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U.S.-Japan Relations

Overview

Japan, a U.S. treaty ally since 1951, is an important U.S. partner in several foreign policy areas, particularly security and trade. Shared security goals include meeting the challenge of an increasingly assertive People's Republic of China (PRC or 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 military assets on Japan's territory in return for U.S. security guarantees to Japan. Japan is the sixth-largest U.S. trade partner and the largest source of foreign direct investment into the United States, and its investors are the largest foreign holders of U.S. Treasury securities. The two countries also collaborate bilaterally and multilaterally on science and technology, global health, energy, and climate change. Congressional oversight of U.S.-Japan relations generally focuses on alliance cooperation, particularly on how Japan and the United States coordinate their China strategies.

The Biden Administration positions the U.S.-Japan alliance at the center of its Indo-Pacific strategy. Both the U.S. and Japanese governments see China's rising power and influence as detrimental to their national security. Japan has adopted more assertive security and foreign policy postures since the early 2010s, providing the alliance with more flexibility to confront regional challenges. Japan's proximity to China—and the two countries' maritime and territorial disputes—heightens Tokyo's concern as well as its incentives to manage bilateral tensions. Over the past decade, Japan has expanded cooperation with India, Australia, and Southeast Asian countries, a policy in tune with Biden's vision of a "lattice-work" of "mutually reinforcing" regional coalitions. The United States and Japan participate in the Quadrilateral Security Dialogue ("the Quad"), which also includes Australia and India.

In April 2024, Japanese Prime Minister Fumio Kishida addressed a Joint Meeting of Congress, saying "the world needs the United States to continue playing" a "pivotal role" in upholding global democracy, freedom, and stability. "On the spaceship called 'Freedom and Democracy,'" he continued, "Japan is proud to be your shipmate ... You are not alone. We are with you."

That same week, President Biden hosted Kishida for an official visit. The leaders announced several initiatives intended to deepen the integration of the U.S. and Japanese militaries. Biden and Kishida said that the AUKUS partnership among Australia, the United Kingdom, and the United States is "considering cooperation with Japan" on advanced military technology projects. The two leaders also held the first-ever U.S.-Japan-Philippines trilateral summit, with President Ferdinand Marcos Jr., announcing a range of cooperative initiatives including increased coast guard cooperation in the South China Sea. On economic matters,

Biden and Kishida agreed to launch U.S.-Japan public-private partnerships in artificial intelligence, quantum computing, and renewable energy. They also announced that Japan will build a crewed moon rover for the Artemis space program, and the United States will include Japanese astronauts on future crewed lunar missions.

The U.S.-Japan Military Alliance

Since the early 2000s, the United States and Japan have improved the operational capability of the alliance 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. About 25% of facilities used by U.S. Forces Japan (USFJ) and over half of USFJ personnel are stationed in Okinawa, an island chain that comprises less than 1% of Japan's total land area. Most Okinawans and Okinawan politicians oppose elements of the U.S. military presence in Okinawa and the construction of new U.S. bases in their prefecture.

During their 2024 summit, Biden and Kishida said they intended to upgrade the SDF and USFJ military command and control systems to enable the two militaries to operate and plan more closely. In the FY2024 National Defense Authorization Act (P.L. 118-31, §1317), Congress required the Defense Department to report on the department's plans for enhancing U.S.-Japan security cooperation.

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. In 2022, Kishida's government released security documents that declare Japan's intention to develop a "counterstrike" missile capability to attack enemy missile sites and outline plans to double Japan's security-related expenditures to 2% of its national gross domestic product (GDP). In 2023, Japan launched its first program (called Official Security Assistance, or OSA) to provide military equipment to foreign countries. Initial recipients include Bangladesh (patrol boats), Fiji (patrol vessels), Malaysia (maritime vessels), and the Philippines (coastal radar).

Regional Relations

China and Taiwan. A protracted challenge between Japan and the PRC 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). Since 2020, Tokyo and

Beijing have largely managed to keep tensions from escalating, despite frequent operations near the islands by PRC government vessels. Japanese leaders often assert that they seek to stabilize Japan-PRC relations. As China has increased economic, diplomatic, and military coercion of Taiwan, a former Japanese colony (1895-1945) roughly 70 miles from Japan's westernmost island, the Japanese government has framed the prospect of cross-Strait conflict as an urgent challenge. Such a conflict could involve U.S. and Japanese military personnel and assets in Japan, especially in Okinawa. China is Japan's top trading partner, accounting in 2023 for 20% of Japan's total goods trade. (The U.S. share was 15%.)

