THE IMPACT OF DONALD TRUMP'S TARIFFS ON THE JAPANESE ECONOMY

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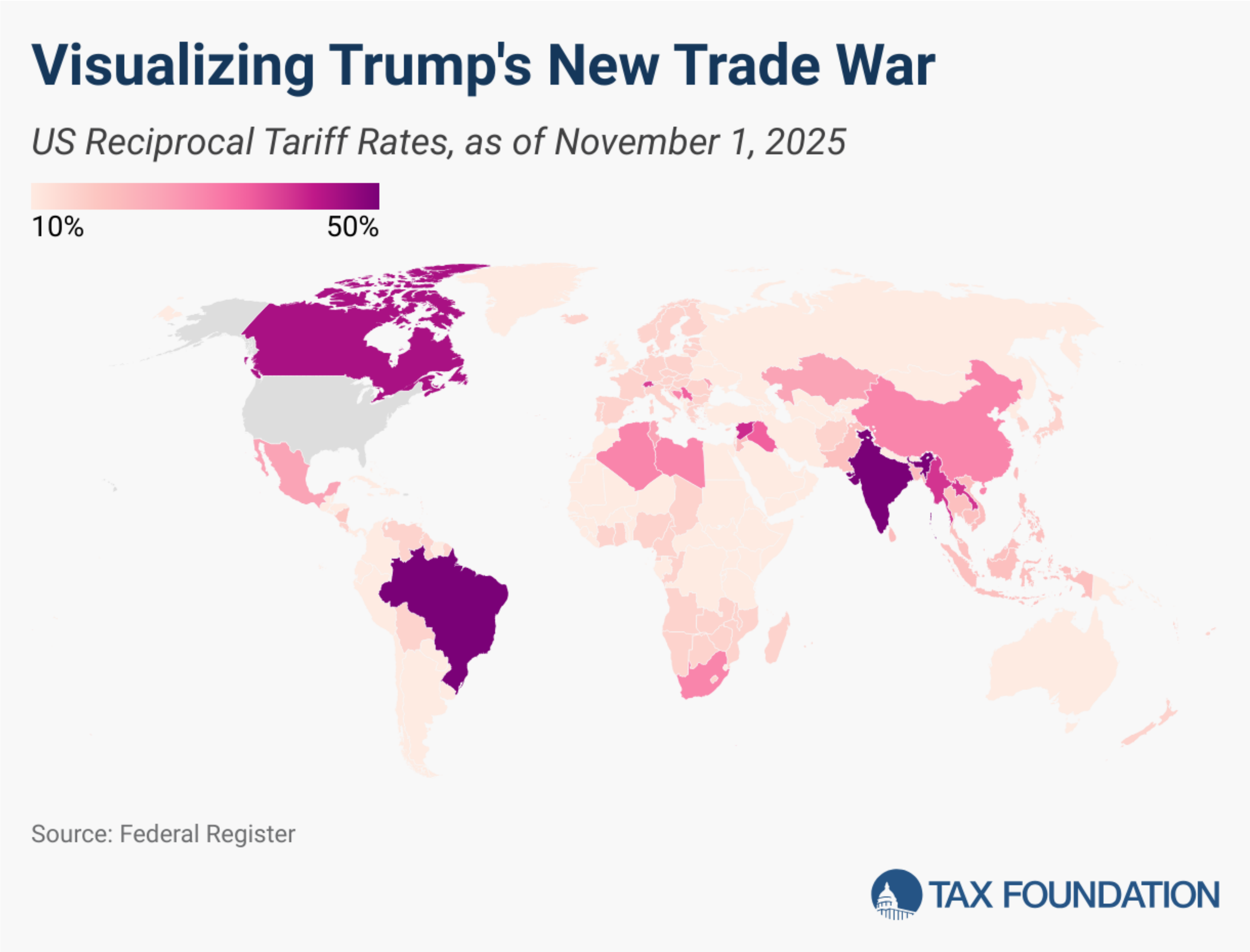


Source: https://taxfoundation.org/research/all/federal/trump-tariffs-trade-war/ (accessed 2025-10-29)

INTRO

A tariff is a tax on imported goods.

- They have been a major political tool with international effects.
- This has become increasingly true in recent years.

Heated political discussions often deviate from objective, neutral academic findings.

