

The Big Read Japanese politics & policy

Japan faces an era-defining reset with the US



After warm relations during his first term, Tokyo has not adapted to Donald Trump's transactional approach in trade and defence

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At the start of July, days before the US was due to impose large tariffs on \$150bn of imported Japanese goods, President Donald Trump vented his frustration with America's biggest direct investor, its largest host of military forces and the biggest foreign holder of its debt.

"I could send [a letter] to Japan. 'Dear Mr Japan, here's the story . . .'," Trump told a television interviewer, after months of negotiations had failed to yield the quick, amicable and example-setting trade deal both sides initially thought possible.

For senior officials in Tokyo, the "Mr Japan" line jarred horribly with the "we love Japan" rhetoric with which Trump had welcomed Japanese Prime Minister Shigeru Ishiba to the White House [just a few months earlier](#).

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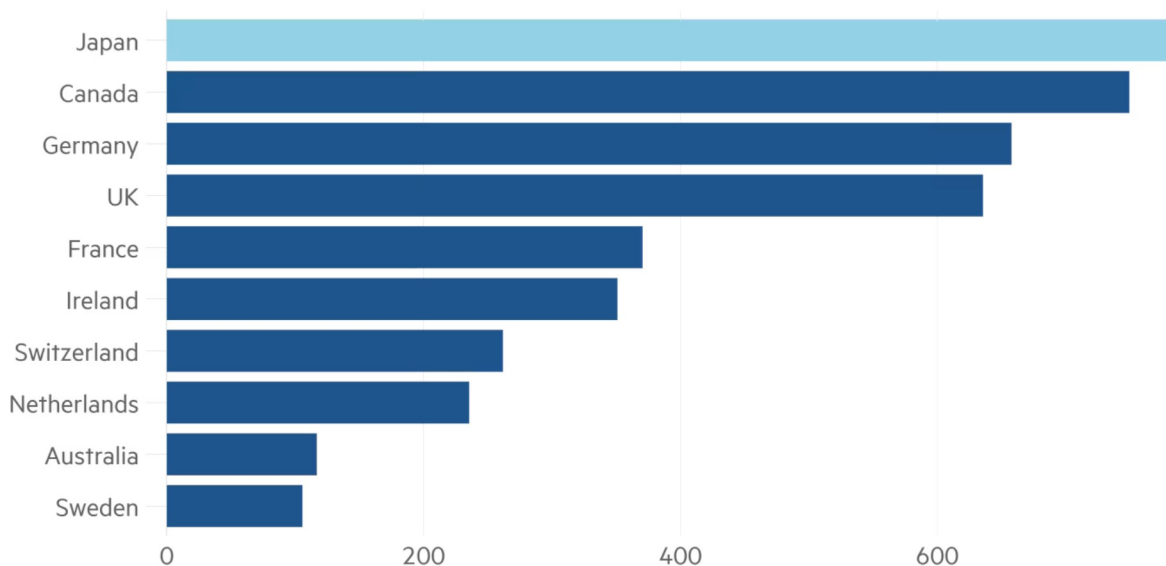
But some fear it symbolises a descent into the worst crisis in a quarter-century for a bilateral relationship that has helped underpin the postwar global order.

There have been rough patches in that alliance before: Richard Nixon's courting of China, US lawmakers smashing Toshiba radios on the steps of Congress after the company sold submarine technology to the USSR, and the 1990 Gulf war.

But suddenly, there are signs of a more fundamental fragility. Trump's hard-headed approach and Japan's failure to adapt to it present a rising risk, say senior officials on both sides, of a destabilising conflation of security, trade and currency issues.

Japan tops the list of leading investors in the US

Foreign direct investment position in the US, by country of ultimate beneficial owner, 2023 (\$bn)



Source: BEA

“The challenges go deeper than any single figure in the administration,” says Christopher Johnstone, a former White House official now at The Asia Group consultancy. “There is a sense in Japan that for the Trump team, nothing is sacred and everything is transactional.”

Others talk of an unusually severe mutual misjudgment and a widening trust deficit. Wendy Cutler, vice-president of the Asia Society Policy Institute, says the trade deal Trump struck with Japan in 2019 allowed both sides to enter 2025 negotiations with too much optimism.

“Washington thought Japan would be a relatively easy partner in this 90-day [trade deal] exercise, and would provide momentum for others to fall into place,” she adds. “Japan was confident it could get the same [automotive tariff] exemption it got last time. These were unrealistic expectations.”

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The absence of any preferential status in trade talks was confirmed on July 7, when Trump posted his trade terms letter to Japan on social media before it had even reached Ishiba.

