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After Trump sends a message, Tokyo considers what happens next

Key takeaways

- The US decision to impose 25% tariffs on 1 August has caught the Ishiba government off guard, as it considers its options given the difficulty of concluding an agreement before the upper house elections.
- The US tariff announcement will not necessarily alter the outlook for the elections, but the outcome of the elections could affect whether the Japanese government is able to conclude a deal in their aftermath.
- The manner in which the US informed Japan of the tariffs has prompted shock and anger in Tokyo, suggesting growing doubts about the bilateral relationship.

The Trump administration's announcement that it will impose 25% "reciprocal" tariffs on Japan starting 1 August – delivered as part of a tranche of identical letters delivered to Japan, South Korea, and other trading partners – reportedly shocked the Ishiba government, which believed that [talks](#) had progressed after seven rounds of negotiations and multiple phone calls between trade negotiator Akazawa Ryōsei and Commerce Secretary Howard Lutnick and hoped that perhaps the exemption could be extended.

Although Akazawa and Lutnick have agreed to continue their talks, the post-mortems have already begun. That said, the common thread is that the Ishiba government appeared to believe that as a leading US ally and the leading source of inbound FDI in the US, Japan would receive special consideration; in short, the government refused to

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take signals from the Trump administration that it is uninterested in compromising on sectoral tariffs and wants meaningful market access concessions from Tokyo. The Ishiba government may also have been overly confident that economic data, financial market signals, and public opinion would lead Trump to relent. At the same time, the Trump administration, whether because it viewed Ishiba as a weak interlocutor or is not interested in more reciprocal trade deals, paid little heed to the difficulties Ishiba faced in accepting a one-sided deal that left tariffs intact – particularly after Ishiba made [clear](#) that Japan's automotive sector is a fundamental national interest – and excluded market access for US rice. The result is that, barring a breakthrough after upper house elections are over on 20 July, Japan's exporters will face significant barriers to sell to the United States.

Despite the shock of the Trump letter, however, it is unlikely that it will fundamentally alter the dynamics of the upper house campaign. To be sure, opposition party leaders were quick to attack Ishiba's handling of the negotiations in response to Trump's letter. Constitutional Democratic Party leader Noda Yoshihiko suggested that Ishiba should replace Akazawa as chief negotiator; Ishin no Kai leader Yoshimura Hirofumi said that it was unfortunate that the prime minister has been unable to build a strong rapport with Trump (though he also said it was important for all parties to coordinate to ensure continuity in negotiations regardless of the outcome of elections); and Democratic Party for the People (DPFP) leader Tamaki Yūichirō declared that because talks had “effectively broken down” it is imperative to implement his party's economic stimulus proposals. Ishiba and Akazawa have responded to these attacks by arguing that they failed to reach an agreement precisely because they were steadfastly defending Japan's national interests in the talks. Given that polls suggested that the public wanted Ishiba to avoid one-sided concessions simply to get a deal done faster, this may not be a losing argument for the prime minister and suggests that the opposition parties will probably not center the trade issue in the campaign. That said, it could be a liability for Ishiba among conservative LDP voters, who have already been unhappy with the post-Abe direction of the LDP and the unfavorable contrast between Ishiba's handling of Trump and the late Abe Shinzō's. Takaichi Sanae, Ishiba's chief rival on the LDP's right, encouraged this thinking with a tweet marking the third anniversary of Abe's death on 8 July that wondered whether Trump would have sent such a “cold-hearted” letter if Abe were alive.

The question now is how the Ishiba government will respond to the US announcement. Ishiba convened a meeting of his government's headquarters for managing the US tariffs on Tuesday, 8 July, in which he reiterated that his government will continue to negotiate with the US while defending Japan's national interests and in which much of the deliberations focused on gathering information on the impact of US tariffs already levied – the sectoral tariffs on steel, aluminum, and automotive products – and the “reciprocal” tariffs announced this week. While Akazawa has said that he is prepared to fly to the US at any time to continue negotiations, the government is highly unlikely to seek a deal before the upper house elections. It would likely hurt the ruling coalition if Ishiba appeared to be over-eager to make a deal in response to a heavy-handed US

decision – a deal that would be no more reciprocal than before – suggesting that talks will be at a standstill until the elections are resolved.

The impact of the elections themselves on negotiations is uncertain. If the ruling coalition manages to preserve its majority, Ishiba will likely try to move quickly to secure a deal before 1 August, provided that the Trump administration is prepared to offer some face-saving gestures – a UK-style quota for reduced-duty imports, for example – so Ishiba can declare some kind of victory at home. If the ruling coalition loses its majority, the [situation](#) becomes more complicated. Assuming that Ishiba would in all likelihood have to resign to take responsibility for the defeat, his ability to achieve a breakthrough with the US could be constrained by (a) the speed with which he yielded power, since if he fought to stay on it would be difficult for him to prioritize negotiations with Washington; (b) the willingness of the Trump administration to negotiate with a lame-duck caretaker prime minister; and (c) the outlook for the leadership fight to succeed Ishiba. To be sure, it is possible that whoever succeeds Ishiba as prime minister would prefer that he finishes a deal with Trump before leaving office so as to start on a fresh page with the president. That said, assuming Ishiba will be succeeded by the next LDP leader, if Ishiba caves and accepts a one-sided agreement that includes few concessions from the US, he could saddle his successor with having to defend a poor deal and complicate his or her chances of securing a new mandate in a general election after taking office. Either way, Ishiba's handling of talks with the Trump administration may make LDP voters more inclined to opt for someone who can make the case that they will be a better partner for Trump than Ishiba, which would increase the likelihood that the LDP opts for Moteji Toshimitsu or a right-wing contender (whether that candidate is Takaichi or someone else), which could also mean a pivot to more deficit spending, both to stimulate the economy in the near term but also to finance greater defense spending.

The hardest question to answer is what impact the frustrating bilateral trade talks will have on the US-Japan relationship more broadly. Japan has weathered trade friction with the US before, but even the most aggressive of past US administrations balanced their trade policies with a broader commitment to the bilateral alliance. Trump, in his willingness to link the security and economic relationships, is unlikely to show the same restraint. For Japan's political leaders, the trade talks – and Trump's demarche to the Japanese government this week – have served as a wake-up call that they can no longer assume that the bilateral relationship will function as it did in the past. Nor can the Japanese government assume that Japan's value as a partner in countering China or as source of investment and employment in the United States will earn it "special treatment" from the US administration. It is revealing that Onodera Itsunori, the LDP's policy chief who worked closely to strengthen bilateral security cooperation as Abe's defense minister, said of the letter, "It is extremely rude to send this kind of announcement to an allied country via a one-page letter. I feel strongly resentful." Even if Ishiba or a successor are able to conclude a satisfactory agreement, the trade negotiations have opened a rift that will not be easily healed. This will encourage more Japanese leaders – and the public – to contemplate Japan's alternatives to its longstanding dependence on the US security guarantee with increasing urgency.

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