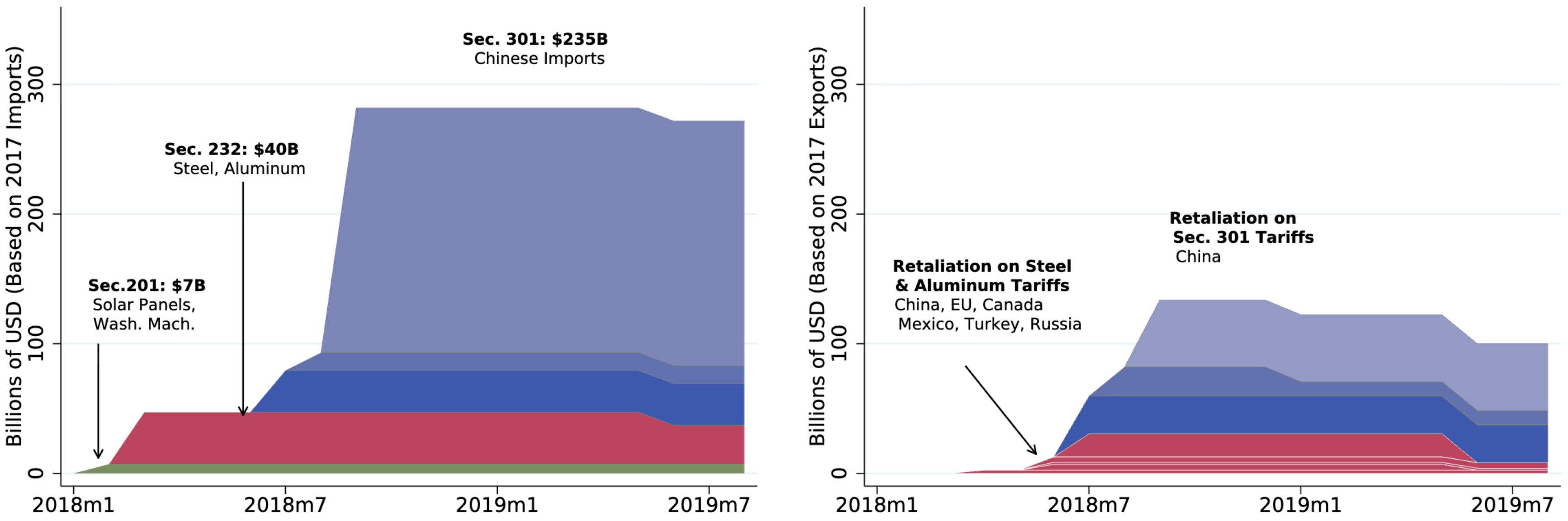
Plan:

1. Review of existing studies
    - There is much evidence from the tariff war during the first administration (2018–19).
    - I still try to touch upon the "liberation day" tariffs (2025).
2. My take on the implications for Japan.
    - This will be much more speculative than Part 1.

