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yanolja Research

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On April 2, 2025, President Donald Trump stood at the White House podium to announce a sweeping new trade initiative: the Reciprocal Tariff policy. With it came a seismic jolt to the global economy. The plan calls for a blanket 10 percent "universal tariff" on all imports into the United States, with additional, country-specific tariffs reflecting the perceived trade barriers of each trading partner. A week later, on April 9, tariffs on Chinese goods surged to 125 percent—145 percent if including earlier levies on fentanyl-related imports—while countries like South Korea and more than 70 others were granted a 90-day exemption from reciprocal tariffs, subject only to the baseline 10 percent during that period. What happens after those 90 days remains uncertain. Should trade negotiations falter, steeper tariffs may follow. President Trump frames this policy as a natural extension of his "America First" agenda, aimed at rebalancing trade relationships and reviving U.S. manufacturing. He also sees it as a necessary measure to help reduce the ballooning federal deficit, which recently surpassed $37 trillion.

The market reaction was immediate. Global stock indices tumbled. Economists issued stark warnings of price inflation, supply chain disruptions, and broad uncertainty. While the tariffs appear to target goods, the ripple effects are likely to extend far beyond. Chief among the collateral damage: the travel and tourism sector. Tourism is uniquely vulnerable to shifts in the global economic landscape. It relies heavily on international supply chains, consumer sentiment, and cross-border mobility. Trade instability, rising costs, and diplomatic frictions could dampen traveler confidence, raise operating expenses for service providers, and, ultimately, depress international tourism demand.

This brief examines the broader economic impact of the U.S. reciprocal tariff policy—first on the American economy, then on its domestic tourism industry. From there, we explore how the shockwaves may spread to global travel markets, with particular attention to South Korea, a country deeply tied to global trade and increasingly dependent on tourism as a pillar of economic vitality. Tourism is more than leisure; it is an economic engine supporting millions of jobs worldwide. In South Korea, tourism sustains livelihoods and injects spending through both domestic and international visitors. Understanding the disruption—and preparing for it—will be vital not only for industry leaders but for policymakers tasked with guiding their economies through turbulent times.

This analysis seeks to provide insight into the likely consequences of the tariff policy on the tourism sector and to highlight both risks and opportunities for South Korea and the global tourism community. In a moment defined by protectionist shifts and economic volatility, the winners and losers in tourism will be defined not only by policy but by adaptability, coordination, and vision.

Trump's Reciprocal Tariff Policy and its Impact on America's Tourism Industry

President Donald Trump's latest economic gamble—a sweeping Reciprocal Tariff policy announced on April 2, 2025—has sent shockwaves through global markets. According to an analysis by the Yale Budget Lab, the immediate economic impact of the tariffs could be severe. Consumer prices are projected to rise by 2.3 percent, costing the average American household roughly $3,800 annually. Rising costs of raw materials—steel, aluminum, and auto parts—would squeeze manufacturers and service industries alike. The Federal Reserve, already bracing for economic headwinds, may be forced to revise its 2025 GDP growth forecast of 2.1 percent.

Even more concerning is the looming disruption to global supply chains. Should countries like China retaliate with counter-tariffs, the results would be costly delays, rising logistics costs, and a chilling effect on business confidence. JP Morgan has warned that a mild to moderate recession in the U.S. by the end of 2025 is now a real possibility, one that would dent consumer sentiment and curtail discretionary spending—including travel.

