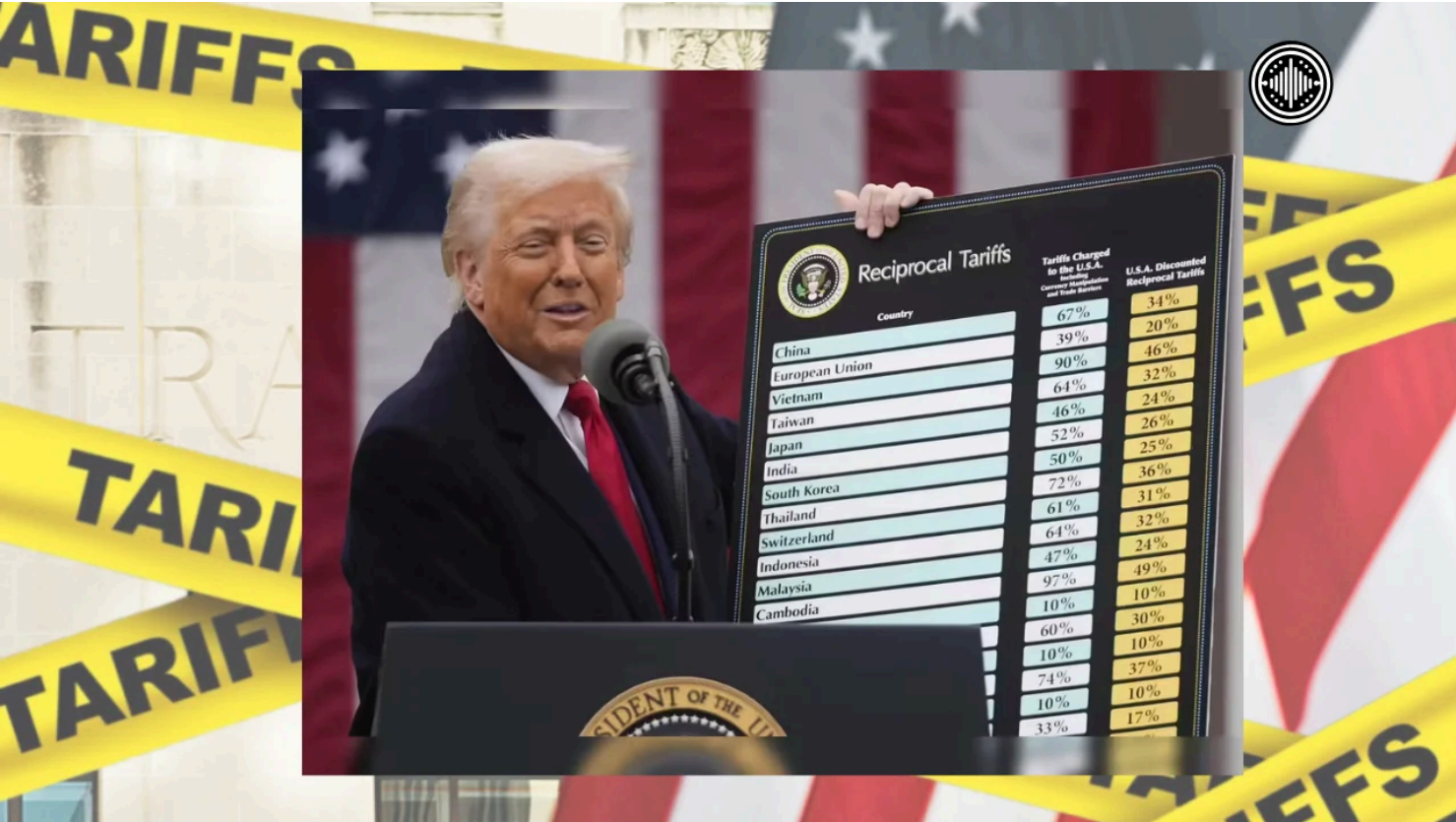


Trump's Tariffs Raise Fresh Fears for Japan and South Korea's Economies

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A new round of tariffs announced by United States President Donald Trump is casting a long shadow over Japan and South Korea, two of America's closest allies in Asia. While trade tensions between Washington and Beijing have long dominated headlines, these latest measures show that Tokyo and Seoul are far from immune to the White House's aggressive trade stance.

Under the new plan, South Korean and Japanese auto and auto parts imports to the U.S. will face a 25% 'reciprocal' tariff, effective August 1, following Trump's July 7 announcement,

adding to existing 25% tariffs on fully assembled vehicles and 50% duties on steel and aluminum.

The timing could hardly be worse. Both Japan and South Korea are struggling with slowing domestic demand and shrinking economies. In the first quarter of this year, both nations' gross domestic product contracted compared to the previous quarter. Economists now warn that Japan could tip into a technical recession, defined as two consecutive quarters of contraction.

Exports are central to the economic health of both countries. In 2023, exports made up nearly 22% of Japan's economy and 44% of South Korea's. The U.S. is the single largest destination for Japanese goods and the second-largest for South Korean products. Last year alone, Japan shipped over \$145 billion worth of goods to America, while South Korea sent nearly \$128 billion.

Japanese Prime Minister Shigeru Ishiba has said Tokyo will not compromise on resolving reciprocal auto tariffs but remains open to negotiations ahead of the Upper House election on July 20. Trump, for his part, hinted at possible flexibility, suggesting he might consider adjusting tariffs if Japan and South Korea open their markets more widely to American companies.

Analysts caution that the economic impact of the tariffs should not be underestimated. Norihiro Yamaguchi of Oxford Economics noted that Japan's growth will likely stagnate over the next year if the duties remain in place. South Korea's central bank has already slashed its 2025 growth forecast nearly in half, citing the expected drag on exports.

While financial markets seem relatively calm for now, many observers believe these tariffs could become a major obstacle to recovery if negotiations stall. For Japan and South Korea, the stakes are high, and the path forward remains uncertain.

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