REVIEWING THE FIRST WAVE

Figure 2: Timeline of New Tariffs Imposed: 2018-2019

(a) New U.S. Import Tariffs **(b)** Retaliatory Tariffs on U.S. Exports

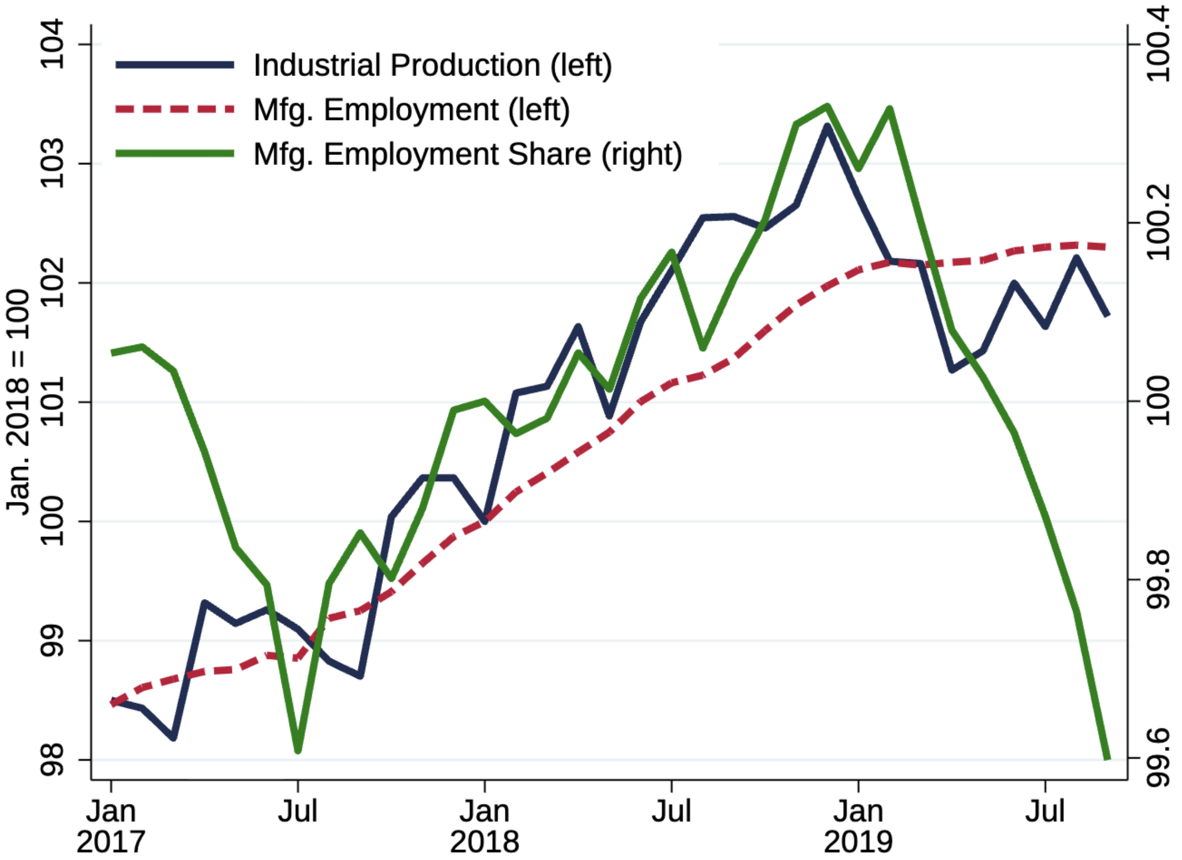


Sources: United States International Trade Commission (USITC) for 2017 import and export values.
Notes: See Tables B1 and B2 for details on the set of relevant products and trade values. In Panel (2a), the decline in mid-2019 reflects Canada and Mexico being removed from the steel and aluminum tariffs.

Source: Flaaen and Pierce (2024)

WHAT WAS THE US EMPLOYMENT EFFECT?

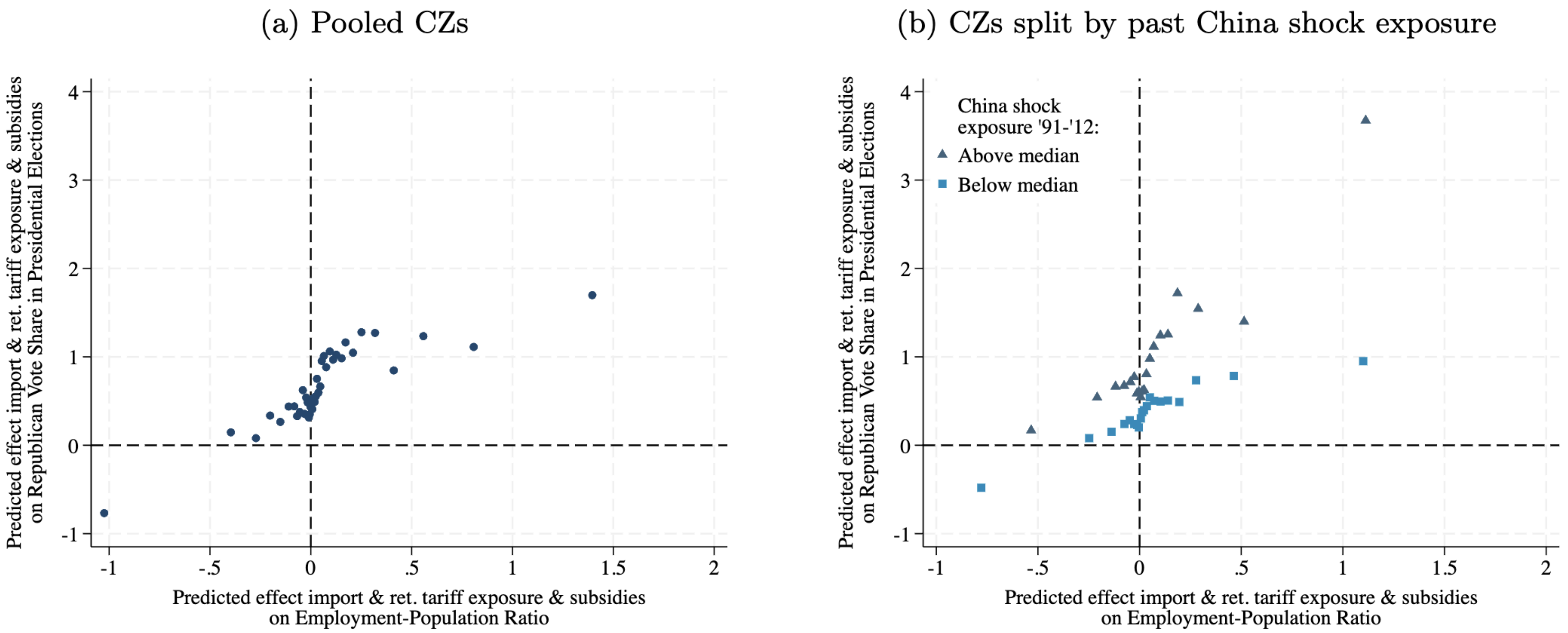
Figure 1: Measures of Manufacturing Activity: Jan. 2017 to Sep. 2019



