

Trump tariffs

Cracks widen in Japan and US's interpretation of tariff trade deal

Tokyo officials contest Washington's claim that American investors assured of vast share of profits from joint investment



This week's trade deal imposes 15% tariffs on Japanese goods imported by the US, lower than the 25% threatened by President Donald Trump © Issei Kato/Reuters

Harry Dempsey in Tokyo and **Aime Williams** and **Demetri Sevastopulo** in Washington

Published JUL 25 2025

The US will secure 90 per cent of profits from joint investments with Japan only if it takes on a proportional amount of risk and financing, Tokyo said on Friday, as cracks widened in the two allies' interpretation of their hastily agreed trade deal.

Japanese officials said there was no written agreement with Washington — and no legally binding one would be drawn up — after Trump administration officials claimed Tokyo would back investments in the US from which American taxpayers would reap nine-tenths of the profits.

Japan secured a reduction in reciprocal and automotive tariffs from US President Donald Trump's threatened level of 25 per cent to 15 per cent in [the deal announced this week](#), but sharply different perceptions of what was agreed have since become apparent.

US commerce secretary Howard Lutnick boasted on Wednesday that Japan would be

“the banker” for \$550bn worth of investments in US strategic sectors such as semiconductors, shipbuilding and critical minerals, in return for the reduction in [tariffs](#).

“The Japanese will finance the project. We will give it to an operator and the profits will be split 90 per cent to the taxpayers and 10 per cent to the Japanese. They basically bought down their tariff rate by this commitment,” said Lutnick.

On Thursday, Trump said the \$550bn was a “signing bonus” to the US.

“What Japan did is they brought down their tariffs,” Trump told reporters. “They gave us \$550bn upfront, 100 per cent. We get 90 per cent, they get 10 per cent.”

But a slideshow issued by Japan’s Cabinet Office on Friday appeared to contradict Lutnick by saying the ratio of profit distribution would be “based on the degree of contribution and risk taken by each party”.

Officials familiar with the US-Japan talks said the deal was pulled together in a slapdash manner during a 70-minute meeting between Japan’s chief negotiator Ryosei Akazawa and Trump on Tuesday.

The deal followed the loss on Sunday of the ruling Liberal Democratic party-led coalition’s majority in Japan’s upper house of parliament, the LDP’s latest in a series of poor electoral showings under the leadership of Prime Minister Shigeru Ishiba.

Mieko Nakabayashi, professor of political science at Waseda University, said Ishiba’s election loss had led to uncertainty over who might succeed him if he resigned and Trump could have feared that “his team would have to do negotiations all over again”.

[Japan](#) made some material concessions, such as allowing the import of US cars without additional safety tests and reforming subsidies that favour hydrogen fuel cell vehicles over electric cars.

While it agreed to purchase more US rice, the import quota of 770,000 tonnes was left untouched and Akazawa has been clear that Japan will provide “up to” \$550bn in

investment, financing and loan guarantees, rather than framing the number as a target or commitment.

“There is nothing inspiring about the deal,” said Mireya Solís, senior fellow at Brookings Institution. “Both sides made promises that we can’t be sure will be kept . . . there are no guarantees on what the actual level of investments from Japan will be.”

Some of the \$550bn of investments could involve the US government owning the assets and undertaking large capital investments with funding backed by both nations and affiliated institutions, according to Japanese and US officials. The assets would then be leased to the private sector for operating.

One US official said details of the scheme were still being worked out.

Speaking before the trade deal was announced, Tadashi Maeda, governor of the Japan Bank for International Cooperation, said support had been growing among Japanese officials for a government-owned, company-operated approach to investment in the US. This would be a “very good” way of reducing the financial burden on the private sector, said Maeda.

Political analysts said that on balance Japan appeared to have walked away with a good deal at little cost, setting an example that could become a model for other large exporters such as Germany and South Korea.

“Japan has been playing a card game with Trump and the reality is Trump has a better hand with more jokers that he can play,” said David Boling, Asian trade director at Eurasia Group. “They ended the card game in a good position.”

[Copyright](#) The Financial Times Limited 2025. All rights reserved.

Follow the topics in this article

US trade

Trump tariffs

Japanese politics & policy

Japanese business & finance

Harry Dempsey