

Forum on U.S.-Japan Relations in an Era of Economic, Technological, and Strategic Upheaval

Opening

Speakers:

G. John Ikenberry, Princeton University

Masakazu Toyoda, Japan Economic Foundation (JEF)

The October 2025 forum opened with welcoming remarks from John Ikenberry and Masakazu Toyoda. Professor Ikenberry underscored that the conference was made possible through the support of the Japan Economic Foundation (JEF), and noted that JEF Chairman Toyoda ('79) is also a Princeton alumnus. Toyoda described JEF's longstanding mission to foster dialogue between Japan and other countries, especially the United States. Recent years have brought difficult challenges for global order, ranging from political tensions and crises in many democracies to expansionist drives by authoritarian regimes, particularly with Russia's invasion of Ukraine and China's maritime assertiveness. Countries like the United States and Japan are searching for viable strategies to balance between free and open trade and newly-pressing economic security imperatives.

In his recent address to the United Nations General Assembly as Japan's outgoing premier, Prime Minister Shigeru Ishiba stressed the need for greater global partnership and tolerance. Japan and the United States should try to uphold this spirit. It is hoped that this forum will help people from both countries think about prospects for the U.S.-Japan alliance and ways to strengthen and expand it, of great importance now as Japan undertakes a leadership transition.

Session 1 – Competition with China: U.S.-Japan Cooperation on Technology and Industrial Policy

Moderator: Kathleen R. McNamara, Georgetown University

Speakers:

Mariko Watanabe, Gakushuin University

Teruko Wada, Keidanren USA

Chris Kennedy, Bloomberg Economics

Aaron L. Friedberg, Princeton University

McNamara opened the session by emphasizing the rise of governments' activism in markets beyond traditional neoliberal frameworks. She asked how allies with shared values could coordinate in building resilient economies. She also asked how other countries might learn from Japan, given Japan's long and innovative history in managing extended supply chains. Watanabe highlighted what she called China's "catalogue"-based industrial policy, in which the government issues changing catalogues of preferred or restricted industries to target for development. This policy design helped China achieve scale economies in many industries, which have stretched the limits of the liberal order's global trading rules. Watanabe urged attendees to think about new frameworks or rules to ensure better competition and discipline against abuses of scale.

Wada then provided a business perspective, stressing the impossibility of full decoupling from China in the coming years. Geopolitical tensions have highlighted vulnerabilities in key industries like semiconductor and battery production, and rare earth mining and processing. However, businesses struggle to address these vulnerabilities when policies are volatile or poorly aligned, and when there is little coordination between likeminded countries that could pursue shared goals. Wada pointed to opportunities for Japan-U.S. business collaborations in diversifying Indo-Pacific supply chains, investing in new critical mineral production, and conducting R&D on semiconductors and energy production. She noted that Japanese businesses are the top foreign investors in the U.S., and remain committed and enthusiastic about working with American firms and markets.

Kennedy spoke to changes between the Biden and Trump administrations: while the former developed subsidies for critical industries, the latter has pursued direct investments and interventions in specific private firms. Such intervention generates fears among businesses, but Kennedy suggested that this may have some beneficial effects, as many firms were slow to react to Biden administration policy directions. Kennedy praised Japan's effective resource strategies, from investing in Australian mineral production to building domestic mineral stockpiles. The U.S. can learn from this effort as well as from Japan's knowledge of Chinese industrial capacities. Apart from China, Japan is "the only country that can help us build out the whole rare earths stack."

Friedberg warned that Japan and the U.S. lack a clear vision or goal for their China-focused policies. After the Cold War, democracies hoped that economic integration would promote political liberalization in the USSR and China, but these hopes have failed, and now China is trying to dominate industries from quantum computing to biotechnology to EVs and drone parts. Friedberg advocated a "trade defense coalition"

comprising the U.S., Japan, the EU, and other industrial democracies. This coalition would support freer trade among its members while jointly limiting trade with China. Friedberg called this a “second-best” outcome, one bearing significant costs but preferable to allies acting separately. Friedberg proposed developing this coalition through an “inkblot” strategy of building upon the most feasible areas of allied economic collaboration, such as the U.S. and Japan jointly developing shipbuilding capacity.

All panelists agreed that China’s industrial policies have reshaped global competition, that resilience in critical minerals and semiconductors is a shared priority, and that the U.S. can learn from and lean on Japan’s industrial strengths. However, Watanabe and Wada stressed the need for some engagement with China, while Friedberg insisted that a concerted defensive coalition is essential.