Source: Flaaen and Pierce (2024)

BUT (SURPRISINGLY!) VOTERS LIKE IT

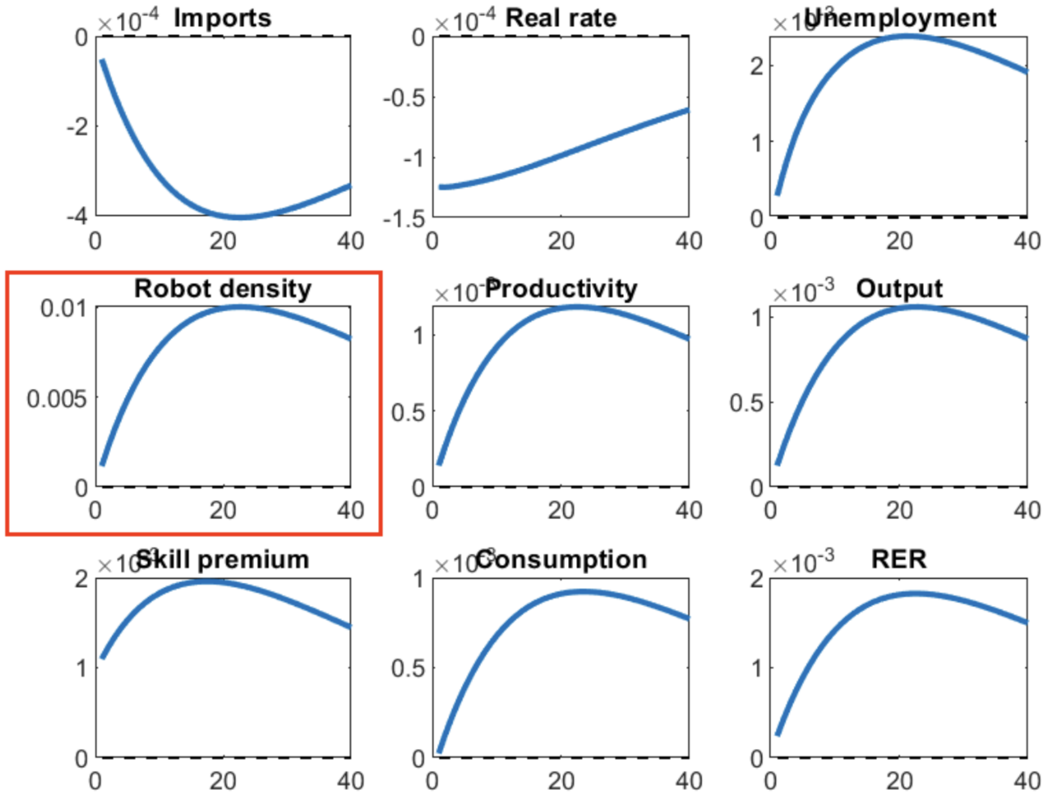
Figure 4: Predicted Effect of Tariff Exposure on Employment-Population Ratio vs. Presidential Elections



Source: Autor, Beck, Dorn and Hanson (2024)