Southeast Asia and the Pacific Islands. For decades, Japan has cultivated friendly relations with Southeast Asian countries, providing aid and earning broadly positive responses from regional leaders. Japan has launched several initiatives to build partner countries' maritime capabilities. Japan's approach generally complements U.S. policy; both the United States and Japan are pursuing strong relations with the Philippines and Vietnam in particular and have launched initiatives to cooperate on infrastructure projects in Southeast Asia and the Pacific Islands.

South Korea. In August 2023, Biden hosted Prime Minister Kishida and South Korean President Yoon Suk-yeol at Camp David for the first-ever summit meeting between the leaders of the United States, Japan, and South Korea. The three leaders announced several initiatives for a "new era of trilateral partnership," including pledges to convene trilateral meetings at high levels (including an annual leaders' meeting), expand trilateral military exercises, and abide by a "commitment to consult" on regional conflicts and challenges. The three countries in May 2024 announced that they are considering the establishment of a secretariat-like coordinating body. Historically, trilateral cooperation has been constrained by Japan-South Korea tensions regarding a territorial dispute and sensitive historical issues stemming from Japan's colonization of the Korean Peninsula from 1910 to 1945. In 2023, Yoon and Kishida forged a bilateral rapprochement that has enabled the unprecedented trilateral cooperation. Some observers question whether this high level of cooperation will outlast the current leaders and withstand possible flare-ups in Japan-South Korea relations.

Russia and Ukraine. 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 PRC 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.

Economic and Trade Issues

In 2023, Japan was the sixth-largest U.S. trading partner based on total goods and services trade (**Figure 1**). Japan is the top source of foreign direct investment in the United States. The United States and Japan have two limited trade deals, which took effect in 2020, liberalizing some goods trade and establishing rules on digital trade.

Cooperation on supply chain resiliency and diversification has been a key economic priority for the U.S. and Japanese

governments. Under this backdrop, the Japanese government and corporations have concerns over new mineral-sourcing and localization requirements for electric vehicle (EV) tax credits under P.L. 117-169, the Inflation Reduction Act of 2022 (IRA). In March 2023, the United States and Japan signed a critical minerals agreement, which qualifies Japan as a free trade agreement (FTA) partner for the purpose of meeting mineral-sourcing requirements. Some Members of Congress have criticized the lack of congressional involvement in the agreement and Japan's designation as an FTA partner. IRA provisions were motivated in part by U.S. policymakers' concerns over U.S. dependence on China for EV batteries and key EV components (e.g., processed critical minerals).

Figure 1. Top U.S. Trade Partners, 2023

	U.S. IMPORTS	U.S. EXPORTS	
Canada	481	433	
Mexico	528	366	
China	448	195	
Germany	205	118	
UK	146	161	
Japan	184	121	Goods and Services; U.S. \$ billions

Source: CRS; data from Bureau of Economic Analysis.

Japan participates in the 14-country, U.S.-led Indo-Pacific Economic Framework for Prosperity (IPEF), an economic initiative that includes 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. As of May 2024, IPEF partners have concluded several agreements, but trade-specific discussions have stalled over key issues like digital trade. Some observers have expressed concerns about the level of U.S. economic engagement in the Indo-Pacific. Some Members of Congress and partners like Japan have called for the United States to join the 11-nation Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which Japan helped form after U.S. withdrawal from the proposed Trans-Pacific Partnership (TPP).

In December 2023, Japan's Nippon Steel Corporation, the world's 4th-largest steel producer in 2022, announced it had reached an agreement to acquire the U.S. Steel Corporation, the 27th-largest steel producer. The United Steelworkers labor union and some Members of Congress have criticized the proposed sale and urged the Biden Administration to review any potential national security implications of the transaction through the interagency Committee on Foreign Investment in the United States (CFIUS). Nippon Steel indicated that the deal has been submitted to CFIUS for review. In a March 2024 statement, President Biden asserted "it is vital for [U.S. Steel] to remain an American steel company that is domestically owned and operated."

Mark E. Manyin, Coordinator, Specialist in Asian Affairs
Caitlin Campbell, Analyst in Asian Affairs
Cathleen D. Cimino-Isaacs, Specialist in International Trade and Finance
Kyla H. Kitamura, Analyst in International Trade and Finance

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