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# U.S.-Japan Relations

## Overview

Japan, a U.S. treaty ally since 1951, is a constructive U.S. partner in several foreign policy areas, particularly security and trade. Shared security goals include meeting the challenge of an increasingly powerful China and countering threats from North Korea. The U.S.-Japan mutual defense treaty grants the United States the right to base U.S. troops—currently numbering over 50,000—and other military assets on Japanese territory in return for a U.S. pledge to protect Japan. The two countries collaborate through bilateral and multilateral institutions on issues such as science and technology, global health, energy, and climate. Japan is the fourth-largest overall U.S. trading partner and largest source of foreign direct investment into the United States, and its investors are the largest foreign holders of U.S. Treasury securities. Congressional interest and oversight in U.S. relations with Japan generally focuses on alliance cooperation—particularly on how Japan and the United States coordinate their China strategies—and trilateral security relations with South Korea.

Within the context of restoring and strengthening U.S. alliances globally, the Biden Administration positions the U.S.-Japan alliance at the center of its U.S. Indo-Pacific strategy. Japan has adopted more assertive security and foreign policy postures since the early 2010s, allowing more flexibility for the alliance in confronting regional challenges. Both governments distrust Beijing and see China's rising power and influence as detrimental to their national security. Japan's proximity to China—and the two countries' maritime and territorial disputes—heightens its concern as well as its incentives to manage bilateral tensions. President Biden has embraced the Quadrilateral Security Dialogue (“the Quad”) with Japan, Australia, and India as a primary mechanism to advance shared goals in the region and has participated in three leader-level Quad meetings. The Biden Administration also is leading the Indo-Pacific Economic Framework for Prosperity (IPEF), a new regional economic and trade initiative with Japan and key partners.

Prime Minister Fumio Kishida's government responded to Russia's invasion of Ukraine forcefully, viewing Russia's aggression as a threat to the international rules-based order, and drew potential parallels with China's claims over Taiwan. Japan has adopted most of the sanctions and other penalties against Russia employed by the United States and Europe, and provided humanitarian and material support for Ukraine despite Russia's threats to curtail energy supplies.

## The U.S.-Japan Military Alliance

Since the early 2000s, the United States and Japan have improved the operational capability of the alliance as a combined force, despite Japanese political and legal constraints. Japan has accelerated reforms to make its

military (known as the Self-Defense Forces, or SDF) more capable, flexible, and interoperable with U.S. forces. Japan pays roughly \$2 billion per year to defray the cost of stationing U.S. military personnel in Japan. In addition, Japan pays compensation to localities hosting U.S. troops, rent for the bases, and the costs of new facilities to support the realignment of U.S. troops.

Many Okinawans and Okinawan politicians oppose a decades-long effort by the U.S. and central Japanese governments to relocate Marine Corps Air Station Futenma from a crowded city to a less-congested area. About 25% of facilities used by U.S. Forces Japan (USFJ) and over half of USFJ personnel are in Okinawa, which comprises less than 1% of Japan's total land area. Okinawans have long expressed widespread opposition to the construction of new bases in their prefecture.

## Japan Expands Its Defense Posture

Japan is constrained in its ability to use military force by its U.S.-drafted pacifist constitution, as well as Japanese popular hesitation to engage in military conflict. However, as perceived threats from North Korea and China have grown more acute, Japan's government and populace have reconsidered the country's approach to national security. With the Liberal Democratic Party (LDP) and its smaller coalition party Komeito in firm control of the Diet (Japan's parliament), Kishida has the potential to loosen some of Japan's long-held restrictions on its military posture, particularly if he gains the support of the more dovish Komeito party. Parliamentary elections do not need to be held until 2025.

In 2022, Kishida's government released three security documents that provide a blueprint that could fundamentally reshape Japan's approach to defending itself and to its security relationship with the United States. The documents label China as an “unprecedented strategic challenge,” declare Japan's intention to develop a “counterstrike” capability to attack enemy missile sites, and outline plans to increase Japan's security-related expenditures to 2% of its national gross domestic product (GDP), in line with NATO standards. Post-war Japan generally has limited defense spending to 1% of its GDP. If this increase takes effect, Japan's defense budget will become the world's third-largest. The documents do not specify how Japan will implement these goals, or to what extent Japan will pursue them in tandem with the United States.

Japan also has expanded its security cooperation with Australia, the United Kingdom, the Philippines, and India, with the encouragement of the U.S. government. Although not as developed or formalized as the U.S. treaty alliance, these burgeoning relationships indicate efforts by Japan to

diversify its defense partnerships and—potentially—lessen its dependence on the United States for its security.