Audience questions probed Japanese investment and visa issues, the efficacy of U.S. industrial subsidies, and types of export controls. Wada reassured that Japanese firms have not had visa issues and comply with U.S. immigration rules, citing Fujifilm’s training of nearly 700 workers in North Carolina as an example. Still, Japanese firms would likely welcome changes to U.S. immigration laws that would allow easier entry by skilled engineers from overseas to help in building new factories. Kennedy compared successes of semiconductor-focused industrial policies with flaws in other U.S. subsidy programs, which failed to make prices competitive against quickly falling prices from China. Other U.S. subsidies may have spread support for rare earth production too thinly.

Ikenberry asked about examples or models of countries that effectively coordinated export controls. Friedberg noted Cold War-era controls on semiconductor and machine tool exports, while an audience member— former Commerce Department official Thea Kendler— described the cooperation between Japan, the U.S., and the Netherlands in managing trade in semiconductor production equipment. Friedberg speculated that given the specialization of certain sensitive technologies, bilateral or mini-lateral agreements on export controls could be more important than larger multi-lateral agreements.

The speakers debated which direction the Trump administration is moving. Will Trump pursue a deal with China that sacrifices major security interests, or instead pursue tighter security-focused policies and coalitions? Kennedy noted Trump’s aggressive use of secondary tariffs and the foreign direct product rule with U.S. trade partners, while Wada warned of the effects on businesses. Friedberg suggested that trade policy could be Trump’s avenue for achieving a defensive coalition, as perhaps seen in trade discussions with Vietnam. Watanabe surmised that China could be open to compromises on its industrial overcapacity, as this does not involve a core “sovereignty issue,” whereas Friedberg saw little chance that China would halt its industrial expansion drive.

In concluding remarks, Kennedy observed that if Washington eliminates fentanyl tariffs, then the differences in tariffs between China and potential alternative manufacturing partners would not be large enough to meaningfully shift supply chains. Watanabe called for finding positive incentives for China to adjust its practices, while Wada urged more dialogue. McNamara cited the example of Europe's "common European interests" framework for allowing state interventions in markets as a possible tool in building "trade defensive coalitions."

Session 2 – The Future of Japan-US Security Cooperation in the Indo-Pacific

Moderator: Thomas (Tom) Wright, Brookings Institution

Speakers:

Mitsuhiro Nishida, JETRO New York

Satoru Mori, Keio University

Daniel Russel, Asia Society Policy Institute (ASPI)

Christopher B. Johnstone, The Asia Group

Wright opened the panel by recognizing progress in trilateral and Quad cooperation, but pointed to new frictions over defense spending, trade, and strategies toward China. Nishida called for strengthening the U.S.-Japan alliance through cooperation in industrial policy, pointing to shared interests in promoting energy security and a new generation of nuclear reactors. Johnstone noted that the alliance is less "settled" given the freezing of "2+2" ministerial dialogues and the likelihood that the U.S. will not return to its traditional global role. Still, Johnstone highlighted core structural factors making him optimistic about U.S.-Japan relations, including rising pressure from competition with China, deepening U.S.-Japan military ties, Japan's deepening defense industrial partnerships with the U.S. and other regional actors like Australia, and the potential for more mini-lateral partnerships with countries like the Philippines.

Mori stressed that while Japanese leaders are concerned about Washington's policy changes, the U.S. remains the "core ally" of Japan. The U.S. is now increasingly important to Japan's economy, while Chinese military exercises with Russia and increased naval activity around Taiwan and the South China Sea make the U.S. ever more indispensable to Japan's security. The challenge for Japan and other allies is to prove their indispensability to the U.S. in both economics and security. Japan must find ways to

fund escalating defense and social security costs while upgrading ties with other regional powers like Australia and the Philippines.

Russel described the alliance as increasingly capable but politically vulnerable, citing an “erosion of trust” and more volatile or impulsive politics. Russel warned that the alliance may suffer from trade disputes, strategic misalignments, poor preparation to coordinate during crises, and fragmentation between many mini-lateral groupings. Moving forward, Russel endorsed Friedberg’s idea of an “inkblot” strategy, such as by improving bureaucratic and private sector contacts between both countries. Russel also warned that risks around North Korea were underappreciated.

All speakers generally saw opportunities for collaboration around industrial supply chains, but differed in perceptions over how much the alliance was shifting in response to Trump. Wright pondered whether U.S. allies would need to get used to U.S. foreign policy shifting more dramatically depending on which party holds power. Russel concluded that the U.S. is experimenting with “bullying” and wondered if Japan would ever trust the U.S. as much in the future. Johnstone agreed that the recent U.S. approach would likely prove ineffective, but noted that it is probably necessary for allies to contribute far more to security, with 2% of GDP in defense spending becoming a minimum rather than a target.

By contrast, Nishida warned that Japanese businesses have been slow to recognize dramatic changes in Asia’s security environment and their need to contribute more to U.S.-Japan security. Mori praised the Japanese government’s efforts in U.S.-Japan trade negotiations to frame issues around adjusting Japan’s supply chains and enhancing economic security, so that the trade deal could be seen as positive for both sides.