The missive was largely identical to ones sent that day to the leaders of 14 other countries, including relatively peripheral ones such as Kazakhstan, Laos and Serbia. There was no recognition of Japan's status as a key Pacific ally, no reward for [being first to the negotiating table](#). It was, said Ishiba, "deeply regrettable".

Japan should have seen that coming, according to one person close to both sides of the trade negotiations. Japan [lobbied for a total exemption](#) from tariffs, a stance that critics of Ishiba say ignored Trump's underlying agenda of trade rebalancing and his core belief that foreign trade surpluses are evidence of intrinsic unfairness.



Lawmakers smash a Toshiba radio outside the US Capitol after the company sold submarine technology to the USSR. The 1980s protest was one of several rough patches in the US-Japan alliance © Bettmann Archive/Getty Images

Near-weekly visits to Washington by Japan's chief negotiator, Ryosei Akazawa, have not broken the impasse. A planned visit to Japan by US Treasury secretary Scott Bessent this week is not expected to do so either.

Fears are growing that the escalating trade crisis will directly affect the balance of security across the Asia-Pacific region. “The strategy is you isolate the isolator — China — and you do that by having no daylight between the US and Japan,” says Rahm Emanuel, who served as US ambassador to Japan under the Biden administration.

“So why create unnecessary daylight? If Japan and the US are aligned, all the other pieces — India, South Korea, Australia, the Philippines, New Zealand and others — quickly join up, leaving China as the odd man out,” he adds.

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Dozens of current and former officials on both sides have told the FT, that the alliance as an institution will survive — but that an era-defining reset is now inevitable, and it will be a litmus test of what it means for anyone to be a friend of the US in 2025.

“US-Japan relations are in their worst state perhaps in a generation, going back as far as the late 1990s when there was intense trade friction and fundamental questions about the shape of the alliance after the cold war,” says Johnstone.

“I have never before heard senior Japanese officials express such concern about the relationship.”

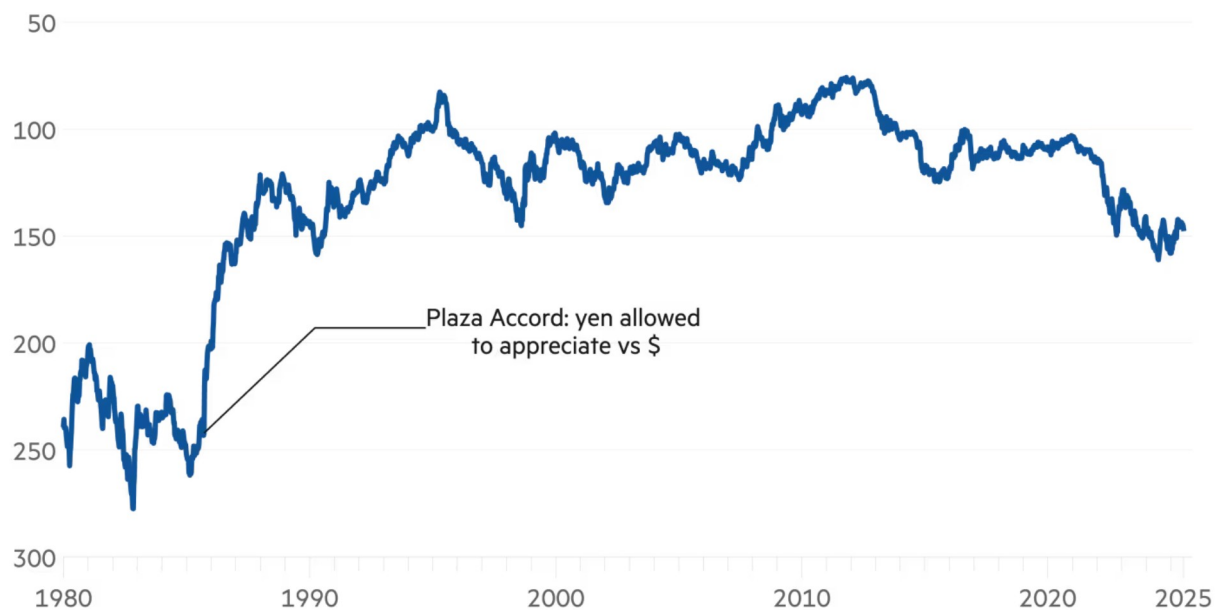
The sudden uncertainty around the US-Japan relationship has coincided with a moment of unusually acute peril for Ishiba’s Liberal Democratic party, which has dominated Japanese politics since the end of the second world war.

