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Japan, South Korea hit with 25% tariffs as Trump ramps up trade war in letters to leaders

By Jeff Mason, Bart H. Meijer and David Brunnstrom, Reuters - 7:08 PM ET 7/7/2025 Top News



WASHINGTON/BRUSSELS (Reuters) -U.S. President Donald Trump on Monday began telling trade partners - from powerhouse suppliers like Japan and South Korea to minor players - that sharply higher U.S. tariffs will start August 1, marking a new phase in the trade war he launched earlier this year.

The 14 countries sent letters so far, which included smaller U.S. exporters like Serbia, Thailand and Tunisia, hinted at opportunities for additional negotiations while at the same time warning that any reprisal steps would be met with a like-for-like response.

"If for any reason you decide to raise your Tariffs, then, whatever the number you choose to raise them by, will be added onto the 25% that we charge," Trump said in letters, released on his Truth Social platform, to Japan and South Korea.

The higher tariffs, levied on U.S. importers of foreign goods, take effect August 1, and notably will not combine with previously announced sector tariffs such as those on automobiles and steel and aluminum.

That means, for instance, that Japanese vehicle tariffs will remain at 25%, rather than the existing 25% auto sector tariff climbing to 50% with the new reciprocal rate as has occurred with some of Trump's tariffs.

The clock has been ticking for countries to conclude deals with the U.S. after Trump unleashed a global trade war in April that has roiled financial markets and sent policymakers scrambling to protect their economies.

Trading partners got another reprieve as Trump signed an executive order on Monday extending the Wednesday deadline for negotiations to August 1.

Trump has kept much of the world guessing on the outcome of months of talks with countries hoping to avoid the hefty tariff hikes he has threatened.

The rate for South Korea is the same as Trump initially announced, while the rate for Japan is 1 point higher than the one announced on April 2. A week later, he capped all of the so-called reciprocal tariffs at 10% until Wednesday. Only two agreements have so far been reached, with Britain and Vietnam.

Wendy Cutler, vice president of the Asia Society Policy Institute, said it was unfortunate Trump was hiking tariffs on imports from two of the closest U.S. allies, but there was still time for a breakthrough in negotiations.

"While the news is disappointing, it does not mean the game is over," Cutler said.

Trump said that the United States would impose 25% tariffs on goods from Tunisia, Malaysia and Kazakhstan; 30% on South Africa, Bosnia and Herzegovina; 32% on Indonesia; 35% on Serbia and Bangladesh; 36% on Cambodia and Thailand and 40% on Laos and Myanmar.

South Korea said it planned to intensify U.S. trade talks and considers Trump's plan for a 25% tariff from August 1 as effectively extending a grace period on implementing reciprocal tariffs.

"We will step up negotiations during the remaining period to reach a mutually beneficial result to quickly resolve the uncertainties from tariffs," the country's Industry Ministry said.

South African President Cyril Ramaphosa said the 30% U.S. tariff rate was unjustified given that 77% of U.S. goods enter South Africa with no tariffs. Ramaphosa's spokesperson said his government would continue to engage with the U.S.

There was no response from the Japanese embassy in Washington.

MARKET DROP

U.S. stocks fell in response, the latest market turmoil as Trump's trade moves have whipsawed financial markets and sent policymakers scrambling to protect their economies.

U.S. stocks were driven to near bear-market territory by his cascade of tariff announcements through the early spring but quickly rebounded to record highs after he put the stiffest levies on hold on April 9.

The S&P 500 closed down about 0.8%, its biggest drop in three weeks. U.S.-listed shares of Japanese automotive companies fell, with Toyota Motor (TM) closing down 4.0% and

Honda Motor (HMC) off by 3.9%. The dollar surged against both the Japanese yen and the South Korean won.

"Tariff talk has sucked the wind out of the sails of the market," said Brian Jacobsen, chief economist at Annex Wealth Management. Most of the announced tariff rates have been rounded down, he added, and the letters come across as "take it or leave it" offers.

U.S. Treasury Secretary Scott Bessent said earlier on Monday he expected several trade announcements in the next 48 hours, adding that his inbox was full of countries' last-ditch offers.

TRADING BLOCS

The European Union will not be receiving a letter setting out higher tariffs, EU sources familiar with the matter told Reuters on Monday.

The EU still aims to reach a trade deal by Wednesday after European Commission President Ursula von der Leyen and Trump had a "good exchange," a commission spokesperson said.

The EU has been torn over whether to push for a quick and light trade deal or leverage its economic clout to negotiate a better outcome. It had already given up hopes for a comprehensive trade agreement before the July deadline.

The president also threatened leaders of developing nations in the BRICS group, who are meeting in Brazil, with an additional 10% tariff if they adopt "anti-American" policies.

The group includes Brazil, Russia, India and China among others.

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