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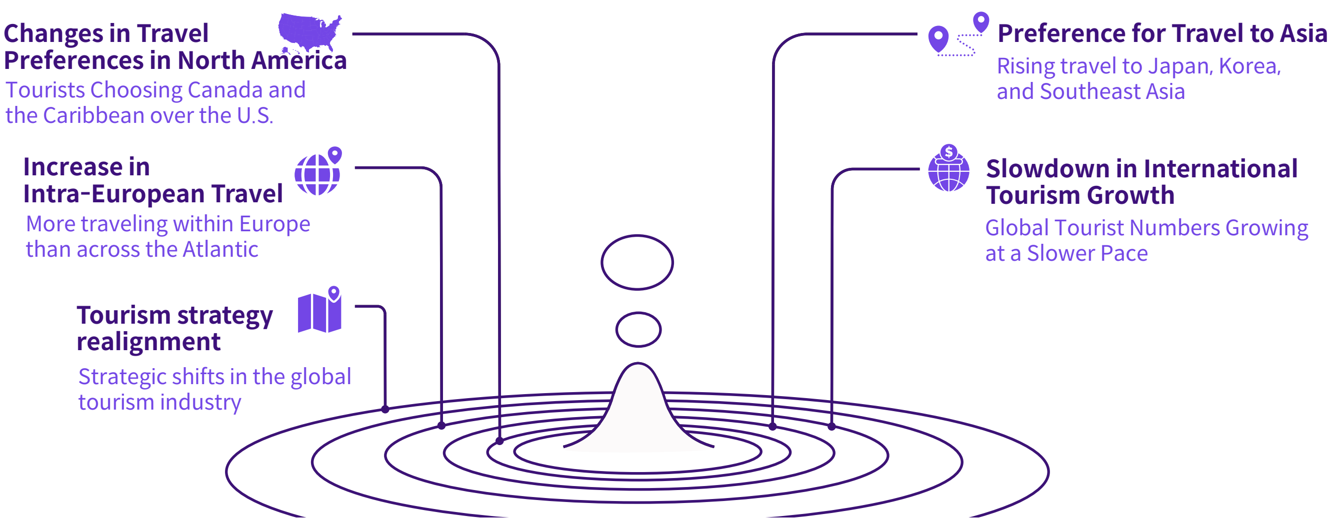
Hotels are already anticipating higher operating costs as imported construction materials, furniture, and food products become more expensive. Steel tariffs, for instance, could raise the cost of hotel construction and renovation, potentially delaying development projects. Tariffs on furniture from Vietnam and China, or ingredients sourced from Mexico, could push up room rates and food service prices. To absorb the impact, hotels may raise nightly rates or add fees—moves that risk alienating budget-conscious travelers. Mid-range hotels in particular face a painful choice: raise prices and risk losing customers, or eat the costs and erode profitability. Airlines are not spared either. Tariffs on aircraft parts and materials will increase maintenance and fleet upgrade expenses. With consumer demand already faltering amid economic uncertainty, major carriers like Delta and United have revised their 2025 earnings forecasts downward. Route reductions and service cutbacks may follow.

Yet perhaps the most profound consequence is a decline in international visitor numbers. Trump's tariff regime, coupled with controversial rhetoric toward traditional allies, has fueled diplomatic rifts and anti-American sentiment. Comments like "The EU was created to destroy America" or calling Canada "the logical 51st state" have triggered a backlash. Canada has seen the rise of boycott movements, with major retailers pulling U.S. wine and cafés renaming "Americano" coffee as "Canadiano." These symbolic gestures reflect a deeper shift in public opinion. Tourists are beginning to ask, "Why go to America at all?"

Tourism Economics estimates that international visitation to the U.S. could drop by over 5 percent in 2025, equating to an estimated $64 billion in lost revenue. Canadian travelers alone are expected to decline by 15 percent, threatening the vitality of tourism in key northern states. Similar declines are anticipated among travelers from Europe and Asia, further eroding America's competitiveness as a global destination.

All this points to an inconvenient truth: economic nationalism may please some voters, but it doesn't exist in a vacuum. Tariffs don't just raise the price of imports—they raise the barrier to global engagement. And the tourism industry, reliant on openness, affordability, and goodwill, may be among the first to feel the cost.

Tourism Pattern Shifts in Response to U.S. Reciprocal Tariff



Tariffs, Travel, and the Shrinking Global Tourism Map

President Trump's reintroduction of protectionist trade barriers through his Reciprocal Tariff policy may be targeted at manufacturing, but its repercussions are rippling far beyond. In fact, one of the most vulnerable casualties may be a sector rarely front and center in trade debates: global tourism. By imposing a 10 percent universal tariff—along with sweeping additional duties against key trading partners—Trump's policy is triggering the return of economic nationalism. The likely result: a slowdown in global trade, rising prices, and diminished consumer purchasing power. And when household budgets tighten, one of the first expenses to go is travel. According to global economists, these inflationary effects are expected to cut into disposable income, limiting leisure spending and reducing overall travel demand. In short, the global tourism machine—which relies on frictionless mobility, discretionary spending, and international goodwill—may be grinding into lower gear.

