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No agreement in sight as Ishiba government signals resolve

Key takeaways

- The second round of ministerial talks between the US and Japanese governments on 1 May not only failed to achieve a breakthrough but suggested that significant gaps in their negotiating positions remain.
- The Ishiba government is signaling its resolve to domestic audiences, stressing that it will not sacrifice Japan's national interests for the sake of a faster agreement.

The US and Japanese governments appear to be no closer to an agreement after trade negotiator Akazawa Ryōsei's second visit to the United States for talks on Thursday, 1 May. The second round, with Akazawa talking with US Treasury Scott Bessent, Commerce Secretary Howard Lutnick, and Trade Representative Jamieson Greer may have been more acrimonious. Although Tokyo appears to have succeeded in removing exchange rates and Japan's host-nation support for US forces in Japan from the scope of these negotiations, the Trump administration also excluded 25% tariffs on automobiles, steel, and aluminum from a draft agreement presented Thursday, the measures that Akazawa has said Tokyo is most keen to remove. In short, despite both sides' interest in concluding an initial agreement quickly – they appear to be aiming to conclude preliminary talks in time for a summit between Prime Minister Ishiba Shigeru and President Donald Trump around the G7 summit in Alberta, Canada in mid-June – the two governments still appear far apart.

The Ishiba government is clearly searching for ways to improve its negotiating position as the talks continue. One approach has been to make Japan's red lines in the negotiations increasingly public, making it more difficult for Japan to accede to certain US demands. For example, in a television appearance Friday, Ishiba said that Japan

“absolutely cannot swallow” the Trump administration’s tariffs on automobiles, citing the impact on Japan’s auto workers.

The government has also sought to signal its overall resolve not to sacrifice Japan’s interests in negotiations. Speaking to the press after receiving a report from Akazawa, Ishiba signaled that his government will not rush to conclude an early agreement just for the sake of getting it done. “For us, while properly asserting our national interests, it’s not good to reach an early conclusion by sacrificing such interests,” he said. “We are both negotiating with our national interests at stake, so we will both make maximum efforts to find points of agreement. I don’t think it’s appropriate to mention specific timing. While sooner is better, it is of course natural that the content should not harm our national interests for the sake of prioritizing speed.”

Finance Minister Katō Katsunobu, meanwhile, took a different, perhaps less subtle approach in a separate television interview on Friday, saying that Japan’s holdings of US Treasuries – according to the Ministry of Finance totaling USD 1.27tn as of March – could be a “card” in negotiations. While Katō said whether Japan is able to play this card is “a separate matter” – the scale of Japan’s holdings means that this nuclear option is difficult to deploy – the significance of Katō’s statement may be more about signaling Japan’s resolve than a specific threat. In this sense, the most important line in Katō’s interview may have been not referring to Treasury holdings as a “card” but rather his statement that Japan “does not hold Treasuries to support the US but managing them while considering liquidity if it becomes necessary to intervene [in foreign exchange markets].” In short, Katō asserted that Japan is watching out for its own interests and is not negotiating out of a sense of obligation or charity towards the US. (He may have also been quietly pushing back against the “Mar-a-Lago accord” idea of having major holders of US Treasuries convert their holdings to longer maturities.)

Both Ishiba’s and Katō’s statements serve as a reminder that Japanese domestic politics are a meaningful [factor](#) in the bilateral negotiations. Ishiba has to project strength and resolve towards the United States – signaling to the Japanese public, particularly ahead of upper house elections, that he will not be bullied into accepting a bad agreement for Japan – while also signaling to the Trump administration that Japan is still committed to constructive negotiations and is negotiating in good faith. As such, neither government is walking away from negotiations. They agreed to continue working-level negotiations Friday, and Akazawa is expected to return for a third round of talks in mid-May. But the Ishiba government, while [open](#) to possible concessions on market access of US automobiles and agricultural products, is determined to avoid a one-sided deal that leaves the most harmful tariffs in place. Given these circumstances, the most likely outcome before the expiration of the Trump administration’s 90-day suspension of “reciprocal” tariffs on 8 July is a fairly superficial agreement to continue negotiating rather than a substantive trade pact that includes measures that would meaningfully reduce the US goods trade deficit with Japan.

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