SIDE EFFECT: AUTOMATION

FIGURE 1. Impulse responses to a trade uncertainty shock in the baseline model

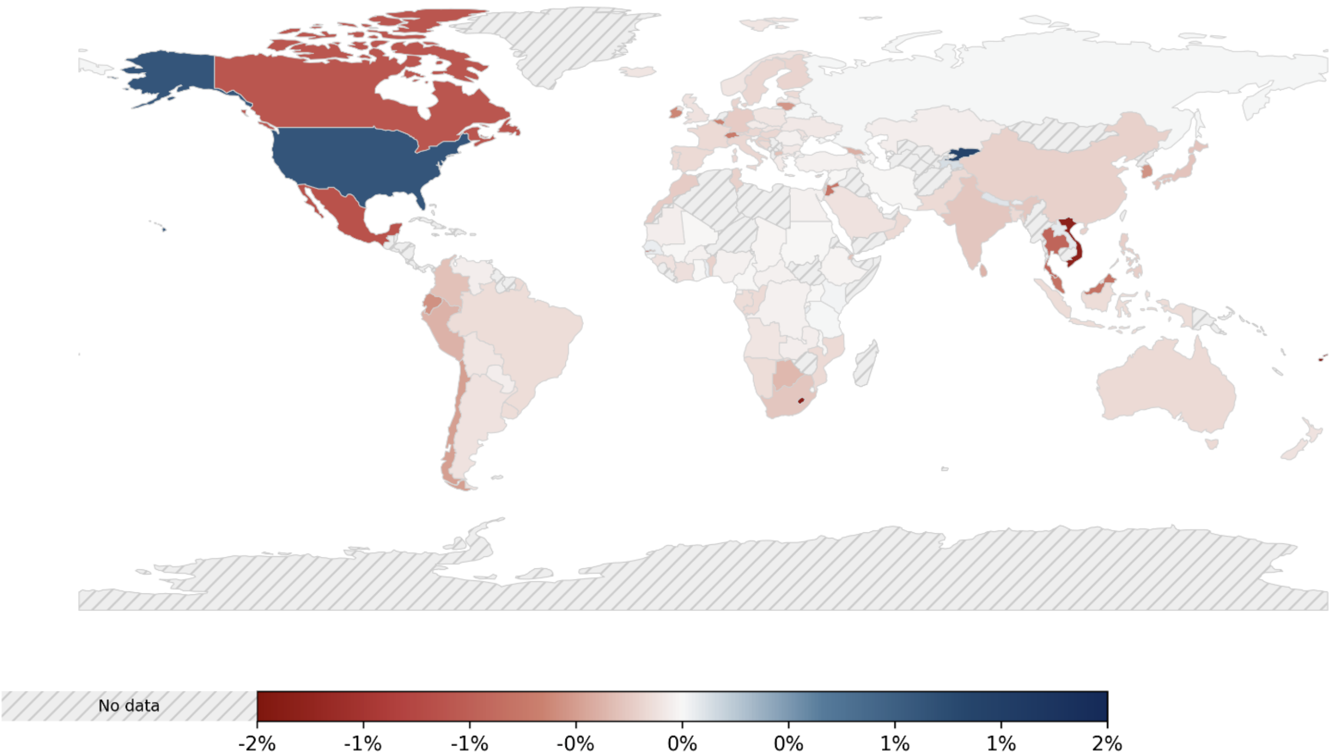


Source: Firooz, Leduc, and Liu (2024)

BACK TO LIBERATION DAY:

Figure 1: The projected global welfare impacts of Liberation Day tariffs

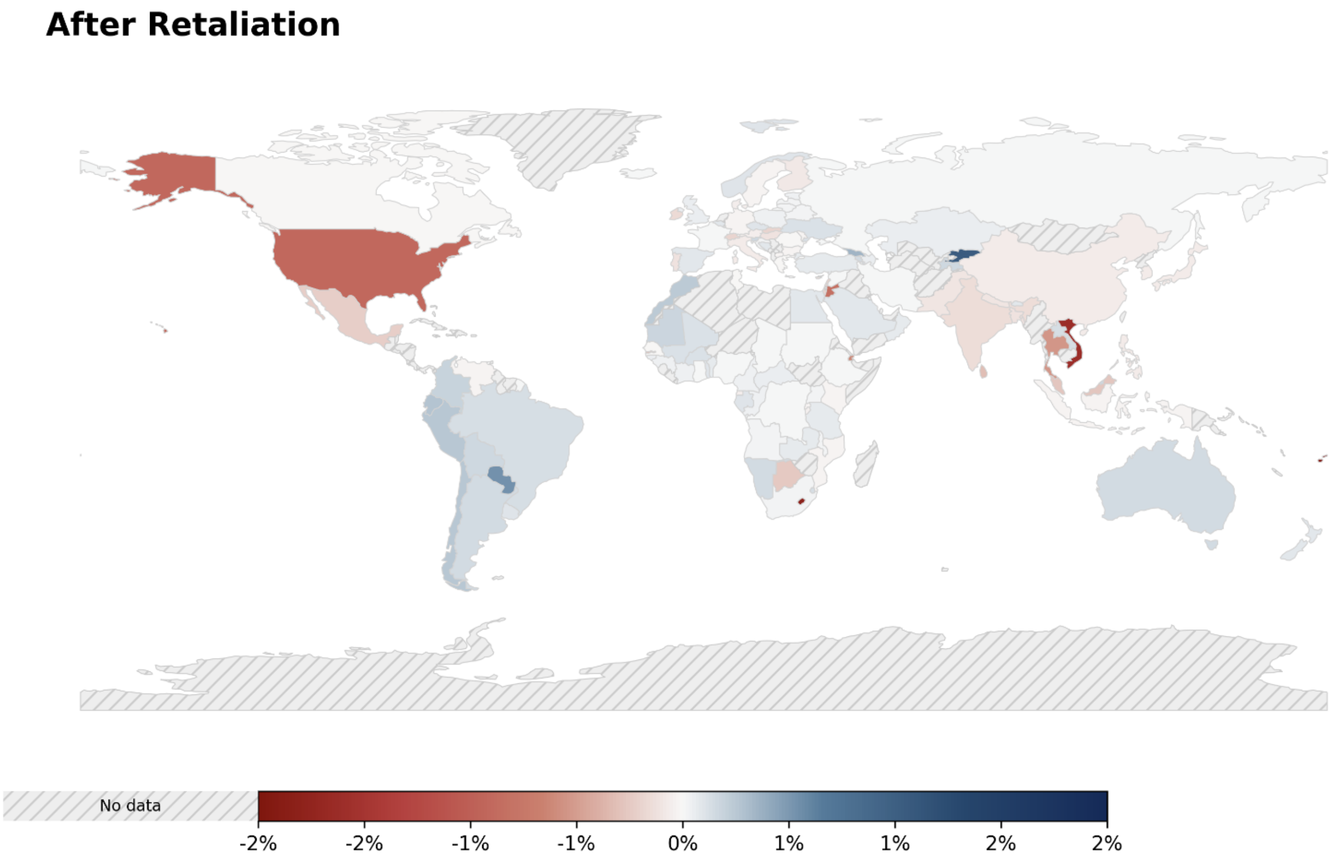
Before Retaliation



Source: Ignatenko, Lashkaripour, Macedoni, and Simonovska (2025)

⇨ Trade model tells gains to the US with the loss around the world.

