



U.S.-Japan Trade Agreements and Tariff Negotiations

The United States and Japan have been close economic partners, though they do not have a comprehensive bilateral free trade agreement (FTA). Since 2020, the countries have entered into limited bilateral trade deals, covering market access, digital trade, and critical minerals. Following the imposition of U.S. tariffs on Japan in 2025, the U.S. and Japanese governments announced a framework agreement, under which the United States lowered its tariffs on most Japanese imports, while Japan agreed to trade and foreign investment concessions. President Trump is considering other tariff actions that may affect Japan. Congress may consider whether to exercise oversight over implementation of the U.S.-Japan trade deals, and how to define its role in authorizing trade deals and in U.S. tariff policy. It also may monitor U.S.-Japan economic cooperation in the Indo-Pacific region and related opportunities and challenges.

U.S.-Japan Economic Ties

Japan is the sixth-largest U.S. trade partner (**Figure 1**), top source of foreign direct investment (FDI) in the United States, and largest holder of U.S. Treasury securities.

Figure 1. Top U.S. Trade Partners, 2025

	U.S. IMPORTS	U.S. EXPORTS	
Mexico	585	391	
Canada	451	426	
China	332	164	
UK	168	206	
Germany	209	129	Goods and Services;
Japan	191	137	U.S. \$ billions

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

In 2024, the stock of U.S. FDI in Japan was valued at \$57 billion and concentrated in finance and insurance. Japanese FDI stock in the United States totaled \$754 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 2023 (latest data, BEA). The auto sector plays a major role in U.S.-Japan economic relations. In 2025, the United States imported \$51.1 billion in automotive goods from Japan and exported \$2.6 billion to Japan. As of 2025, Japanese automakers reported \$70 billion in cumulative investments in U.S. manufacturing facilities; U.S. automakers do not have plants in Japan.

The U.S. goods trade deficit with Japan, including related to autos, has been a source of bilateral tension at times, in particular during the 1980s and 1990s. Some observers attributed the trade imbalance in part to nontariff barriers in Japan and to the weak yen. In intervening decades until the Trump Administration, 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.

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), 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 observers portrayed TPP as essentially a U.S.-Japan FTA, due to existing U.S. FTAs with several other TPP partners. Japan also entered into FTAs with the European Union (EU), and with China and 13 Asian countries in the Regional Comprehensive Economic Partnership (RCEP). Some stakeholders contend that rules in these FTAs may not support U.S. priorities. For example, they cite CPTPP’s suspension of 22 provisions (e.g., on intellectual property) from the original TPP that were largely U.S. priorities. U.S. industry groups have argued that Japan’s reduced barriers on trade with CPTPP, EU, and RCEP countries may undermine U.S. export competitiveness. Others downplay such assertions, pointing to Japan’s reduced tariffs in the 2020 U.S.-Japan trade deal.

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 expired in 2021. The Trump Administration used delegated tariff authorities in TPA to enact the 2020 U.S.-Japan Trade Agreement (USJTA), which involves tariff reductions in some industrial goods and agriculture. The Administration enacted the 2020 U.S.-Japan Digital Trade Agreement, which covers rules on digital aspects of global commerce, as an executive agreement. The two 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.

USJTA. Tariff commitments covered about 5% of U.S. goods imports from Japan and 18% of Japan’s goods imports from the U.S., according to estimates. The United States agreed to reduce or eliminate 241 tariff lines (e.g., machine tools, steam turbines, bikes, musical instruments), and to expand its global tariff-rate quota (TRQ) for beef. Japan agreed to reduce or eliminate about 600 agricultural tariff lines (e.g., beef, pork, cheese) and expand TRQs for some products. 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, others (e.g., dairy, rice) raised concerns over lack of market access or rules on nontariff barriers.

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

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 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 deals—which went into effect in 2024—in all pillars except trade. Trade talks stalled amid differences over digital trade and labor provisions and changes in U.S. negotiating positions.