The United States, once the world's top tourism earner, now finds itself at the epicenter of a reshuffling in international travel patterns. The high cost of long-haul travel to the U.S., combined with a rise in anti-American sentiment in key markets like Canada, China, and parts of the EU, is causing travelers to rethink their itineraries. Increasingly, they are turning inward—or closer to home. This could signal a dramatic regionalization of global tourism. In North America, Canadian travelers are expected to favor domestic destinations or the Caribbean over visits to the U.S. In Asia, Chinese tourists may choose Japan, South Korea, or Southeast Asia as alternatives. Within Europe, EU citizens are likely to explore their own continent rather than cross the Atlantic. Tourism Economics has seen this trend before. During the 2018 U.S.-China trade war, Chinese bookings to the United States fell by 8.4 percent, while regional bookings within Asia rose by 5.5 percent. As tariff tensions escalate once again, a similar pattern may reemerge—with international flight routes shifting from global hubs to regional connections.

But perhaps the greater concern is not where travelers go—but whether they go at all. The United Nations World Tourism Organization (UNWTO) warns that the overall growth in global tourism may slow. After averaging 5 percent annual growth throughout the 2010s, international travel already faltered during past trade conflicts and financial instability. In 2025, we may again see a scenario where consumers, especially the middle class, cancel trips altogether rather than reroute them. Business travel and the lucrative MICE sector—meetings, incentives, conferences, and exhibitions—may also see cutbacks, muting the broader economic impact tourism typically generates.

This economic tightening could aggravate imbalances in tourism trade. If countries restrict overseas travel to protect their economies or to send political messages—as China has done with its limitations on U.S. travel, or Canada through consumer boycotts—America's tourism surplus may shrink. Meanwhile, Asian and European tourism economies could see their own surpluses grow. This trend sets a dangerous precedent: the use of tourism as a political weapon. If weaponized travel restrictions become the norm, the result would be long-term damage to international exchange, mutual understanding, and soft power.

Major players in the global tourism sector—airlines, hotel chains, online travel agencies—are already adjusting. Investment plans in the U.S. are being reconsidered. Marketing budgets are being redirected toward Southeast Asia and the Middle East. Even aviation alliances may need rethinking, as passenger flows realign with new geopolitical realities. In an interconnected world, tourism has long served as a bridge between economies and cultures. But as tariff walls rise and international trust erodes, that bridge grows narrower. The real danger isn't just that people may travel less—but that they may become less connected, less curious, and more isolated in the process.

South Korea's Tourism Industry at a Crossroads Amid America's Tariff

As President Trump's reciprocal tariff policy sends ripples through the global economy, few countries stand as exposed to its consequences as South Korea. With exports accounting for a staggering 44 percent of its GDP—more than twice the rate of Japan or China—Korea's economy is particularly vulnerable to the escalating trade war. And as history has shown, when trade slows, tourism often falters soon after. Should the United States follow through on its threat to impose a 25 percent tariff on Korean goods—particularly in critical sectors like automobiles and steel—the result will almost certainly be a slowdown in Korea's already fragile economic growth. That, in turn, threatens to curtail disposable income and depress outbound travel demand. The 28.7 million Koreans who traveled overseas in 2023 may represent a peak. In the face of a global downturn, that number could stagnate or fall.

American destinations are likely to be hit first. A weak Won, rising U.S. inflation, and a generally volatile global economy mean that travel to the United States is becoming increasingly unaffordable. Middle-class Korean travelers may instead turn to closer—and cheaper—alternatives like Japan, China, and Southeast Asia. Japan, in particular, has enjoyed a sharp rise in Korean visitors since 2023, driven by yen depreciation and geographic proximity. Unless foreign exchange trends reverse, that momentum is likely to continue. Southeast Asia, too, remains a preferred regional destination, poised to absorb demand diverted from long-haul markets like the U.S.