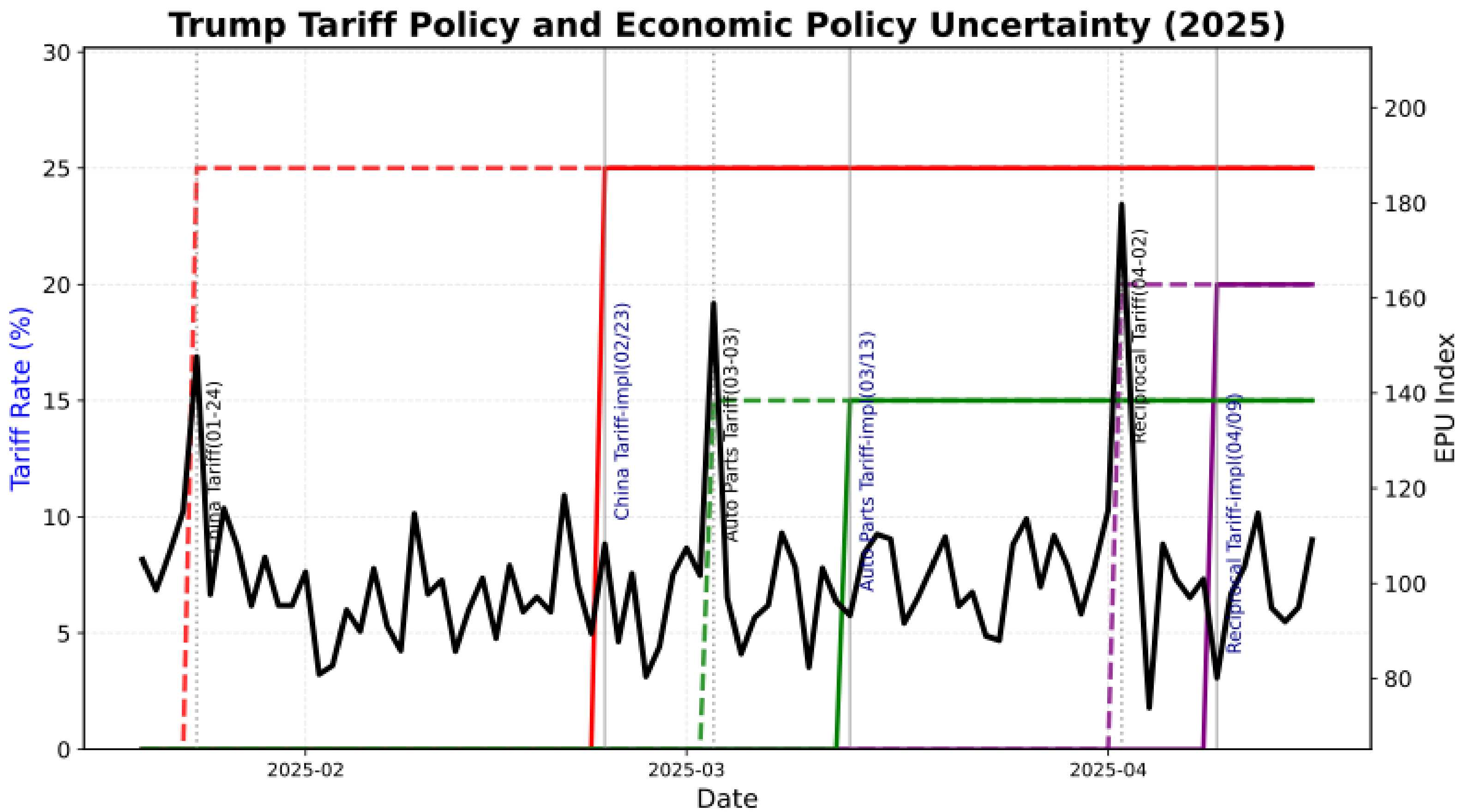
THE ROLE OF RETALIATION



Source: Ignatenko, Lashkaripour, Macedoni, and Simonovska (2025)

⇨ But the results *reverse* once we take retaliation into account.

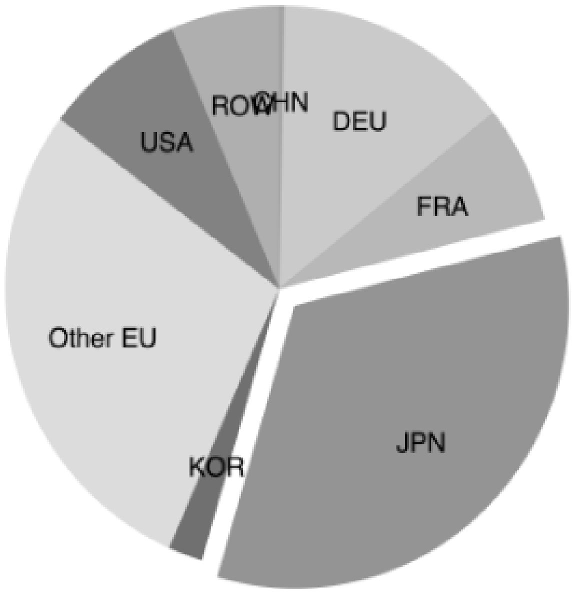
IMPLICATION TO JAPAN 1: UNCERTAINTY



Source: My calculation from Economic Policy Uncertainty (EPU) index and White House Press Release

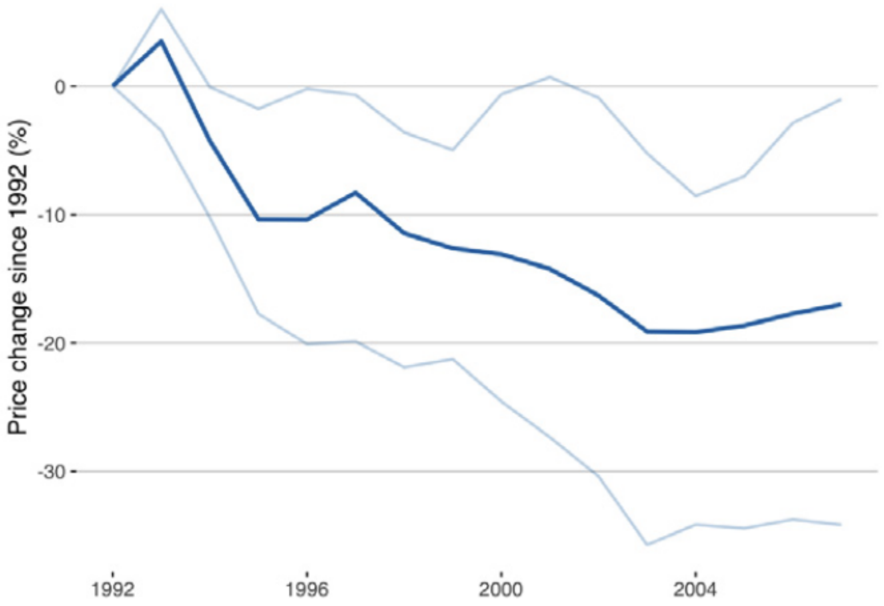
⇨ Policy uncertainty matters more than the actual tariff values

