

Trump Tariff 2.0 in the US–China Hegemonic Rivalry: Implications for Japan

By TERADA Takashi

1. Background to the Trump Tariff Policy

The Trump administration's tariff policy should not be dismissed as mere protectionism or political theatrics aimed at mobilizing its electoral base. Rather, it forms a core element of a broader national reindustrialization agenda known informally as the "Make America Great Again (MAGA) masterplan." This plan rests on three interlinked pillars: achieving industrial independence, consolidating national fiscal health, and enhancing economic security. Stephen Miran, the Chairman of the Council of Economic Advisers (CEA), is believed to be one of the intellectual architects of this strategy, while Scott Bessent, the Secretary of the Treasury, has been central to its operational implementation. Prior to his appointment as Treasury Secretary, Bessent showed his interest in Abenomics by writing articles in support of Prime Minister Shinzo Abe's economic management. From Bessent's and Miran's articles, it is clear that tariff revenue is considered critical to sustaining the Trump tax cuts (income tax reductions). Thus, the tariffs have a structural significance that goes beyond them being merely a measure in a trade competition.

2. The Three-Pronged Approach to Tariffs and the Phased Strategy

The Trump tariffs serve multiple functions: they generate revenue, support the rebuilding of traditional industries such as automobiles and steel as part of a broader protectionist strategy, and provide leverage in trade negotiations. This approach unfolds in three stages. First, the administration frames economic disruptions—such as supply chain disturbances or stock market volatility—as "planned disruptions," thereby attempting to shape public perception and preempt backlash. Second, tariffs are employed tactically to lay the groundwork for favorable trade negotiations, allowing the U.S. to extract concessions or restructure trade terms. The third stage involves a more profound ideological shift: establishing a public narrative that unregulated free trade is no longer in America's national interest. In this stage, tariffs become a mechanism to reshape the global trade architecture in line with the administration's vision of economic sovereignty.

3. The Negotiation Process and the "Mar-a-Lago Accord"

A proposal informally referred to as the "Mar-a-Lago Accord"—believed to have originated

from Miran—has garnered significant attention, particularly among U.S. allies such as Japan. This conceptual framework envisages a new monetary and trade system in which the United States retains the dollar's status as the global reserve currency, while its allies are incentivized (or pressured) into forming strategic currency arrangements with Washington. In practice, such arrangements would condition tariff reductions on U.S. security guarantees and preferential market access, effectively creating a system of conditional economic engagement. This proposed framework is sometimes described as a "Plaza Accord 2.0," referencing the historic 1985 agreement among major economies to realign exchange rates. If pursued, the Mar-a-Lago Accord could emerge as a central feature of future Japan–U.S. tariff negotiations and broader regional economic realignment.

4. Domestic Political Forces and Power Dynamics

Within the U.S. domestic political landscape, the Trump tariffs are supported by factions aligned with the "New Right," which emphasizes fiscal restraint, industrial sovereignty, and the integration of economic policy with national security concerns. Both Bessent and Miran are associated with this school of thought, which advocates a national economic strategy incorporating trade, currency, and defense policy in a unified framework. Symbolically, President Trump strongly backs this approach, not necessarily because of its anti-China stance, but due to the alignment with his broader nationalist economic agenda, with a central goal of sustaining the renewed tax cuts. Notably, individuals with overtly hawkish views on China have been appointed to positions overseeing security and defense policy, such as Marco Rubio (Secretary of State) and Peter Hegseth (Secretary of Defense). These balanced appointments within the Trump administration suggest that economic policy and China containment are being operationalized through separate but complementary ministerial channels to attain the victory in the hegemonic competition with China.

5. Chinese Retaliatory Measures and Strategic Response

Although China remains the principal target of U.S. tariffs, it retains considerable room for maneuver, with two main options for retaliation: economic countermeasures and currency-related responses. One particularly potent measure would be to restrict the export of rare earth elements, which are essential for U.S. defense platforms such as the F-35 fighter jet and nuclear submarines. Faced with this vulnerability, the U.S. has already scaled back its initial tariffs on Chinese imports—from a proposed 145% to 30%—to avoid undermining its own defense industrial base. A more extreme retaliatory option for Beijing would be to sell off a significant portion of its U.S. Treasury bond holdings. This option could exert downward pressure on the dollar's value and destabilize financial markets. While the idea of a Chinese

bond sell-off has long circulated in the media, it remains speculative. Nonetheless, it underscores a critical asymmetry in the U.S.–China economic rivalry: Washington's fiscal fragility is a latent vulnerability, even as it seeks to weaponize tariffs as a strategic tool. Whether and when China would exploit this remains an open—and politically charged—question.

6. Responses from Key Countries and Future Scenarios

In response to these evolving dynamics, countries such as Japan, Australia, and member states in the European Union (EU) have turned toward multilateral frameworks as a buffer against U.S. tariff coercion. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), in particular, has emerged as a key candidate, due to its advanced trade liberalization rate—covering nearly 99% of tariff lines—and its broad regulatory scope—covering environmental protections, labor standards, and digital trade—position it as a rule-based alternative to ad hoc tariff negotiations. The EU has expressed interest in closer coordination with CPTPP economies, suggesting that the agreement could evolve into a platform for sustaining open trade norms under growing geo-economic pressure. Japan has played a leading role in the CPTPP's establishment in 2018 and ongoing governance, and many countries expect Tokyo to advocate for its expansion. However, a looming dilemma concerns whether China should be admitted into the pact, particularly if U.S.–China tariff negotiations remain stalled. Yet China's behavior in international economic forums has often been seen as assertive and uncompromising. Like the Trump administration, Beijing tends to emphasize national prerogatives over multilateral compromise. This lack of trust in China as a trade negotiating partner has already slowed its CPTPP accession talks and may continue to hinder its prospects.

7. Implications for Japan

As discussed, the Trump tariff strategy represents more than tactical protectionism; it signals a strategic shift toward remaking the global economic order. The longstanding hegemonic rivalry between the U.S. and China may be entering a new phase—one marked not only by competition over rules and standards, but by efforts to reengineer the very institutions and frameworks that underpin the international economic system. Japan now faces critical decisions. It can collaborate with like-minded countries to promote high-standard, rule-based trade through the CPTPP while avoiding dependence on either the U.S. or China. Exclusion of both powers from the CPTPP—at least in the near term—may help shield the framework from destabilizing strategic pressures and preserve its integrity as a neutral zone for open trade. To that end, Japan should proactively work to expand CPTPP membership among

trusted partners such as the EU and other like-minded economies by promoting transparency, digital trade rules, and green trade standards. More significantly, the CPTPP can prepare countermeasures to mitigate the spillover effects of U.S.–China tariff escalation. By pursuing these strategies, Japan can position itself as a stabilizing force amid intensifying great-power economic competition—offering a rules-based buffer against coercive geo-economic practices.

(This is an English translation of an outline of the lecture delivered by Dr. Takashi Terada, Professor of Department of Political Science, International Relations, Doshisha University, at the 104th Policy Plenary Meeting of CEAC on April 24, 2025.)