Inflation, immigration and trade uncertainty are all weighing heavily on Ishiba. The LDP [lost its majority](#) in the lower house of parliament last October, leaving it dependent on coalition partners and putting the prime minister’s job at risk. It could

lose its majority in the upper house after elections on July 20.

Japan's currency has weakened sharply in recent years

Yen per dollar



Source: LSEG

US diplomats say Ishiba's weakness is well understood by Trump and contrasts strongly with the strength and confidence projected by the late former prime minister Shinzo Abe, with whom Trump had a genuine friendship during his first term.

Attempts to redress that impression, at home and in Washington, have produced some unusually vehement rhetoric. "We need to make more efforts to become less dependent on the US. It would be a problem if we came to regret that they were telling us to do what they say because of that dependence," Ishiba said on national TV last week.

But the country looks increasingly unable to fight for its national interest on anything other than Trump's terms, say veterans of previous US-Japan trade negotiations.

Suggestions of notional leverage over the US, such as the scale of Japanese investment in America and its substantial holdings of US government debt have not appeared to make much difference.

Michael Beeman, the former assistant US trade representative for Japan, Korea and

Asia-Pacific, says the difficulty for Japan is that while in the past both sides had emphasised the totality of the relationship in times of friction, that was more difficult now that the US administration was seeking to redefine specific parts of it in zero-sum terms.

“Some of the issues are legitimate but the approach, the unilateralism and aggressiveness are viewed as extreme and not of a normal character even when the US had the worst of their trade disputes back in the 1980s,” he says.

That period also provides crucial clues to understanding how the current situation has evolved, and where both sides’ misjudgments came from.

When it comes to Japan, Trump may be unpredictable in his tactics, but he is remarkably consistent in his doctrine. In a now famous 1987 interview with Larry King, Trump the real estate baron elucidated his resentment of the way Japan had been “ripping off” America.



Japanese vehicles from brands including Honda and Subaru in a car park in the Port of Richmond in San Francisco. Trump has long seen foreign trade surpluses as evidence of intrinsic unfairness © Reuters

Trade was not free, said Trump, despite appearances to the contrary, adding that friends of his trying to do business in Japan faced “impossible” challenges. The

positioning of military bases on Japanese soil, he added, meant Americans were in effect paying to defend the “wealthy money machine” of Tokyo.

“By the way, I like the Japanese very much . . . I like them very much but they laugh at us,” said Trump, whose comments came at a time when US concerns about a weakened currency helping to drive Japan’s soaring exports were still acute.

Four decades on, many of those views appear intact: Trump has pushed Japan to raise its defence spending, regards its \$68.5bn trade-in-goods surplus with the US as hard evidence of unfair trading practices and non-tariff barriers, and has described the country as “spoiled”.

“What is happening to Japan highlights the way that Trump looks at the world,” says David Boling, the Japan and Asia trade director at Eurasia Group. “Trade deficits are more important to him than whether you are an ally. Trump 2.0 is Trump 1.0 on steroids, and the president is taking a long-held view on tariffs to the maximum.”

During his first term, Trump was persuaded to suspend his underlying view of Japan largely because of his relationship with Abe, according to people who worked in that administration.

A nationalist, Japan’s longest-serving prime minister and a golfer, Abe had more than 30 one-on-one meetings and phone calls with Trump during his first presidency. He astutely judged what a major world leader needed to be for Trump at that time, according to Yuki Tatsumi, director of the Japan programme at the Washington-based Stimson Center.

Abe gave Trump comfort that someone would listen to what he was saying. Abe never criticised him in front

“Abe gave Trump comfort that someone would listen to what he was saying. Abe never criticised Trump in front of the media. If there was a disagreement, he didn’t talk about it in the public eye,” says Tatsumi.

of the media

“Trump never felt vulnerable when he was with Abe. There was a sense of friendship and I think, surprisingly, it was quite genuine.”

Beeman, who was closely involved with that relationship while at the USTR, says its rewards were significant. He recounts how, six months into his first administration, Trump’s old resentments surfaced and there was an instruction to prepare a Section 301 investigation into Japanese unfair trade practices in cars and auto parts.

“You could imagine a very different US-Japan relationship if that had happened,” Beeman recalls. “It didn’t, but the point is that the president wanted tariffs back then. Abe was a factor in [avoiding] that.”

In the early stages of Ishiba’s engagement with Trump there was a false hope that the goodwill from that era would carry over and ease trade talks, says Tatsumi, adding that both sides should have appreciated that it would only go so far.



