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The “Trump Shock” hits Tokyo

Key takeaways

- US President Donald Trump’s announcement of “reciprocal” tariffs has forced the Ishiba government to scramble to assess their impact and prepare an effective response that limits the impact on Japan’s economy.
- The Ishiba government is still hoping to negotiate with the United States instead of introducing retaliatory measures.
- The new tariffs are a blow to Prime Minister Ishiba Shigeru but he could benefit from a “rally around the flag” as a sense of crisis grows.

The Ishiba government is scrambling to respond after US President Donald Trump announced a 24% “reciprocal” tariffs on Japan in his Wednesday, 2 April press conference, which exceeded the expectations of a Japanese government already struggling to limit the impact of a 25% [tariff](#) on Japan’s automobile exports to the United States. Now, instead of trying to cushion the blow to an important sector, it will have to determine how to respond to a broadside against all of Japan’s exporters, not to mention a shock to the global economy more broadly, with government officials suggesting that this marks the end of the global free trading system. Onodera Itsunori, the Liberal Democratic Party’s (LDP) policy chief, captured the mood when he said in a television appearance on Thursday evening, “We are nearing a national crisis.”

The economic shock

The government’s immediate response has been to gather information. Prime Minister Ishiba Shigeru convened an emergency meeting with cabinet ministers on Thursday, 3 April and instructed ministries to gather information on the impact of US tariffs on different sectors of the economy. On Thursday, the Ministry of Economy, Trade, and Industry (METI) stood up an “US tariffs taskforce” that will, among other things, set up

1000 consultation offices around the country to communicate with businesses about the new trade barriers and provide emergency lending to affected firms. METI is also encouraging large firms to pay their suppliers more to help limit the impact on small- and medium-sized enterprises (SMEs). “We will take all possible measures to provide the necessary support to protect domestic industry and employment,” METI Minister Mutō Yōji said Thursday. Separately, Ishiba instructed Onodera, who is heading an LDP taskforce on the tariffs, to gather information on the impact, particularly on SMEs, and work on a policy response that contains the impact on people’s welfare. More broadly, the Ishiba government will be watching currency movements and, relatedly, the outlook for growth and interest rates in the United States, as it weighs the scale of the impact on Japan’s economy and policy response needed from both the government and the Bank of Japan.

Despite the unexpectedly large scale of the new tariffs, the Ishiba government is still not signaling that it will consider retaliatory measures. The government is not only afraid that retaliation could lead to greater friction with the US that harms the bilateral security relationship, it is also constrained by Japanese domestic law and is anxious that imposing tariffs on US exports to Japan could contribute to the inflation the government is struggling to contain. Instead, it will continue to pursue talks with the United States in pursuit of possible exemptions. Foreign Minister Iwaya Takeshi, in Brussels to participate in a North Atlantic Treaty Organization (NATO) foreign ministers’ meeting, met with US Secretary of State Marco Rubio and strongly urged the US to consider exemptions for Japan. However, it appears that one takeaway that the Japanese government is drawing from the “Liberation Day” tariffs is that when it comes to US trade policy, the president himself matters more than any of his cabinet officials or other advisers. Mutō spoke with Commerce Secretary Howard Lutnick before Wednesday’s announcement, a call that was obviously unsuccessful and prompted an anonymous METI official to tell a reporter, “It’s like a dictatorship,” the implication being that it is unclear whether there is anyone short of Trump himself with whom Tokyo can negotiate and receive meaningful assurances that the tariffs will be relaxed. In short, even as the Ishiba government would prefer to negotiate rather than escalate, it is struggling to determine with whom it can negotiate, if anyone.

The political shock

Meanwhile, as noted [previously](#), Ishiba enters the second half of the Diet session already in a perilous situation, which tariff crisis will only worsen. Ishiba’s rivals in the LDP have already used the US tariffs to increase pressure on the prime minister. On Thursday, Takaichi Sanae directly criticized Ishiba’s handling of the tariffs, condemning him for not appointing a minister to take the lead on the issue and go to Washington to negotiate directly.” Trump himself, in reminiscing about the late Abe Shinzō during his press conference Wednesday, likely gave a boost to the LDP right’s argument that Ishiba, lacking diplomatic experience and a good relationship with the US president, has been unable to defend Japan’s interests in this crisis (even if it is unlikely that Abe would have been able to avoid the tariffs if he were still alive). Significantly, 3 April also marked the end of kickback-scandal-related punishments for several leading

conservatives, including former Abe faction leaders Nishimura Yasutoshi and Hagiuda Kōichi, both of whom will be able to step up their political activities. Nishimura has marked the occasion by meeting with party elder and Ishiba foe Asō Tarō, pointing to the possibility of greater mobilization among the anti-Ishiba forces on the LDP's right.

However, while these are ominous signs for the embattled prime minister, the mood of crisis could, ironically, help him. As dissatisfied as Takaichi and other conservatives are, it may be difficult for them to convince the party to dump Ishiba during the acute phase of a crisis without the LDP itself being accused of irresponsibility. The crisis, meanwhile, could give Ishiba a tool for rallying the country, particularly to the extent that the public believes that Trump's tariffs were beyond the ability of the Japanese government to prevent.

Accordingly, on Friday, 4 April, Ishiba will conduct a meeting with six other party leaders, including the leaders of Kōmeitō, the Constitutional Democratic Party (CDP), Ishin no Kai, the Democratic Party for the People (DPFP), the Japanese Communist Party (JCP), and Reiwa Shinsengumi. This is a highly unusual gathering and will convey to the other parties as well as to the public the severity of the situation. Ishiba will reportedly brief the party leaders on the government's response and listen to their views and suggestions. It seems unlikely that this is the prelude to some kind of grand coalition or national unity government – particularly with the upper house elections approaching – but it is conceivable that Ishiba could seek some kind of political truce that enables the prime minister to respond to the crisis more effectively, a truce that could, for example, enable the government to pass a stimulus package quickly if necessary.

It is less clear how Ishiba will placate his critics within the LDP, but in light of Takaichi's call for a special minister to take charge of the issue, it is plausible that Ishiba could consider some changes to placate some of his critics within the party. He might have to entertain, for example, a cabinet reshuffle to embrace more of the LDP and include a special envoy – perhaps Motegi Toshimitsu, who has touted his experience negotiating with Trump as Abe's trade negotiator – though it is unclear whether the LDP right would set aside their grievances, notwithstanding whatever patriotic appeals the prime minister were to make.

At this stage, how Ishiba chooses to deal with both the opposition parties and intra-LDP rivals remains speculative. But it has become immediately clear that the Trump tariffs will have a significant impact on Japan's government and politics, as Ishiba considers his options for both shoring up his government and ensuring that the Japanese government is able to respond effectively to US actions. Over the longer term, Trump's "Liberation Day" will likely contribute to a broader reconsideration of Japan's foreign policy as Japan's leaders weigh how to balance the security alliance with the United States with the Trump administration's hostility to a trading system that has enabled Japan to prosper.