

12 March 2025 (No. of pages:1)

Japanese report: 03 Mar 2025

Will Japan's Economy Gain a “Fisherman's Benefit” from Trump's Tariffs?

Even if tariffs are widespread, negative impact will be mitigated by capturing substitute demand

Economic Research Dept.
Kazuma Kishikawa
Koki Akimoto

Summary

- The US Trump administration, following the imposition of an additional 10% tariff on China, may impose tariffs including a 25% tariff on Mexico and Canada. These tough tariff measures may bring a negative influence on Japan's economy through slowdowns in the various world economies including that of the US. On the other hand, countries which have had tariffs imposed on their products will find that their price competitiveness will decline, and Japan may be able to capture substitute demand and gain benefits from the situation (this is known as “the fisherman's benefit” according to an old Japanese saying). In this report we consider the conditions under which Japan may gain a “fisherman's benefit” during Trump 2.0.
- During the first Trump administration, China's share of exports to the US declined due to the effects of additional tariffs imposed on China, while Vietnam's share of exports to the US increased. During the same period, Japan's share also declined, and Japan was unable to gain a “fisherman's benefit.” At the time, Japan's international competitiveness in the products that had tariffs imposed on them was low, and this is seen as having mainly influenced the situation.
- Under the second Trump administration, wider ranging tariff measures threaten to have a negative impact on Japan's economy. The subjects of tariff measures include almost all products, and countries other than China may also be subject to the measures. On the other hand, looked at from the viewpoint of an all-product basis, the competitiveness of Japan's export goods are by no means inferior to those of other countries, and there is high substitutability with the products of Korea, Germany and others. If the tariff measures cover a wide range of products and these countries, and Japan's export competitiveness improves relatively, the negative impact on the Japanese economy may be mitigated to some extent by the “fisherman's benefit.”