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Analysis of today
Assessment of tomorrow

By: TA Analysis

Trump chooses the projects; Japan takes the financial risk



On 19 November, Tadashi Maeda, chairman of the board of the Japan Bank for International Cooperation (JBIC), requested that Japan be given a greater role in deciding which investments to finance in the United States.

In an interview with Reuters, he said Tokyo should already be participating in project design instead of merely evaluating proposals previously prepared by the American side.

These investments are included in last year's trade agreement, under which Japan undertook to support projects with a total value of up to $550 billion.

Maeda's request highlights an issue that was downplayed during the signing of the agreement because of trade negotiations.

The September 2025 memorandum stipulates that joint consultations must precede the recommendations of the US investment committee, but gives the final decision on project selection to the US President.

Japan can refuse financing, but the agreement anticipates possible financial and customs consequences of such a step.

For the bank that must sign the loan agreement, it is crucial to know what kind of income the plant will generate over the coming decades.

Maeda's statement shows that Japanese financiers want costs and risks to be discussed before projects receive their final political approval.

The price of customs agreements

When Washington and Tokyo reached a trade deal in July 2025, US tariffs on Japanese cars were among the biggest threats to the Japanese economy.

The agreement provided for their reduction from 25% to 15%, while Japan accepted an extensive programme to finance American energy, industry and strategic technologies.

For Washington, the investments resulted from a trade policy that encouraged the opening of new plants, while Tokyo sought to protect its exporters with lower tariffs.

The promised $550 billion was not allocated in a single budget, nor was this money transferred to the American authorities.

The programme includes loans from the state bank JBIC, loans from commercial banks and insurance provided by the Japanese state agency NEXI, which protects creditors against certain risks of non-payment.

> Each deal must undergo a review that cannot be replaced by a political agreement alone

The memorandum envisages investments up to 19 January 2029, with funds approved and disbursed according to the needs of individual projects. Under this arrangement, each deal must undergo a review that cannot be replaced by a political agreement alone.

For the Japanese government, investing in an American power plant can be justified if it creates jobs for Japanese equipment manufacturers and, at the same time, generates enough revenue to repay the loan.

The difficulty arises when the American administration has already announced the project before the financiers determine how much its construction will cost, who will buy the product, and how much of the risk the state should bear.

What is behind the announced billions

According to data from the Japanese Ministry of Finance published on 28 October, the seven announced projects are valued at around $130 billion.

Five of these, with a projected total value of approximately $69 billion, had loan agreements totalling around $11 billion by 30 September, including about $3.66 billion underwritten by JBIC.

The total estimated cost of the plant, the value of signed loan agreements and the funds actually paid out represent three distinct sets of data. In the case of a power plant that has been under construction for several years, the bank approves funds in advance and disburses them in stages, in line with the work completed.

Further progress is evident from recent announcements by JBIC, which on 13 November increased its loan for infrastructure supporting the export of US oil and, in a report published on 16 November, confirmed its participation in financing gas power plants in Pennsylvania and Texas.

> Washington wants to retain the freedom to choose investments according to US industrial priorities

These deals show that projects are under way, but the pace of construction will depend on agreed credit terms, contracts with future buyers and deadlines set by contractors. Every major announcement is followed by a process in which financial institutions may request changes to the project or additional loan collateral.

Maeda wants Japanese institutions to participate while these conditions are still being formed, before political choices narrow the scope for change. A project developed with input from financiers can obtain funding more easily than one whose basic assumptions are only altered after political approval.

Washington, however, wants to retain the freedom to choose investments according to US industrial priorities, so the question of jurisdiction is shifted from the interstate agreement to individual businesses.

The power plants are putting the agreement to the test

Among the projects that have already received financial support are gas-fired power plants intended to supply data centres, whose electricity consumption is rising with the spread of artificial intelligence.

The US administration is relying on new production facilities and a more reliable supply for its domestic industry. For Japanese creditors, however, long-term electricity sales contracts are crucial.

If the customer pays too little, gas costs rise, or the plant operates below the expected capacity, there may be less money available to repay the loan than the financial plan predicts. This risk also exists when the project is strategically important for US energy policy.

Japanese officials have already discussed this. At the session on 18 September, members asked what benefit Japan gains from power plants that primarily meet US needs, who will supervise the companies that manage them and how the state will act if the project begins to incur losses.

