

U.S.-Japan Trade Agreements and Tariff Negotiations

The United States and Japan are among the world's largest economies and have been close economic partners, though they do not have a comprehensive bilateral free trade agreement (FTA). The partners have two limited trade deals, which took effect in 2020 during the first Trump Administration. The U.S.-Japan Trade Agreement (USJTA) involves tariff reductions and quota expansions to improve market access. The U.S.-Japan Digital Trade Agreement covers rules on the digital aspects of global commerce. In 2023, during the Biden Administration, the United States and Japan also signed a critical minerals agreement (CMA) to support the diversification of key U.S. supply chains.

In April 2025, following the imposition of U.S. tariffs and outreach by the Japanese government, the Trump Administration announced new negotiations with Japan “regarding tariffs, non-tariff barriers, currency issues, and government subsidies.” The White House has indicated it is using tariffs to eliminate U.S. goods trade deficits, encourage U.S. trading partners to negotiate, and remedy “unfair trade practices,” among other objectives. It is unclear whether the ongoing bilateral talks might build on the trade deals reached in 2020 or the CMA.

The 119th Congress may consider whether to exercise oversight over implementation of U.S.-Japan trade deals, and how to define its role in authorizing trade agreements and in U.S. tariff policy. It also may monitor U.S.-Japan economic cooperation in the Indo-Pacific region.

U.S.-Japan Economic Ties

Japan is the sixth-largest U.S. trade partner (see **Figure 1**), a top source of foreign direct investment (FDI) in the United States, and largest holder of U.S. Treasury securities. In 2024, U.S. exports to Japan totaled \$129 billion (\$80 billion in goods, \$49 billion in services); U.S. imports from Japan were \$192 billion (\$150 billion in goods, \$42 in services). In 2023, the stock of U.S. FDI in Japan was valued at \$63 billion and concentrated in finance and insurance. Japanese FDI stock in the United States in 2023 totaled \$688 billion, with the largest share in manufacturing. Majority-owned U.S.-based affiliates of Japanese multinational firms employed nearly one million U.S. workers in 2022 (latest data). Data cited is from the U.S. Bureau of Economic Analysis (BEA).

The persistent U.S. goods trade deficit with Japan has been a source of bilateral tension at times, in particular during the 1980s and 1990s. Some observers have attributed the trade imbalance in part to nontariff barriers in the Japanese market and to the weak yen. In more recent decades, U.S. policymaker expressions of concern over the bilateral trade deficit had dissipated somewhat amid Japan's sluggish

economic growth, increased FDI in the United States, and heightened focus on economic competition from China.

Figure 1. Top U.S. Trade Partners, 2024

	U.S. IMPORTS	U.S. EXPORTS
Mexico	561	385
Canada	477	441
China	461	199
UK	162	179
Germany	209	121
Japan	192	129

Goods and Services; U.S. \$ billions

Source: CRS with data from the Bureau of Economic Analysis (BEA).

Japan's FTAs with Other Major Markets

Since 2018, Japan has concluded major FTAs with several countries. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), a trade agreement comprising Japan and 10 members of the proposed Trans-Pacific Partnership (TPP), came into force after President Trump withdrew the U.S. signature from TPP in 2017. Some stakeholders portrayed TPP as essentially a U.S.-Japan FTA, due to the existing U.S. FTAs with several other TPP partners. Japanese officials reportedly have since urged the United States to reconsider joining CPTPP. Japan also entered into FTAs with the European Union (EU) in 2019 and with China and 13 Asian countries through the 2022 Regional Comprehensive Economic Partnership (RCEP). Some stakeholders contend that new rules in these FTAs may not support U.S. priorities. For example, they cite CPTPP's suspension of 22 provisions (e.g., intellectual property rights) from the original TPP text that were largely U.S. priorities. Several U.S. industry groups have argued that Japan's reduced barriers on imports from CPTPP, EU, and RCEP countries may undermine U.S. export competitiveness. Others downplay such assertions, pointing to Japan's tariff reductions through the USJTA.

2020 Trade Agreements

Congress last set U.S. trade negotiating objectives and legislative procedures for implementing trade agreements in Trade Promotion Authority (TPA, P.L. 114-26), which was in effect 2015 through 2021. The Trump Administration used delegated tariff authorities in TPA to enact the USJTA, covering some industrial goods and agriculture. The Administration enacted the U.S.-Japan Digital Trade Agreement, which did not require changes to U.S. law, as an executive agreement. The two trade deals were described by the U.S. and Japanese governments as “stage one” of a broader FTA negotiation. Further talks to cover other major parts of the U.S.-Japan relationship (e.g., auto trade and services), did not materialize, despite support expressed by some Members of Congress and other U.S. stakeholders.

U.S.-Japan Trade Agreement. USJTA tariff commitments covered about 5% of U.S. goods imports from Japan, and

almost 18% of Japan's goods imports from the United States, according to some estimates. The United States agreed to reduce or eliminate 241 tariff lines, mostly on industrial goods (e.g., machine tools, steam turbines, bikes, musical instruments). The United States also expanded its global tariff-rate quota for beef imports. Japan agreed to reduce or eliminate tariffs on about 600 agricultural tariff lines (e.g., beef, pork, cheese) and expand tariff-rate quotas for some products (e.g., wheat). Opening Japan's market and reaching parity with exporters from Japan's FTA partners was a priority for the U.S. agriculture sector. While parts of the industry supported USJTA, some sectors (e.g., dairy, rice) raised concerns over lack of new market access or rules on sanitary and phytosanitary measures.