IMPLICATION TO JAPAN 2: ROBOTS



(b) World Robot Export Share, 2001-2005

(a) Robot Prices in the US

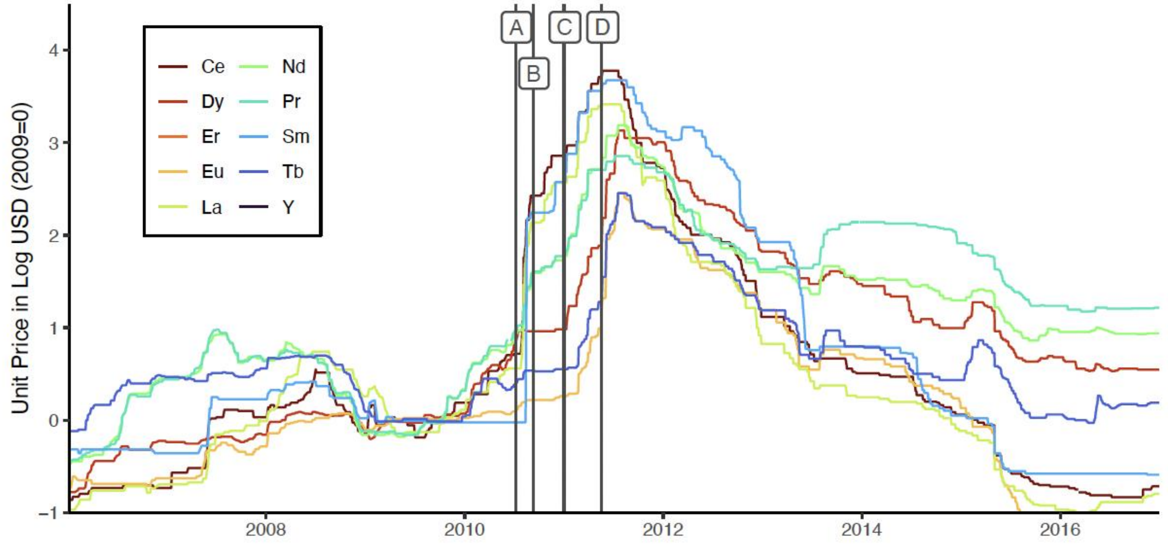


Source: Adachi (2025), Figure B.2(b) and Figure 1(a)

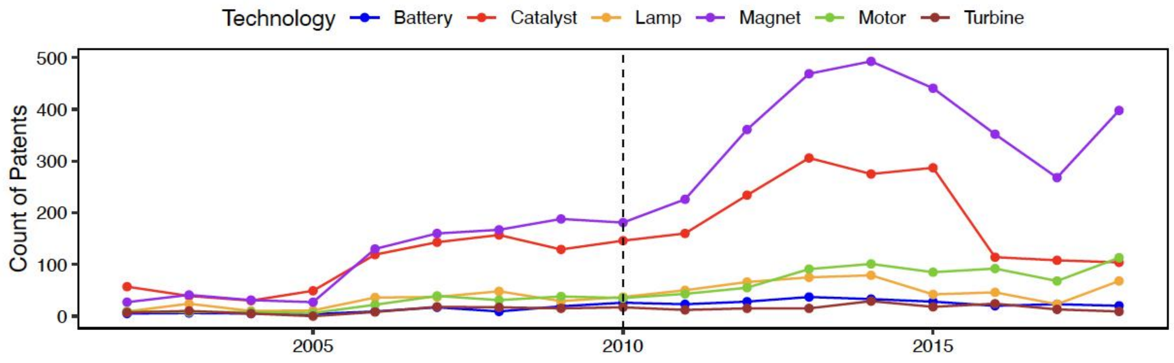
⇨ Japan has been a leader in the industrial robot market

IMPLICATION TO JAPAN 3: INNOVATION

Figure 1: Unit Prices of Selected Rare Earths



(b) REE Patents



Source: Alfaro, Fadinger, Schymik, Virananda (2025)

⇨ Export controls (e.g., Rare Earths Elements) induced global innovation

SUMMARY

The Trump tariff has not provided evidence of a revival in U.S. manufacturing employment.

- Nevertheless, voters in struggling regions have supported Trump.

Trade policy uncertainty has positive and negative effects on automation investment.

- Some simulations show that the positive effects dominate.
- This raises further concerns about vulnerable workers in routine occupations.

Uncertainty and international retaliation make predicting the effects complex.

- Don't focus too much on news headlines about tariff rates.
- A long-term strategy based on comparative advantage and innovation is key.

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