Critical Minerals

During the Biden Administration, the United States and Japan entered into a critical minerals agreement (CMA) to support the diversification of key U.S. supply chains. The CMA does not change U.S. law or tariffs. Under the second Trump Administration, both countries have announced a framework for securing supplies of critical minerals and rare earths, a bilateral critical minerals action plan, and cooperation on deep-sea mineral resource development.

2025 U.S.-Japan Framework Agreement

In 2025, Trump imposed tariffs on Japan and most trading partners under the International Emergency Economic Powers Act, in part to address persistent U.S. goods trade deficits (IEEPA, 50 U.S.C. §§1701 et seq.). In July 2025, the United States and Japan announced a “strategic trade and investment agreement,” under which the United States imposed a 15% tariff on most imports from Japan—a reduction from rates initially proposed but an increase from 2024 U.S. tariff rates. IEEPA tariffs were lifted following a February 2026 Supreme Court decision that held IEEPA does not give the President authority to impose tariffs.

President Trump has since imposed a 10% “temporary import surcharge” on global imports under Section 122 of the Trade Act of 1974 (19 U.S.C. §2132) and is considering other authorities to reinstate tariffs. Trump imposed sectoral tariffs under Section 232 of the Trade Expansion Act of 1962 (19 U.S.C. §1862), including on key Japanese exports like steel and autos. Japan and various economies also face investigations under Section 301 of the Trade Act of 1974 (19 U.S.C. §§2411–2420) into practices related to structural excess capacity and production in manufacturing, and forced labor import policies, which could result in tariffs.

Under the 2025 framework agreement, in return for reduced tariff rates, Japan committed to increase purchases of U.S. agricultural goods, aircraft, defense equipment, and energy and to ease domestic regulations affecting U.S. products. Japan also committed to fund up to \$550 billion of

investments in strategic U.S. sectors (e.g., semiconductors, critical minerals, energy, artificial intelligence, quantum). Investments are to be made before 2029 and overseen by an investment committee chaired by the U.S. Commerce Secretary. As part of the terms, the U.S. government reserves the right to impose tariffs if Japan chooses not to fund an investment. Since February, the two countries have announced several projects, the majority involving energy.

The potential effects of the Supreme Court IEEPA ruling on the U.S.-Japan deal remain unclear. In March 2026, President Trump and Prime Minister Takaichi reaffirmed their governments’ intentions to implement the agreement.

Issues for Congress

Trade agreements. Some Members have pushed for a comprehensive FTA with Japan through follow-up negotiations to USJTA or joining CPTPP. Congress might consider whether targeted deals like USJTA and the 2025 framework agreement are appropriate substitutes, and what Japanese trade barriers remain a challenge. Some Members welcomed the 2025 deal with Japan, asserting it will create jobs and increase U.S. exports, while others criticized the deal as disadvantaging U.S. autoworkers. Implementation of recent trade deals without congressional approval also has prompted debate. One Member asserted that “trade agreements relating to tariffs imposed through Executive action” should be submitted to Congress for approval. Congress might consider whether to pursue legislation to influence objectives of trade talks with Japan, approve signed trade agreements retrospectively, or set consultation requirements and conditions on implementation. Some Members also are considering the costs and benefits of regional trade negotiations and lack of U.S. participation. 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.

Tariffs. Congress is debating whether to exercise its constitutional authority over foreign commerce and tariffs by amending delegated authorities and strengthening oversight over U.S. tariffs, including on Japan (see S. 348). Congress might monitor the effects of U.S.-Japan trade policy on the U.S. economy. Members have raised concerns about the impact of tariffs; one Member said the U.S. tariff rate on Japan “still marks a sharp increase that will carry significant economic costs” and complicates the alliance.

Supply chain cooperation. Congress may consider the opportunities and challenges of U.S.-Japan collaboration on supply chain resilience and diversification in strategic sectors (e.g., semiconductors, shipbuilding, critical minerals) and how U.S. tariff policy may incentivize or discourage further cooperation. Congress also could consider whether to shape which sectors should be prioritized (e.g., H.R. 4391), monitor the implementation of Japan’s investment pledge, or exercise greater oversight of U.S.-Japan economic cooperation.

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