12 May 2026

Bessent visit avoids fireworks, but offers little reassurance

Key takeaways

- US Treasury Secretary Scott Bessent was in Tokyo on 12 May for meetings with Prime Minister Takaichi Sanae and other top leaders.
- Despite past remarks critical of the Japanese government’s policy mix, the visit may have been more about reassuring Japan ahead of the US-China leaders’ summit than applying pressure on macroeconomic policy.
- The treasury secretary’s visit may have offered little reassurance on the US-China summit, and if he did express concerns about macroeconomic policy, it is unlikely to persuade the Takaichi government to change course.

US Treasury Secretary Scott Bessent visited Tokyo on Tuesday, 12 May and met with Prime Minister Takaichi Sanae, Finance Minister Katayama Satsuki, Foreign Minister Motegi Toshimitsu, Minister of Economy, Trade, and Industry Akazawa Ryōsei, and Bank of Japan (BOJ) Governor Ueda Kazuo.

A news report published before the meeting referred to Bessent’s “reprimanding” Katayama when they met at Davos in January, raising the prospect of potential friction – particularly given Bessent’s past remarks on the risk that the BOJ could be “behind the curve” in fighting inflation. However, Tuesday’s meetings appeared to avoid friction as the treasury secretary commented on the undesirability of currency volatility but refrained from public comment on monetary or fiscal policy. Katayama emphasized that the US and Japan are coordinating closely on exchange rate movements but offered few details. His meeting with Akazawa, meanwhile, reportedly focused on the implementation of the US-Japan investment framework and the recently announced agreement on critical mineral supply chains.

The purpose of the visit may ultimately have had more to do with reassuring the Takaichi government ahead of US President Donald Trump's visit to China this week than any particular policy message from Bessent. Tokyo had inquired with the US government about the possibility of Trump's stopping in Japan before meeting Xi Jinping (or even having a phone call with Takaichi); Bessent's stopping in Tokyo may have been in lieu of Takaichi's talking with Trump before the summit.

As such, the significance of the visit could prove limited on all fronts, not least as it was cut short as Bessent left for a meeting in Seoul with Chinese Vice Premier He Lifeng. The Takaichi government will still be grappling with the impact of the Hormuz crisis on inflation and exchange rates, with potential more severe challenges to come as the crisis drags on. It is also in the process of articulating its new approach to fiscal policy – and seeking to reassure markets wary of larger deficits, hence a meeting of the Council on Economic and Fiscal Policy Monday that focused on how to communicate with markets about budgetary changes – even as the BOJ is focusing on continuing to normalize monetary policy, with implications for the government's borrowing costs. If Bessent did deliver a message on Japan's macroeconomic policy mix, it is unlikely to make much of a dent on Takaichi's determination to pursue an agenda that has contributed to a weaker yen and rising yields.

Even when it comes to reassuring Japan about Trump's meeting with Xi, Bessent's comments about Japan's importance as a partner in the Indo-Pacific will have limited utility when Tokyo is most worried about Trump's eagerness to make a deal with Xi and the potential impact that could have on regional security. Already disappointed by lukewarm US support for Japan in the face of China's economic pressure campaign following Takaichi's remarks on Taiwan, the Takaichi government will be warily watching this week's summit for messaging on Taiwan, as well as the US-China trade war, lest Japan find itself isolated as the US and China step back from confrontation. With the prospect of multiple meetings between Trump and Xi this year, Tokyo's need for reassurance from Washington could be especially acute, a need that is unlikely to have been fulfilled on Tuesday.

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