



Updated November 5, 2024

## U.S.-Japan Relations

### Overview

Japan, a U.S. treaty ally since 1952, is an important U.S. partner in several foreign policy areas, particularly security and trade. Shared 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 a top 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. In April 2024, then-prime minister Fumio Kishida addressed a Joint Meeting of Congress.

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 "latticework" of "mutually reinforcing" regional coalitions. The United States and Japan have upgraded trilateral cooperation with South Korea, participate with Australia and India in the Quadrilateral Security Dialogue ("the Quad"), and are discussing a possible role for Japan in the Australia-United Kingdom-U.S. (AUKUS) partnership.

### Japan's Uncertain Political Course

Upgraded U.S.-Japan cooperation has coincided with Japan's Liberal Democratic Party's (LDP's) dominance over Japanese politics since 2012, a political era that may have come to an end in 2024. In August, Kishida announced that he would step down as LDP president and as Japan's premier. His approval ratings were mired in the 20%-30% range due to challenges such as high inflation as well as a series of political scandals engulfing the LDP. Veteran politician Shigeru Ishiba narrowly won the LDP's vote to choose a new leader and called a snap election for Japan's Lower House of Parliament. In the October 27 vote, the LDP and its coalition partner, the Komeito party, lost nearly a quarter of their seats and their parliamentary majority. Ishiba vowed to stay on as LDP leader and contest

the Lower House's scheduled November 11 vote for Japan's premier. Although they retained a plurality, holding over 45% of the chamber's seats, it is unclear if the LDP and Komeito can cobble together a new ruling coalition with smaller parties. The LDP and Komeito could form a minority government and work with other parties on a case-by-case basis to pass legislation. In either scenario, the next government will be vulnerable to no-confidence motions and to divisions within the LDP. Japan's largest opposition party, the Constitutional Democratic Party of Japan (CDP) is unlikely to join a LDP-Komeito coalition and would need at least four partners to form a majority coalition of its own. While the LDP coalition may most likely retain power and maintain close U.S.-Japan relations, its weakened position may slow new cooperation.

### The U.S.-Japan Military Alliance

Since the early 2000s, the United States and Japan have steadily improved the operational capability of the military alliance. Facing an increasingly challenging security environment, the alliance has sought to deepen interoperability and enhance operational coordination between U.S. and Japanese forces. In July 2024, the two sides announced a step toward this goal: the planned reconstitution of U.S. Forces Japan (USFJ) as a new joint force headquarters that would act as a counterpart to Japan's new Joint Operations Command, which is to be established in 2025. In the FY2024 National Defense Authorization Act (P.L. 118-31, §1317), Congress required the Defense Department to report on plans for enhancing U.S.-Japan security cooperation by June 1, 2024.

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 USFJ and more than 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, particularly 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 China and North Korea have grown more acute, Japan's government and people have reconsidered the country's approach to national security. 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. In 2022, the 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 gross domestic product (GDP). In 2023, Japan launched its first program (the Official Security Assistance, or OSA) to provide military equipment to foreign countries.

## Regional Relations

**China and Taiwan.** A protracted challenge between Japan and China (as well as Taiwan) is a dispute 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. China is Japan’s top trading partner, accounting in 2023 for 20% of Japan’s total goods trade. (The U.S. share was 15%.)

**South Korea.** In August 2023, Biden hosted Kishida and South Korean President Yoon Suk-yeol at Camp David for the first-ever standalone summit meeting among the leaders of the United States, Japan, and South Korea. The three leaders announced new initiatives, such as pledges to convene high-level trilateral meetings, expand trilateral military exercises, and abide by a “commitment to consult” on regional conflicts and challenges. In 2024, the three countries signed a framework for institutionalizing security cooperation and announced that they would establish a secretariat-like coordinating body. Historically, trilateral cooperation has been constrained by Japan-South Korea tensions regarding a territorial dispute and sensitive issues stemming from Japan’s colonization of the Korean Peninsula from 1910 to 1945. In 2023, Yoon and Kishida forged a bilateral rapprochement that, despite lingering mistrust in both countries, has enabled the unprecedented trilateral cooperation.

**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 a 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 mineral-sourcing and

localization requirements for electric vehicle (EV) tax credits under P.L. 117-169, known as the Inflation Reduction Act (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 a 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	482	441	
Mexico	529	367	
China	448	196	
Germany	206	119	
UK	151	166	
<b>Japan</b>	<b>187</b>	<b>120</b>	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. 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 4<sup>th</sup>-largest steel producer in 2022, announced it had reached an agreement to acquire the U.S. Steel Corporation, the 27<sup>th</sup>-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.” The White House has yet to announce any official decision under CFIUS authorities.

**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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