Trump and Shinzo Abe on the golf course during the US president’s first term. The late Japanese prime minister formed a friendship with Trump, something Ishiba has struggled to replicate © Reuters

Senior officials familiar with the continuing talks say Ishiba squandered Abe’s legacy

by insisting on a total tariff exemption and failing to appreciate that Trump is less constrained than he was the first time around — and laser-focused on tariffs.

“Shinzo Abe did a very good job — maybe too good — in managing Donald Trump in alliance matters,” says Yoichi Funabashi, author of a two-volume chronicle about Abe. He argues that Trump may now feel he was outmanoeuvred by the late prime minister.

Ken Weinstein, Japan chair of the Hudson Institute and Trump’s pick for US ambassador in his first term, says that it was striking how different the relationship between Washington and Tokyo is now compared with the Abe era.

“This time around, in Trump’s second term, it is actually the Germans who have got the message and are making the relationship work,” says Weinstein. “Abe got the message of the first Trump. Chancellor Merz is the Shinzo Abe of Trump’s second term.”

The big question now, say officials on both sides, is whether Ishiba’s failure to make better headway, along with Japan’s seeming inability to recalibrate rapidly enough to the new reality, proves existential for the US-Japan relationship.

Many agree that the answer will hinge on how skilfully Tokyo is able to manage what is likely to be a deliberate merging by Washington of trade, defence and even currency issues.

One early sign of trouble came when Elbridge Colby, under-secretary of defence for policy, told Congress in March that Japan should spend more on defence than Tokyo’s target of 2 per cent of GDP — sparking a public rebuke from Ishiba.

Tensions worsened last month when Colby privately called on Japan to spend 3.5 per cent of GDP, more than the 3 per cent that US ambassador George Glass in Tokyo had been told to push. In a [rare display of frustration](#), Japan cancelled a high-profile ministerial meeting with the US.

The Japanese know the US well enough to know that Trump is a tornado, not climate change

Tokyo is also concerned that Colby wants to halt a plan to move 4,000 US Marines based in Okinawa, from where they could better respond to any Chinese move on Taiwan, to Guam. Mira Rapp-Hooper, a former White House Indo-Pacific official at the Brookings Institution, says any push by the US to keep the Marines in Okinawa would further inflame relations.

“Politically, it would be extremely fractious in Japan, especially since Ishiba ran on a platform that Japan should have more of a say on basing arrangements and the Japanese government has expended significant funds on the existing realignment plan,” said Rapp-Hooper.

She cautioned that a US push for the marines to stay, together with unresolved trade frictions, could trigger a “full-blown alliance crisis”.

Michael Green, a Japan expert who served as the top White House Asia adviser to President George W Bush, agrees that the alliance is facing its worst crisis in 25 years, but stresses that the situation is not “existential”.

Marco Rubio, the US secretary of state, said in a speech on Friday that he had met his Japanese counterpart “more than any other foreign minister on the planet” and that “it’s a very close relationship, a very historic relationship, and one that’s going to continue.”

Green points to polls showing that 90 per cent of the Japanese public supports the US-Japan alliance. “The Japanese know the US well enough to know that Trump is a tornado, not climate change,” says Green, who stressed that the government in Tokyo was “exasperated, but not panicking”.





The nuclear-powered aircraft carrier USS George Washington arrives at the US navy base in Yokosuka. There are concerns the trade crisis could affect the balance of security in the Asia-Pacific © Kyodo News/Getty Images

Perhaps the deepest source of angst is that the rift in the alliance is coming at a time when the US and Japan needed to be doing more, not less, to tackle the threat from Beijing.

China was an impotent military power the last time there was a serious crisis in the US-Japan relationship. But Beijing has undertaken a sweeping modernisation of its military in recent years and become increasingly aggressive in the waters and skies around Taiwan.

Faced with threats from China, North Korea and Russia, Japan's only viable choice is to maintain the alliance with the US and use the tariff negotiations as a platform to expand security collaboration, says Ken Jimbo, a Keio University professor who served as a special adviser to the government on defence and national security.

But, he adds, Trump's America should be pushing Japan to start thinking the unthinkable: will the US be there in Japan's — or Taiwan's — hour of need?

"There's a sense there is only Plan A for us — the US remains the cornerstone of our defence and security policy. How much we can induce the US to get on board with the alliance is the only choice we have," says Jimbo.

“But another story we have is that there’s a sequence of events: [Trump] deals with Ukraine and Iran, then there’s a comprehensive deal with China . . . If that’s the case, then we need to think about Plan A-minus — or Plan B.”

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