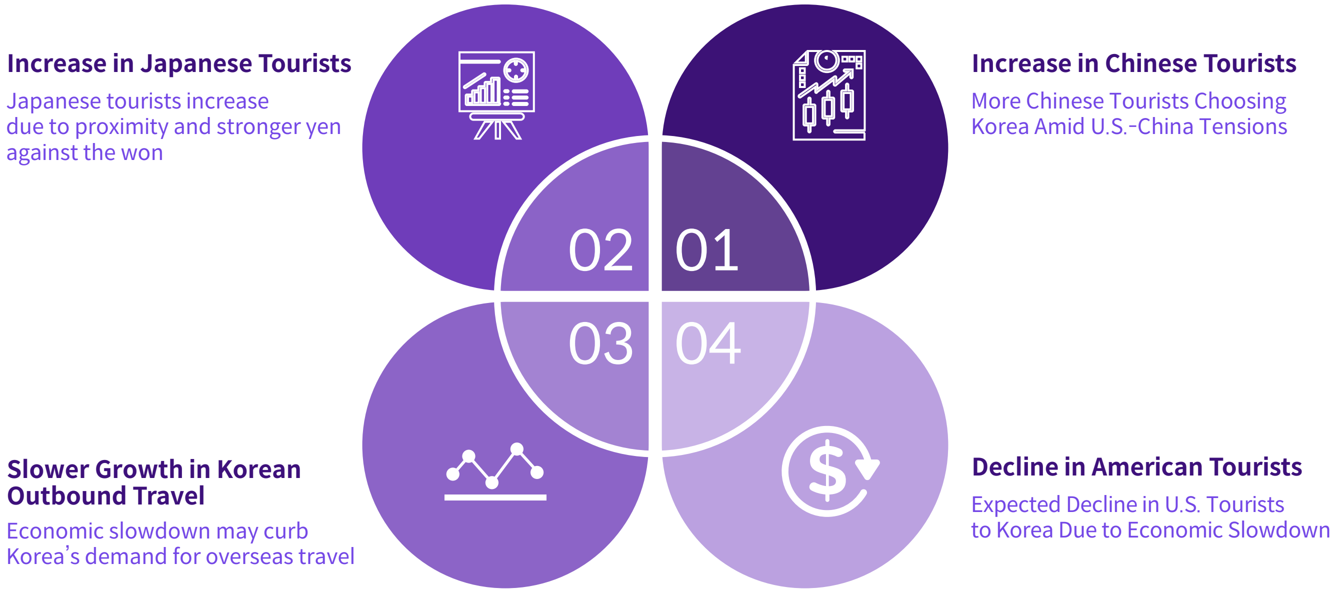
But not all is gloomy. South Korea may also stand to benefit from shifting international travel dynamics. A weakening Won could make Korea more attractive to foreign visitors, especially from the United States, where the strong dollar now buys more in Seoul than it did a year ago. China, whose relationship with the U.S. remains tense, could send even more tourists to Korea, especially if bilateral friction with Washington persists. Already in 2023, Chinese tourists led the recovery in Korea's inbound tourism sector—an encouraging sign of potential gains ahead. Of course, not every market will trend upward. U.S. visitor numbers could decline in tandem with the American economy. Canadian, Japanese, and Southeast Asian travelers, less directly affected by the tariff tensions, may offer a more stable stream of inbound arrivals. Still, a prolonged global slowdown would pose a drag on Korea's overall tourism recovery.

Yet within this uncertain environment lies opportunity. With global tourism growth likely to slow, Korea is in a rare position to capitalize on its regional strengths. China, Japan, and ASEAN countries—linked not only by geography but also by cultural and historical ties—are less likely to bear the full brunt of American trade retaliation. If Korea leverages its growing cultural influence—K-pop, Korean drama, culinary tourism—through targeted regional marketing, it could capture a larger share of Asia's tourism flows. For many Chinese travelers, South Korea may even present itself as a "comfortable alternative" to the increasingly politicized landscape of U.S. travel. Combined with favorable exchange rates, Korea has a chance to turn the economic narrative on its head—transforming headwinds into opportunity.

