Congressional Research Service
Informing the legislative debate since 1914

IN FOCUS

Updated November 4, 2026

U.S.-Japan Critical Minerals Agreement

In March 2023, the United States and Japan signed a critical minerals agreement (CMA) covering five key minerals related to the production of batteries for clean vehicles (also commonly referred to as electric vehicles or "EVs"). The U.S.-Japan CMA entered into force immediately upon signature, without approval by Congress. The CMA partially addressed Japan's concerns regarding certain content requirements for the consumer tax credit for new EVs included in P.L. 117-169, the FY2022 reconciliation law. U.S. policymakers had crafted these EV tax credit requirements, in part, to reduce U.S. dependence on goods from the People's Republic of China (PRC, or China). Section 70502 of P.L. 119-21 terminated the EV tax credit from September 30, 2025. Since 2025, the Trump Administration has undertaken several cooperative initiatives with Japan. Congress may consider whether—and, if so, how—to exercise oversight of agreements like the CMA. Congress has constitutional authority over foreign commerce and tariffs and has played a role in approving and implementing trade agreements. Another issue for Congress is the outlook for U.S.-Japan supply chain cooperation and whether U.S. tariff actions, including current and potential tariffs on Japanese goods and critical minerals-related sectors, align with congressional priorities related to critical minerals supply chains.

Critical Minerals Overview

Some Members of Congress have expressed concerns about ensuring reliable U.S. access to the mined, processed, and refined critical minerals, rare earth elements (REEs), and critical materials needed to produce key goods related to defense capabilities, energy generation and storage, and data centers and quantum computing, as well as mass consumer technologies such as smartphones and automobiles. China dominates the EV supply chain, including mining and processing of critical minerals, particularly REEs, and production of EVs and EV batteries. The PRC government has imposed export control measures on certain critical minerals since December 2023. Following November 2025 statements by Japanese Prime Minister Sanae Takaichi related to Taiwan, the PRC government implemented Japan-specific export restrictions on certain goods containing REEs.

The P.L. 117-169 EV Tax Credit

The FY2022 reconciliation law (P.L. 117-169) provided consumers a tax credit of up to $7,500 for new EVs. EVs could qualify for partial credit if they met requirements related to the sourcing of critical minerals in the EV battery. Specifically, a certain percentage of the EV battery's critical minerals had to be sourced from the United States or a U.S. free trade agreement (FTA) partner and could not be sourced from "foreign entities of concern" (FEOC), such as Russia and China. The U.S. Department of the Treasury and the U.S. Department of Energy defined FEOC to include all entities headquartered in or organized under the laws of an FEOC country.

U.S.-Japan CMA Overview

According to the U.S. Bureau of Economic Analysis, in 2025, Japan was the sixth-largest U.S. trading partner (goods and services). The automotive sector plays a major role in the U.S.-Japan economic relationship. In 2025, the United States imported $51.1 billion in vehicles and parts from Japan and exported $2.6 billion to Japan. As of 2025, Japanese automakers have reported $70 billion in U.S. manufacturing investments.

The U.S.-Japan CMA changed neither U.S. law nor existing tariffs and did not include other market access provisions. The CMA covers cobalt, graphite, lithium, manganese, and nickel—all key EV battery inputs. Japan is not a large source of mined critical minerals but has related capabilities, including mineral processing and manufacturing of EV batteries, semiconductors, semiconductor manufacturing equipment, and other goods.

Under the CMA, the United States and Japan agreed to, among other measures, (1) maintain the "current practice" of not imposing export duties on critical minerals trade between their countries; (2) confer on measures to address nonmarket policies and practices affecting critical minerals supply chains; (3) confer on best practices for review of foreign investments in their countries' critical minerals sectors; (4) coordinate on actions related to forced labor and other labor rights connected to critical minerals supply chains; and (5) promote employer neutrality related to unions. The two countries agreed to review the CMA periodically to determine whether to terminate or amend the CMA, including which critical minerals are covered.

In 2024, Treasury designated the CMA as an FTA for the purposes of the P.L. 117-169 EV tax credit. There is no statutory definition for an FTA, but under World Trade Organization (WTO) rules, a regional trade agreement such as an FTA generally must cover "substantially all trade" between trading partners. The United States has 14 such "comprehensive" FTAs—authorized and approved by Congress—with 20 countries, not including Japan. During the first Trump Administration, the United States and Japan signed the 2020 U.S.-Japan Trade Agreement (USJTA), which reduced tariffs on some goods, but not those in the automotive or critical minerals sectors.

Some Members of Congress raised concerns about the CMA's lack of binding or enforceable commitments,

particularly related to labor and the environment. Some Members also criticized Treasury's designation of the CMA as an FTA for the purposes of the EV tax credit, describing this action as overriding congressional trade authorities.