The subsequent discussion covered Taiwan, nuclear proliferation, Japan–Korea relations, changes in Japanese domestic politics, and relations with the Philippines. On Taiwan, the speakers agreed that some contingency planning is essential and that Washington and Tokyo remain generally well aligned strategically. While some ambiguity is understandable, the U.S. and Japan should discuss how they would respond to heightened grey zone or information warfare activities and mobilize to deter a conflict. Johnstone reflected that Japan may not be viewing Taiwan issues as urgently as the U.S. now is, while the U.S. risks having confusing rhetoric around Taiwan even as its underlying commitment remains strong.

On Korea, Mori praised Secretary of State Rubio’s statements and growing cooperation on the ground, and Johnstone and Nishida praised President Lee Jae Myung’s efforts to further enhance Japan-South Korea cooperation. The speakers agreed that the dangers of North Korean military modernization were murky but “immense.” Russel believed that if Seoul loses faith in American deterrence, then South Korea could develop nuclear

weapons followed by Japan, though the redeployment of U.S. nuclear weapons to South Korea with a “dual key” mechanism is also possible. Mori was more skeptical that Japan would pursue nuclearization, as a nuclear program would be unpopular and would divert funds from conventional capabilities, undermining the U.S. and Japan’s joint capabilities. A U.S.-Japan partnership where Japan developed “nuclear-capable” submarines would be more likely than outright nuclearization.

Mori urged the U.S.’s allies in Asia to demonstrate their value to the U.S., and expressed confidence that they could prove themselves to any “transactional” U.S. president. Nishida observed that Japan can relate well to ASEAN countries regarding China, and that Japan can work more with Europe and ASEAN to strengthen supply chains. Johnstone noted the U.S.’s continued support for the Philippines and hoped Japan would take a larger role in building new regional security partnerships, though Mori cautioned that partnerships with Manila could change sharply after the Philippines’s next presidential election.

Russel believed that while American and Chinese forces behave professionally, there is a greater risk of conflict between Chinese and Filipino forces. De-escalation mechanisms between Beijing and Washington were always challenging and now are far more so. Finally, Russel hoped that if Trump gives rhetorical support to Beijing’s goals for Taiwan, then Japan will give Taiwan greater diplomatic and economic support.

Closed Session - The US Trade War and the Challenge of Maintaining a Rules-Based World Political Economy

Speakers:

Masanori Tsuruda, Embassy of Japan

Kazuhiro Maeshima, Sophia University

Adam Posen, Peterson Institute for International Economics (PIIE)

Daniel W. Drezner, Tufts University

Many Japanese businessmen have expressed dissatisfaction with recent U.S. trade negotiations; however, some argued that these talks should be viewed as an opportunity and a potential source of more stable relations. The success and expansion of the CPTPP could help the U.S. and China rebuild a sound trade order. Still, the prospect of the U.S.

returning to multilateralism remains low, and thus Japan should advise Washington that treating its allies well will ultimately benefit U.S. interests.

Although the U.S. rejects multilateralism, a paradoxical observation was made that a multilateral coalition is essential for improving trade conditions with China. Despite geopolitical changes, the global supply chain has shown greater resilience than expected. While there is a recognized decline in the liberal order, there is no need for excessive pessimism. Massive investments in AI and gains in productivity are seen as factors dispelling economic concerns, fostering expectations that the U.S. economy will show “K-shaped” but moderate overall growth.

Efforts toward an expanded CPTPP have been positively evaluated, but member countries are unlikely to take a unified approach toward both the U.S. and China. There were also concerns that President Trump might use Taiwan as a bargaining tool in negotiations with China; yet, once he recognizes a significant U.S. interest, he is unlikely to abandon it—similar to his stance on Ukraine’s security. Finally, it was emphasized that the political impact of trade tends to be overstated: while the economy is important, factors such as ethnicity, religion, and gender have a stronger influence on voters’ behavior from politicians’ perspectives.

Overview

The forum underscored aspects of the fragility and vitality of the U.S.–Japan relationship. Four themes appeared across sessions: supply chain resilience and revived industrial policy; transactionalism in U.S. foreign policy; the mutual indispensability of the U.S. and Japan, in security cooperation and perhaps increasingly in complex supply chains; and the need for new—regional or mini-lateral, in security or trade—coalitions to maintain aspects of the liberal international order in Asia. Speakers from Japan tended to express confidence in the Japan-U.S. alliance and hope for new trade deals like an expanded CPTPP, while speakers from the U.S. tended to be pessimistic about the chances of new trade or multilateral pacts. Speakers differed in their views of how much the relationship would change in response to Trump or China, but all stressed the need for creative adaptations to strengthen the alliance and cement its foundations in popular politics.