based forwarder Ardent Global Logistics. “While this hasn’t been clearly defined, it would make logical sense,” he said.

The White House, the US Trade Representative (USTR), and US Customs and Border Protection (CBP) have yet to clarify how they define transshipment. Even CBP officials are struggling to understand what the new approach means for their monitoring and inspections and await text of the agreement rather than just the announced framework, said a trade compliance officer at a major forwarder who did not want to be identified.

“We don’t know if there’s going to be a regional content component,” the source said. “Let’s say 100% of the product is manufactured in Vietnam, but 100% of the components come from China. Is that going to qualify for the agreement? In the framework, they’ve agreed to the level of the tariff, but not to the content. The short answer is no one has a clue how this is going to turn out.”

Tariff games

The source said it’s clear that the intention of the proposed deal with Vietnam is to disincentivize goods being manufactured in China and then moved across the land border to Vietnam to get a lower tariff treatment. It may end up being less costly to source in China and pay higher tariffs depending on the freight rate differential from China.

“The framework adds scrutiny for goods with ambiguous or Chinese-origin inputs that most brands wouldn’t have visibility into without access to a product network connecting them with suppliers, regulators and customers,” Amy Morgan, head of trade compliance at supply chain software provider Altana AI, wrote in a blog Monday about the Vietnam tariffs. “Brands relying on Vietnam as a final assembly point for Chinese-made components may face 40% duties if they can’t substantiate that Vietnam is the country of origin.”

Khachatryan said he expects the 40% tariff would apply to “Chinese components that undergo a substantial transformation and would hitherto be treated as Vietnamese-origin imports.

“This is also evidenced by a sudden increase in export inspections in Vietnam where Vietnamese customs are reportedly scrutinizing ‘Made in Vietnam’ claims,” he added.

How much of this transshipment is behind the rise of US imports from Vietnam is unclear. But the direction of trade, reflecting the conventional thinking that Vietnam was generally the best hedge against dependence on China sourcing, is clear. Imports from Vietnam a decade ago accounted for 3.9% of all US oceangoing laden imports; it was 9.9% in 2024, according to PIERS, a sister company of the *Journal of Commerce* within S&P Global.

On Monday, Trump made a similar threat against South Korea, warning that Chinese goods “transshipped” through South Korea would be subject to additional tariffs beyond the 25% level announced this week.

Contact Eric Johnson at eric.johnson@spglobal.com.

© 2025 S&P Global. All rights reserved. Reproduction in whole or in part without permission is prohibited.

You are permitted to print or download extracts from this material for your personal use only. None of this material may be used for any commercial or public use. For more information on reprints/eprints, please visit <https://subscribe.joc.com/mediasolutions/>.