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Impact of Partial Suspension of Reciprocal Tariffs on Japanese economy

Tariffs on China to increase significantly, but the extent of downward pressure on real GDP for Japan will be limited to a maximum of 0.6%

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Summary

- On April 9th, US President Trump announced that he would partially suspend for 90 days the application of 'reciprocal' tariffs on countries and regions that have not imposed retaliatory measures in response to the US, while also announcing a hike in the reciprocal tariff rate on China to 125%.
- The impact of the new policy on Japan's real GDP due to reciprocal tariffs is estimated by DIR to be approximately -0.2% in 2025 (-0.6% in the April 3 estimate) and approximately -0.6% in 2029 (-1.8% in the April 3 estimate). If many countries and regions can successfully negotiate with the US to avoid the full application of reciprocal tariffs, the negative impact of 'reciprocal' tariffs may be significantly mitigated. However, uncertainty is great, and it is necessary to continue closely monitoring the actions of the Trump administration.