

July 8, 2025

The Global Economic Order and Japan-US Relations Under Trump 2.0

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1. Disavowing Globalization: Economic Nationalism Under the America First Agenda

The second Trump administration is furthering the America First agenda. Immediately after assuming office, President Trump announced four priorities: 1) make America safe again, 2) make America affordable and energy dominant again, 3) drain the swamp (i.e., expel vested interests), and 4) bring back American values. Under these themes, the administration is attempting to bring manufacturing back to America, toughening controls on immigration, pursuing large-scale deregulation, and cutting taxes. Most strikingly, the administration has imposed tariffs aiming to rectify “unfair and unbalanced trade” and “make the country more secure.” This has raised concerns that the US government is weaponizing economic interdependence.

Trump’s tough stance against China is not new; it began during the first Trump administration and was maintained by the Biden administration. However, the second Trump administration ratcheted up the tension with tariffs, raising them as high as 145% at one point, in full knowledge of how such tariffs would impact the US economy. Responding in kind, China announced retaliatory tariffs on exports that are vital to Trump’s base (e.g., energy resources and corn). At the time of presentation (May 2025), Trump suspended the tariffs on China for 90 days, and the tariffs the two countries impose on each other are down to 115%.

The Trump tariffs have sent shockwaves through the world economy. Mexico and Canada, which rely on the American market for approximately 80% of their exports, have been severely impacted by extra tariffs imposed on them, despite them being signatories of the United States-Mexico-Canada Agreement (USMCA). Japan, too, has been impacted; although only 20% of Japanese exports are directly exported to the American market, a substantial portion is routed through Canada, Mexico, and China. Therefore, in effect, Japan is highly dependent on the US market. In short, it is evident that domestic politics in the US are dampening the ability and will of the US to act as a global hegemon that champions globalization.

2. Opposition to Multilateralism: Fresh Attempts at a Rules-Based Order

The Biden administration, despite having committed to restoring multilateralism, never

proceeded to rejoin the Trans-Pacific Partnership (TPP) or revamp the World Trade Organization's (WTO) process for dispute settlement. The rampant abuse of the WTO security exemption (whereby members can impose trade controls on the grounds of national security) had undermined the cause of genuine multilateralism, and Biden's efforts only resulted in distorted multilateralism. Although Biden also took on building a new multilateral frameworks, culminating in the Indo-Pacific Economic Framework (IPEF), his administration never demonstrated the political commitment necessary to lead the global economy.

The shift away from international institutions has gained momentum under Trump 2.0. Under this administration, the US has withdrawn from the WHO and the Paris Agreement (again) and has cut off funding to and suspended participation in UN institutions such as UNRWA and UNESCO. Moreover, it has pursued its own trade policies with no regard for the WTO's most-favored-nation (MFN) principle or Multi-Party Interim Appeal Arbitration Arrangement (MPIA), in which Japan participates along with 54 other nations. If current trends continue, the US will engage with such institutions only to the extent that such engagement suits its own national interests while disclaiming any obligation to engage further.

Meanwhile, Japan has achieved considerable success through economic cooperation. Approximately 80% of Japanese overseas trade is covered by free trade agreements (FTAs). Most saliently, Japan has played a leading role in the TPP. Japan's leadership was epitomized by its role in forming the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) when the US withdrew from the TPP. The US has stayed away from minilateral FTAs, too, whereas Japan is playing a central role in a range of partnerships. As the US continues to retreat from international frameworks, Japan will have an increasingly crucial role to play.

3. Domestic Political and Institutional Deadlock: The Rise of Authoritarianism

America's current trade strategy emerged against a domestic political backdrop of widening financial inequalities and political divisions. Following the 2008 financial crisis, high-income earners accounted for an increasing share, while middle-income earners received limited benefits from the economic recovery. Financially squeezed households, which once formed a sizeable middle class, became riven by social problems such as fentanyl abuse. Consequently, populism spread among this segment of the population, leading to the rise of the Tea Party. Many of the people in Trump's formidable electoral base had been involved in the Tea Party movement. This factor has widened the political division.

Moreover, division is evident within the Republican Party itself. Despite holding the majority of seats in the House of Representatives and Senate, Trump is wont to issue executive orders that bypass congressional approval due to this thin majority margin in the legislatures.

Since assuming office, Trump has issued more executive orders than his predecessors did. This trend has fueled fears of a rise in authoritarianism in America.

4. Japan-US Relations: Japan's Diplomatic Strategy

Japan invests in the US more than any other country. Japan-US amity will remain a source of advantage for Japan into the future. However, the close economic interdependence between the two countries implies Japan's high vulnerability to its bilateral trade with the US.

As such, the key diplomatic task for Japan is to determine how to leverage the Free and Open Indo-Pacific (FOIP) concept to greater strategic effect and foster a rules-based international order.

5. Conclusion

The domestic political scene in America today is not an isolated phenomenon, particular to the second Trump administration, but part of a deeper political and economic transition that began during the 2008 financial crisis. Thus, it is unlikely that the US will promptly assume the role of maintaining the international order. Accordingly, rather than relying only on amicable relations with the US, Japan should reframe its role and strategy from a broader international perspective.

(This is an English translation of an outline of the lecture delivered by Dr. KATADA Saori, Professor, University of Southern California, at the 105th Policy Plenary Meeting of CEAC on May 26, 2025.)