> If a risk covered by the insurance materialises and the debtor fails to meet its obligations, the burden may also fall on the state insurer

Representatives of the Ministry of Finance explained that the bank and other competent institutions are monitoring the investments and that any possible withdrawal from a problematic project would be discussed with the US side.

In this programme, some of the risk borne by private banks is transferred to the Japanese public sector. In August, Citibank joined a co-financing deal for a gas-fired power plant worth roughly $4.6 billion, with Japan's state agency NEXI providing the private portion of the financing.

If a risk covered by the insurance materialises and the debtor fails to meet its obligations, the burden may also fall on the state insurer. Such a government guarantee gives Tokyo an additional reason to be involved in project selection before assuming the obligation to protect creditors against possible losses.

Who will receive the orders

Tokyo expects the programme to benefit its manufacturers as well. The memorandum stipulates that Japanese suppliers should be given preference where feasible, but there is no guarantee of an order for a company that simply expresses interest in supplying equipment.

In large power plant and factory projects, the choice of technology and main suppliers is often determined during the construction preparation phase, when Japanese firms can exert the greatest influence on future business opportunities.

> If Japan is slow in preparing the investment, its companies may lose some of the work

For the semiconductor plant in New York State agreed in October, an initial investment of about $10 billion is planned, with a possible expansion to $21 billion.

Tokyo Electron and SCREEN have expressed interest in supplying production equipment, and other Japanese companies have shown interest in providing materials and purchasing chips.

The supplier's stated interest is only the start of negotiations, during which prices, deadlines and technical requirements will be agreed. If Japan is slow in preparing the investment, its companies may lose some of the work, even while their banks help build the American factory.

Refusing a loan can be costly

The memorandum permits Japan to refuse funding for a specific project after consultation. The same document also envisages the possibility of changing the agreed distribution of income and increasing US tariffs.

The memorandum itself does not have the force of a court-enforceable international treaty, and any tariff increase would have to be underpinned by applicable US law.

However, the very possibility of a trade response affects the credit decision, because rejecting a project could affect Japanese exporters who have no involvement in it.

A bank must have the right to reject a bad deal without being pressured to conceal financial risk for the sake of maintaining stable trading relations.

> The possibility of US trade pressure remains significant

The financial calculation also depends on the rules governing income distribution. The agreement stipulates that the money available for distribution from special companies established for individual projects will first be divided equally until the Japanese side has recovered the calculated value of its investment, including associated interest.

Beyond that threshold, the American side receives 90%, and the Japanese side 10%. Repayment of specific bank loans is governed by their individual contracts, so these percentages should not be equated with the interest charged by the bank.

However, it is crucial for Tokyo to understand from the outset what risk it is assuming and what overall benefit it can expect.

Political uncertainty was further heightened by the decision of the US Supreme Court in February 2026, which limited the use of emergency economic powers legislation to

introduce tariffs.

The administration then relied on other legal bases, and customs rules for Japan vary by product group. The possibility of US trade pressure remains significant, although it cannot be described by a single rate applying to all Japanese goods.

How long Washington can decide on its own

The most likely outcome of Maeda's request is greater Japanese participation in project preparation, while the formal final say on their selection would remain with the President of the United States.

The existing joint consultation mechanism could ensure earlier involvement of Japanese financiers and producers, even without a formal amendment to the memorandum, but there is still no confirmation that the US administration has accepted Maeda's proposal.



The shared interests of the two governments support gradually shifting Japanese participation to the earliest stages of decision-making

The US side has strong grounds for maintaining control, as investment is an important part of Trump's industrial policy and his promises of new jobs. However, already contracted power plants show how much more complex implementation is than the public announcements.

A Japanese bank requires verifiable income and acceptable guarantees, while Japanese companies want concrete orders. If those needs are considered only after Washington makes its choice, subsequent projects will take longer to be agreed, increasing pressure on the January 2029 funding deadline.

The shared interests of the two governments support gradually shifting Japanese participation to the earliest stages of decision-making.

Washington will be more inclined to do so in projects where financing would be difficult to secure without Japanese support, and less willing to make concessions where it has a political interest in securing a particular factory or power plant.

In such cases, Japanese institutions would need to demonstrate that earlier participation leads to better projects, rather than simply adding another round of negotiations and delays.

The agreement will prove its worth through contracted, sustainable deals, and the American right to choose projects will carry less and less practical significance if Japanese banks are unwilling to finance them.