U.S.-Japan Digital Trade Agreement. The U.S. and Japanese governments generally have had similar approaches to digital trade. In 2020, the U.S. Trade Representative (USTR) said the Japan digital trade deal was “comprehensive and high standard,” and in line with the latest U.S. FTA, the U.S.-Mexico-Canada Agreement. Both include provisions requiring nondiscriminatory treatment of digital products, prohibiting certain data localization measures, and ensuring cross-border data flows.

Regional IPEF

The Biden Administration's Indo-Pacific Economic Framework for Prosperity (IPEF) with Japan and 12 countries launched in 2022, amid some U.S. policymaker and stakeholder concerns that withdrawal from TPP had left the United States without a robust trade agenda in the region. IPEF, led by USTR and the Commerce Department, was organized around four “pillars”: trade, supply chains, clean energy, and fair economy practices. IPEF partners reached agreements—which went into effect in 2024—for all pillars except trade. Trade talks stalled amid differences over digital trade and labor provisions. USTR paused talks on digital trade, citing the need for policy space to address U.S. domestic regulations on data flows and the technology sector. Some stakeholders had portrayed digital trade as a promising and key outcome for IPEF, in part citing the groundwork laid in the U.S.-Japan digital trade deal.

2023 U.S.-Japan CMA

The U.S.-Japan CMA covers five minerals related to the production of EV batteries, but does not change U.S. law or tariffs. The Biden Administration determined that the CMA and broader U.S.-Japan relationship qualified Japan as an “FTA partner” for the purposes of meeting critical minerals sourcing requirements in the Inflation Reduction Act (P.L. 117-169, IRA) electric vehicle (EV) consumer tax credit. P.L. 119-21 eliminated the IRA EV tax credit from September 30, 2025.

U.S. Tariffs on Japanese Imports

On April 2, 2025, President Trump declared a national emergency “arising from conditions reflected in large and persistent annual U.S. goods trade deficits,” and imposed a 10% tariff on nearly all U.S. trading partners. The President announced a 90-day suspension of higher tariffs on certain partners, including Japan. In July, the President then announced a 25% tariff on imports from Japan to be effective on August 1, 2025. President Trump also has

imposed 50% tariffs on steel and 25% tariffs on vehicle imports from most countries, including Japan, under Section 232 of the Trade Expansion Act of 1962 (19 U.S.C. §1862, as amended). U.S. officials are also considering Sec. 232 tariffs in key sectors like semiconductors, pharmaceuticals, trucks, and critical minerals. Japanese Prime Minister Shigeru Ishiba, who called U.S. actions “disappointing,” is pursuing bilateral trade talks to get the tariffs lifted. Both sides have yet to reach a deal, despite several rounds of meetings.

U.S. tariffs on the auto sector have been a key concern for Japan. The sector comprises a major share of U.S.-Japan trade—\$55.8 billion in U.S. imports from Japan and \$2.3 billion in U.S. exports to Japan in 2024, according to BEA. Japanese automakers report that as of 2024 they have cumulatively invested \$66.4 billion in U.S. manufacturing facilities. U.S. automakers do not have plants in Japan.

Issues for Congress

U.S.-Japan FTA and congressional authority. Some Members have pushed for a comprehensive FTA with Japan through follow-up negotiations to the USJTA or joining CPTPP. Congress might consider whether targeted deals like the USJTA, CMA, or IPEF are appropriate substitutes, and what Japanese trade barriers remain a challenge. The implementation of recent U.S.-Japan trade deals without congressional approval and designation of Japan as an “FTA partner” for IRA purposes also prompted debate among Members over the role of Congress in authorizing and approving trade agreements (e.g., 118th Cong., H.R. 7983). Congress might consider whether or not to pursue legislation to influence the objectives of trade talks with Japan, or to set congressional-executive consultation and approval processes for U.S. trade deals in general.

Tariffs. Japanese officials have indicated that U.S. tariff actions may adversely affect U.S.-Japan relations, Japanese FDI in the United States, and the global trading system. Some Members have questioned the national security rationale of U.S. tariff actions and sought to counteract or restrict delegated executive authority used to increase tariffs (e.g., H.R. 1903, H.R. 407, S. 151, S.J.Res. 37). Others support the imposition of tariffs (e.g., 118th Cong., H.R. 9827). Some observers have also raised concerns that tariffs may complicate cooperation on supply chain resiliency, which had been an economic priority for Japan and previous U.S. Administrations. Congress might monitor whether U.S. tariffs affect prospects for further U.S.-Japan economic cooperation, or serve as an effective negotiating tool for securing outcomes in trade talks.

U.S. Competitiveness. Some Members are considering the costs and benefits of different approaches to regional trade negotiations (e.g., through the U.S.-led IPEF versus Japan-led CPTPP). H.R. 953, for example, would direct the U.S. International Trade Commission to investigate the effects of RCEP and CPTPP on U.S. exporters and competitiveness in the region, and would establish a commission to develop a comprehensive trade strategy for the Indo-Pacific region.

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