Still, the domestic industry is not immune to pain. Hotels that depend on American-imported equipment, furnishings, or ingredients will face mounting costs. Airlines, sensitive to rising oil prices and exchange rate volatility, could struggle to keep operating costs under control. Rental car operators, less reliant on imports, may fare better—but the sector as a whole must brace for a challenging fiscal environment.

What is clear is that South Korea's tourism strategy must now evolve. The country must diversify its inbound tourism portfolio and double down on promoting domestic travel among its citizens. Government-backed campaigns, strategic subsidies, and public-private marketing partnerships will be vital in protecting the sector from the shocks of a new era of economic nationalism. In this changing world, Korea's advantage lies in its agility. And agility, in tourism as in trade, will define the winners and losers of the next global reset.

Projected Impact of U.S. Reciprocal Tariff Policy on Korea's Tourism Demand



As Tariff Walls Rise, the Tourism Industry Looks Inward for Survival

The world is once again being reshaped by tariffs—only this time, the collateral damage is not limited to trade deficits or factory floor margins. It extends to airplanes, hotel lobbies, and tour buses. As the United States implements its sweeping Reciprocal Tariff policy, countries around the globe are scrambling to shield not only their economies but also their tourism industries from a looming downturn.

Canada has moved swiftly. Facing higher U.S. travel costs and rising nationalist sentiment at home, it has pivoted to promote domestic travel and nearby destinations such as the Caribbean. The European Union, sensing opportunity amid disruption, is doubling down on intra-European tourism and expanding collaboration with Asian nations. These regional pivots are designed to mitigate demand loss, stabilize the travel sector, and limit economic leakage.

Across the board, industry actors are adjusting. Airlines are revising route maps and repricing fares. Hotels are sourcing more materials locally. These are not just defensive maneuvers—they are proactive strategies to re-anchor tourism in home markets and buffer against the global fallout of protectionism.

Few countries are feeling the pinch more acutely than South Korea. As a heavily trade-dependent nation, South Korea faces a particular vulnerability to the U.S. tariff regime. A potential 25 percent tariff on Korean exports such as steel and automobiles would likely drag down economic growth, shrink household incomes, and erode consumer confidence. The result? Fewer Koreans heading abroad. In 2023, nearly 29 million Koreans traveled internationally. That number could stagnate—or decline—under current conditions. Long-haul destinations like the United States, already burdened by currency exchange rates and rising inflation, are rapidly losing appeal. Middle-class travelers are likely to opt for closer, more affordable destinations such as Japan, China, or Southeast Asia. Japan, in particular, has seen a surge in Korean visitors due to the weak yen and geographic proximity.

Yet there is a silver lining. A weaker Korean Won may deter outbound travel, but it also boosts inbound tourism. Korea suddenly becomes a budget-friendly destination for Americans, Southeast Asians, and especially Chinese travelers, who are increasingly turning away from the U.S. amid the prolonged U.S.-China trade standoff. In 2023, China once again led the pack of inbound visitors to Korea—a trend that may accelerate if diplomatic tensions persist. As such, Korea may find itself benefiting from redirected demand, but only if it acts decisively.

That means not just waiting for tourists to come—but actively drawing them in. This is a moment for bold strategy. Korean airlines and travel agencies should rebalance their portfolios, expanding offerings to the Asia-Pacific region while downscaling their reliance on U.S.-bound travel. High-end tourism packages targeting luxury travelers, especially from China and Japan, must be developed with urgency. K-culture, from pop music to Korean cuisine, remains one of the country's strongest soft-power assets—one that should be aggressively promoted across the region.

Meanwhile, the Korean government has a critical role to play. Expanding "travel week" campaigns, offering consumer coupons, and directly supporting tourism businesses through financial aid and marketing grants can help sustain the sector through this turbulence. Without such support, Korea's recovering tourism industry risks being derailed by an economic storm it did not cause. As the global travel map shifts, winners will be defined not only by their geography or market size, but by their agility and foresight. The nations and companies that adapt quickly, embrace regionalism, and invest in innovation will weather the storm—and emerge stronger.

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