## Regional Relations

Tokyo is existentially concerned about Beijing's growing economic and military power. A perpetual challenge is a dispute between the two countries (as well as Taiwan) over a group of uninhabited Japan-administered islets in the East China Sea (known as the Senkaku Islands in Japan, and Diaoyu in China). Despite these tensions, which have been fueled in part by frequent operations near the islands by Chinese government vessels, Tokyo and Beijing have largely managed to keep tensions from escalating. As China has increased economic, diplomatic, and military coercion of Taiwan, the Government of Japan has framed the prospect of cross-Straits conflict as an urgent challenge. Such a conflict could involve the United States, and likely would implicate U.S. and Japanese military personnel and assets in Japan, especially in Okinawa. China is Japan's top trading partner, accounting in 2022 for 20% of Japan's total goods trade. (The U.S. share was 14%).

Japan-South Korea relations are perennially fraught because of a territorial dispute and sensitive historical issues stemming from Japan's colonization of the Korean Peninsula from 1910 to 1945. Relations plummeted in the past five years over trade, security, and history-related issues. South Korean President Yoon Suk-yeol, who took office in May 2022, has prioritized improving relations with Japan to better deal with the shared challenges of North Korea and China. Kishida and Yoon have exchanged reciprocal summit visits, the first in over a decade, held three trilateral summits with Biden, and restarted and expanded bilateral and trilateral security cooperation. The Biden Administration has helped to facilitate this rapprochement, including by convening dozens of trilateral meetings at various levels.

For decades, Japan has pursued productive relations with Southeast Asian countries, providing generous official development assistance and earning broadly positive reviews from regional leaders. Japanese officials frequently visit the region and the government has launched several initiatives that emphasize capacity-building in the security sphere. Japan's approach generally complements U.S. policy toward Southeast Asian countries, with both the United States and Japan pursuing strong relations with Vietnam and the Philippines in particular. Japan also has developed stronger relations with countries like Cambodia and Burma, in contrast to the United States, which has imposed sanctions and restrictions on interactions with their authoritarian regimes. Under the Biden and Trump Administrations, the United States and Japan have launched a number of initiatives to cooperate on infrastructure projects, including many involving significant public-private partnerships, in Southeast Asia.

## Economic and Trade Issues

The United States and Japan are the world's largest and third-largest economies. In 2022, Japan was the fifth-largest U.S. trading partner for exports (\$120 billion) and imports (\$188 billion). The United States and Japan do not have a comprehensive bilateral free trade agreement (FTA). In

2019, the U.S. and Japan signed two limited trade deals, which took effect in 2020, liberalizing some goods trade and establishing rules on digital trade.

**Figure 1. Top U.S. Trade Partners, 2022**

	U.S. IMPORTS	U.S. EXPORTS	
Canada	488	427	
Mexico	501	363	
China	564	198	
<b>Japan</b>	<b>188</b>	<b>120</b>	
Germany	190	113	Goods and Services;
UK	136	159	U.S. \$ billions

**Source:** CRS; data from Bureau of Economic Analysis.

Japan's economy has rebounded at a slower pace, relative to other advanced economies, following the COVID-19 pandemic. Broadly, Kishida's economic priorities include supporting supply chain security, broader income redistribution, greater use of digital technologies, and green growth. In their first ever "Economic 2+2" meeting in July 2022, U.S. and Japanese officials emphasized shared priorities and the need to make their economies more competitive and resilient amid global economic risks and uncertainties. The Japanese government and corporations also have concerns over new mineral-sourcing and localization requirements for electric vehicle (EV) tax credits under P.L. 117-169, commonly referred to as the Inflation Reduction Act of 2022 (IRA). In March 2023, the United States and Japan signed a critical minerals agreement, which the Administration indicated will qualify Japan as a "free trade agreement" partner for the purpose of meeting such requirements. IRA provisions were motivated in part by U.S. policymakers' concerns over U.S. dependence on China for EV batteries and other key EV components such as processed critical minerals.

In 2022, Japan joined 13 other countries as an inaugural negotiating partner in the U.S.-led IPEF initiative, an economic arrangement that covers selected trade issues, such as digital trade, trade facilitation, labor, and the environment, but not tariff liberalization or other market access provisions. IPEF also addresses issues not typically covered in FTAs, like supply chain resiliency. Following the third round of negotiations, the United States is to host an IPEF ministerial meeting in late May 2023. IPEF appears to be the Biden Administration's response to concerns that the United States lacked a robust trade agenda in the region following U.S. withdrawal from the proposed Trans-Pacific Partnership (TPP) in 2017. Some Members of Congress and partners like Japan have called for the United States to consider joining the 11-nation Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which Japan helped form after U.S. withdrawal. The Administration is pursuing other bilateral economic engagement with Japan, including a Task Force on the Promotion of Human Rights and International Labor Standards in Supply Chains, established in early 2023.

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