



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.

On April 11, 2024, Japanese Prime Minister Fumio Kishida is scheduled to address a Joint Meeting of Congress. Kishida is the second Japanese leader to be given this honor, and the first since 2015. On April 10, President Biden is to host Kishida for a State Visit, during which the two leaders are expected to announce a major upgrade to the U.S.-Japan alliance's mechanisms for coordination. They also plan to hold a three-way summit with Philippines President Ferdinand Marcos Jr.

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. President Biden also has embraced the Quadrilateral Security Dialogue (“the Quad”) with Japan, Australia, and India as a mechanism to advance shared goals in the region.

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 desire for a “lattice-work” of “mutually reinforcing” regional coalitions. Japan participates in the Biden Administration's Indo-Pacific Economic Framework for Prosperity (IPEF), a regional economic and trade initiative.

U.S.-Japan-South Korea Relations

In August 2023, Biden hosted Prime Minister Fumio 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. 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.

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. 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 Okinawans have long expressed widespread opposition to the construction of new U.S. 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. In 2022, Kishida's government released security documents that could chart a fundamental shift in the alliance and Japan's approach to defending itself. The documents label China as an “unprecedented strategic challenge,” declare Japan's intention to develop a “counterstrike” missile 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 could become the world's third-largest. The documents do not specify how Japan would implement these goals, or to what extent Japan would pursue them in tandem with the United States. Japan has,

with U.S. encouragement, expanded security cooperation with Australia, the United Kingdom, and the Philippines.

Regional Relations

China and Taiwan. A perpetual 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). In the 2020s Tokyo and Beijing have largely managed to keep tensions from escalating, despite frequent operations near the islands by PRC government vessels since 2012. As China has increased economic, diplomatic, and military coercion of Taiwan, a former colony of imperial Japan (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 pursued productive relations with Southeast Asian countries, providing aid and earning broadly positive reviews 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.

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

The United States and Japan are among the world's largest economies. 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 the Administration indicated will qualify Japan as a free trade agreement (FTA) partner for the purpose of meeting such 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

Country	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.

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. As of November 2023, IPEF partners have announced agreements in all pillars except for the trade pillar, which stalled over key issues like digital trade. 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.

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 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."

Japan's Increased Political Uncertainty

Japan's decade-plus of relative political stability, which has provided a foundation for closer U.S.-Japan strategic alignment, may be eroding. In late 2023, Tokyo prosecutors opened an investigation into allegations that powerful factions of Kishida's ruling Liberal Democratic Party (LDP) mis-appropriated campaign finances. The scandal has shaken the LDP and driven Kishida's approval ratings into the 20%-30% range, raising the possibility he may not last until his three-year term as LDP president ends in September 2024. Parliamentary elections do not need to be held until the summer of 2025.

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