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Ishiba navigates competing pressures in trade talks

Key takeaways

- Following the first round of trade talks with the Trump administration last week, the Ishiba government is working on refining its negotiating position.
- There may be room for compromise on some of Japan's non-tariff barriers on agriculture and automobiles, though political sensitivities, particularly ahead of the upper house elections, mean that the window for concluding negotiations ahead of the 8 July deadline for the ninety-day suspension of "reciprocal" tariffs is even narrower than it seems.
- Prime Minister Ishiba Shigeru has expressed his opposition to including host-nation support for US forces in the talks, but in general his government's red lines are still unclear.

The Ishiba government is working to refine its negotiating position following trade negotiator Akazawa Ryōsei's [visit](#) to the United States last week for meetings with President Donald Trump and members of his cabinet. Despite reporting suggesting that the US and Japan could be close to a deal, it is premature to expect a deal in the near term. While the Japanese government would welcome a rapid deal that included the Trump administration's lifting most if not all of the tariffs it has announced on Japanese goods, the Trump administration has not suggested that it would be satisfied with a superficial agreement that, for example, left Japan's trade surplus with the US unchanged.

However, a more comprehensive agreement will take time for Prime Minister Ishiba Shigeru to sell at home – particularly if it were to include agricultural market access concessions – suggesting that, unless the Trump administration softens its position, it is unlikely that an agreement will be announced when the ninety-day period ends in July. Indeed, the proximity of the deadline for the suspension of reciprocal tariffs (8 July) to

the upper house elections (expected on 20 July) suggests that if a deal is not announced before the end of June, negotiations would have to wait until after the upper house elections. Japan's public elections law mandates that the official campaign period for an upper house election must be at least seventeen days – 3 July for a 20 July election – and it will be difficult for Ishiba to announce an agreement with the US after the campaign begins. Ishiba may have some incentive to move quickly, not only to head off 24% tariffs on Japan's exports but also to bolster his and the Liberal Democratic Party's (LDP) campaign in July. But a hasty agreement that fell on the backs of Japan's farmers could backfire, so Ishiba has thus far signaled that he is not in a hurry to conclude an agreement. As he said in an upper house budget committee session on the negotiations on Monday, 21 April, "It's not about rushing to a conclusion. A certain amount of time is necessary for US-Japan talks to become a model for the world." If talks have been productive, there is precedent for extending them beyond the deadline: in 2019, the first Trump administration was willing to wait until after that year's upper house elections to finalize an agreement with the Abe government.

Japan's negotiating position

In the meantime, the Ishiba government is working on its negotiating position vis-à-vis the Trump administration. Following the first round of talks, the government has expanded its inter-ministry taskforce, increasing the number of officials on the taskforce from 37 to 47 and including representatives from the Ministries of Agriculture, Forestry, and Fisheries (MAFF) and Land, Infrastructure, Transportation, and Tourism (MLITT). The inclusion of these ministries reflects the Trump administration's focus on market access for agriculture products and automobiles.

There is likely to be more room for bargaining on automobile safety standards – for example, by relaxing some standards that US exporters have been required to meet – since Japanese policymakers may be confident that US automobiles pose little threat to the market shares of domestic producers due to consumer preferences. There is less room for bargaining on agricultural market access, though there may be space for a bargain on rice in which the government offered to increase the volume of rice imported via the duty-free minimum access system through which Japan already imports nearly 346,000 tons of rice, helping the Ishiba government satisfy US trade demands while also delivering consumers – facing the large increases in rice prices in a half century, which have also contributed to above-target inflation – some relief. But this kind of concession would entail a delicate balance between urban consumers and the rural voters whose support will be essential for the ruling coalition to defend its upper house majority in July. At the same time, however, consumer politics will make it difficult for the government to offer concessions on food safety regulations, which are some of the non-tariff barriers highlighted by the US Trade Representative in its report on foreign trade barriers.

While the Ishiba government considers potential concessions on market access, it is still working out what it is seeking in return and what its "red lines" in the negotiations are. To be sure, the government says it is seeking the removal of all tariffs – not only the

“reciprocal” tariffs but also the 25% tariffs on automobiles, aluminum, and steel – but it is unlikely that the Trump administration will concede on all of these tariffs. Instead, the government has to determine what tariffs it is willing to tolerate and which are necessary for an agreement to proceed. It is likely that the government’s preferences are avoiding the 24% “reciprocal” tariffs, then the automobile tariffs, and then the 10% baseline tariffs. The government may have to decide whether it can accept a lower tariff on automobiles but still higher than the previous 2.5% tariff.

It is less clear whether the Ishiba government is prepared to accept some of the more expansive ideas floated by the Trump administration for a bilateral agreement. For example, although Trump himself said he wanted to include host-nation support for US forces in Japan in negotiations, Ishiba has said that he does not want to link host-nation support – the current agreement for which runs until 2027 – in the trade talks. Meanwhile, although Finance Minister Katō Katsunobu is expected to meet US Treasury Secretary Scott Bessent on 24 April to discuss exchange rates, it is unclear what kind of agreement the Trump administration may be seeking on exchange rates, not least since Japan has not intervened to weaken the yen. The Ishiba government may be satisfied with the yen’s recent strength, since it could relieve some of the inflationary pressures on Japanese households, but it is unlikely to violate the Bank of Japan’s (BOJ) independence by promising a certain pace of rate hikes and may be reluctant to participate in a unilateral or coordinated bilateral intervention to weaken the dollar further, particularly if it raised tensions with G7 partners. If the Trump administration insists on including these issues in talks, it would decrease the likelihood of an earlier agreement.