

Trump opens new front in tariff war

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After sending out letters to a series of countries that will be hit with major “reciprocal tariffs” on August 1, US President Trump has further extended his global trade war, announcing more commodities that will have sharply increased tariffs imposed.

Speaking to reporters before a cabinet meeting yesterday, Trump said “today we’re doing copper,” adding that he expected a 50 percent tariff to be imposed on the metal. He also foreshadowed that a possible 200 percent levy on pharmaceuticals over an 18-month period. Others are set to follow under “national security” investigations being carried out by the administration.

The tariffs on selected products will be carried out under Section 232 of the 1962 Trade Expansion Act while the blanket reciprocal tariffs on countries are being implemented under the 1977 International Emergency Economic Powers Act.

Trump said drug companies would be given a year and half to “come in” but after that “they’re going to be tariffed at the very high rate, like 200 percent. We’ll give them a certain period of time to get their act together.”

The copper tariffs will be imposed much earlier. In an interview with the business channel CNBC, Commerce Secretary Howard Lutnick said he expected they would be put in place at the end of this month or in early August.

The tariff hike on copper had been expected for some time but not at the level indicated by Trump. Analysts at JPMorgan said the market would “be surprised to the upside by the proposed number” because it had pencilled in a 25 percent hike for refined metals.

Copper is widely used for piping in construction and in the electronics industry. The biggest supplier to the US is Chile, followed by Canada and Mexico.

Pierre Gratton, president of the Mining Association of Canada, told the *Financial Times* (FT) billions of

dollars’ worth of copper was sent to the US as part of an integrated North American industry. The US did not have enough refining capacity and smelters, and the high tariff rate would “hurt US manufacturing.”

Those claims are borne out by the analysis of previous tariff increases in steel. Between 2018 and 2020 while several thousand jobs are estimated to have been gained in the steel industry as many as 75,000 jobs were either lost or put at risk in other industries. These included auto manufacturing, construction, machinery and tools, food and beverage packaging, because of increased steel prices.

As he expanded his tariff war front, Trump insisted that the extension of the deadline for the imposition of reciprocal tariffs from July 9 to August 1 would be the last.

Tariffs, he said in a social media post, would start being paid on August 1. “There has been no change to this date, and there will be no change. ...No extensions will be granted.”

As the countries most affected by the tariffs, Japan, South Korea, the nations of southeast Asia as well as a number of poorer and smaller economies, scramble to try to secure a last-minute agreement to try to lessen their impact, Trump made clear the content of his so-called negotiations.

With letters to be sent out to other countries, following the 14 delivered on Monday, he said: “I just want you to know a letter means a deal.”

The two major economies with no “deal” struck are the European Union and India.

Trump said that while there had been some progress with the EU, opposition to European taxes on US technology firms could lead him to announce a tariff rate within the next few days.

The administration has said it is close to a deal with India, but it would still be subject to a 10 percent tariff because of its membership of the BRICS group of

countries.

This grouping, originally comprising Brazil, Russia, India, China and South Africa, which has now expanded to include 11 countries, has been under fire from Trump because of its efforts to bypass the dollar in international trade.

The two largest industrial economies hit by Monday's announcement, South Korea, the world's 13th largest economy and Japan, the fourth largest, are still seeking to secure concessions in next three weeks.

A statement from the South Korean trade ministry yesterday said: "We will double our efforts to produce a result mutually beneficial for both sides. We will improve domestic institutions and regulations to help ease the United States' concerns."

Last week newly elected South Korean president Lee Jae Myung said it was unclear what the US wanted. The two countries have a free-trade agreement implemented in 2012 that removed most tariffs on US goods, leaving it with little to offer.

The shock of the tariffs has been most significant in Japan. It had expected that it would be able to secure concessions relatively easily, as had taken place under the first Trump administration.

That has not eventuated, however, despite seven rounds of negotiations. The main sticking point has been Japan's insistence that auto tariffs be eliminated and its refusal to permit increased US exports of rice. Dependent on electoral support from small rice farmers, the somewhat unstable Liberal Democratic Party government of prime minister Shigeru Ishiba has said they will not be sacrificed for concessions on cars and vehicles.

This stance has now drawn opposition from key sections of industry.

In an interview with the FT, Takeshi Niinami the chair of the Japan Association of Corporate Executives, criticised the government's insistence on a total exemption from the US measures.

"They underestimated the determination of Trump," he said. "They thought time was on Japan's side. It was a big mistake."

The result was that Tokyo was now on a weaker footing and could be forced into an agreement.

According to the FT report of the interview: "Niinami said that Japan's stubbornness—including Ishiba's refusal to sacrifice the country's rice farmers to protect

its auto industry—had squandered the legacy of the late prime minister Shinzo Abe, who enjoyed warm relations with Trump during the US president's first term."

His criticisms were echoed by David Boling, director of Japan and Asian trade at the Eurasia Group think tank, and a former US official involved in the 2020 negotiations with Japan.

"Japan badly miscalculated by taking a maximalist position that the US must eliminate all tariffs. The strategy was a fantasy," he told the FT. If Japan wanted a deal by August 1, he said, it had to be more "pragmatic."

As trade conflict develops, with its full effects yet to be felt, it is already starting to have a significant impact.

In May the value of Japanese exports to the US fell by 11 percent compared to the same month a year earlier. The value of transport equipment, including cars and auto parts was down by 8.5 percent.

The Bank of Japan has halved its forecast for growth after what it has called the "unprecedented level" of tariffs imposed by the US which are set to cost the auto industry billions of dollars.

In South Korea, Samsung Electronics, the country's largest company, reported that its profits for the second quarter had fallen by 56 percent from a year earlier. LG Electronics, a major exporter, said its profits had dropped by 46.6 percent.



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