Other U.S.-Japan Critical Minerals Issues

During the second Trump Administration, the United States has imposed various tariffs on Japanese imports, with potential implications for U.S.-Japan cooperation on critical minerals supply chains. Under Section 232 of the Trade Expansion Act of 1962 (19 U.S.C. §1862), President Trump imposed a 15% tariff on Japanese automotive products. Section 232 allows the President to impose trade restrictions if the Secretary of Commerce determines that imports of a good threaten U.S. national security. Under separate authorities, the United States has also imposed tariffs on most goods from nearly all trading partners. As of July 2026, there is a 12.5% tariff on most Japanese goods. At the same time, the U.S. and Japanese governments have signaled their intention to cooperate on critical minerals supply chains. As part of 2025 bilateral trade negotiations, the United States and Japan reached a framework agreement—among other things, the United States agreed to cap certain tariffs on Japan, and Japan pledged to invest $550 billion in the United States in key strategic sectors, including critical minerals.

Utilizing authorities under Section 232, President Trump directed the Secretary of Commerce and the U.S. Trade Representative (USTR) to jointly negotiate agreements related to critical minerals; Trump did not implement any immediate trade restrictions related to critical minerals imports. In February 2026, USTR sought public comments on a potential plurilateral agreement on trade in critical minerals (ATCM) with "like-minded trading partners." The U.S. and Japanese governments signed a March 2026 action plan, which includes plans to develop a "plurilateral trade initiative in critical minerals supported by price floors or other measures." The two countries also signed an October 2025 framework for securing critical minerals and rare earth elements and a March 2026 memorandum of cooperation regarding deep-sea mineral resource development.

The United States and Japan have also collaborated with other partners in global forums related to critical minerals supply chains. The Biden Administration launched the Minerals Security Partnership in 2022 alongside global partners, including Japan, to collaborate on developing secure and sustainable critical minerals supply chains among like-minded partners through both public and private investments. In February 2026, Secretary of State Marco Rubio announced the creation of the Forum on Resource Geostrategic Engagement (FORGE) as the successor to the Minerals Security Partnership.

In December 2025, Japan was one of the first signatories to the U.S.-led Pax Silica initiative, which focuses on global collaboration on artificial intelligence (AI) supply chains including software, network infrastructure, semiconductors, advanced manufacturing, critical minerals, and energy. Some Members have proposed legislation that would establish a program that may support initiatives including Pax Silica and express the sense of Congress that it is in the U.S. interest to "establish policies and procedures that streamline foreign government partners' ability to procure trusted and reliable technologies from the United States and United States allies and partners" (H.R. 10675, S. 4570).

Issues for Congress

Congressional trade authorities. Congress has approved all previous U.S. FTAs via legislation and typically set FTA procedures and requirements in Trade Promotion Authority (TPA), which expired in 2021. Some Members of Congress have asserted that the executive branch should engage in more substantive consultations with Congress and that Congress should authorize and approve sectoral agreements like those covering critical minerals (e.g., S. 429). Some analysts have argued that agreements approved by Congress and enacted into law are more durable than executive branch initiatives and could therefore provide greater certainty for critical minerals-related projects, which require large, sustained investments. Some Members of Congress have proposed legislation that would authorize the President to negotiate agreements related to critical minerals, establish negotiating objectives and congressional consultation requirements for such negotiations, and authorize the Secretary of State to lead U.S. participation in a "Minerals Security Partnership" (H.R. 7037). Another issue for Congress is the extent to which U.S. trade policy may promote or hinder U.S.-Japan cooperation on critical minerals and other related supply chains. Congress could consider whether to curb, bolster, or exercise oversight of the President's authority to negotiate an agreement with Japan, or impose, expand, or reduce U.S. tariffs on Japanese goods. For more information on congressional trade authorities, see CRS Report R47679, *Congressional and Executive Authority Over Foreign Trade Agreements* and CRS Report R48435, *Congressional and Presidential Authority to Impose Import Tariffs*.

Critical minerals supply chains. Members of Congress may evaluate whether current U.S. policies align with Members' expressed priorities related to critical minerals supply chains, which have included, for example, bolstering U.S. production, reducing reliance on PRC imports, and/or encouraging cooperation with trading partners. Some Members, for example, have proposed measures that would involve allies, including Japan, in efforts to reduce U.S. reliance on PRC critical minerals supply chains (e.g., S. 823, H.R. 3198). Additionally, Members may consider whether the FY2022 reconciliation law's EV tax credit requirements, such as sourcing requirements or prohibiting content from FEOCs, may be an appropriate model to be considered in any future federal incentives or U.S. trade negotiations, such as the potential ATCM or the ongoing review of the U.S.-Mexico-Canada Agreement (USMCA). Congress may also consider potential effects of the rescission of the P.L. 117-169 EV tax credits.

Kyla H. Kitamura, Analyst in International Trade and Finance

IF12517

Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.