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US to Cut Japan Auto Tariffs After Talks

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The United States has agreed to revise its recent tariff policy on Japanese imports following high-level trade discussions in Washington. The move comes after Japan raised concerns over a “stacking” mechanism in a July 31 executive order that imposed overlapping levies on its goods, triggering uncertainty for exporters and threatening billions in economic activity.

Japanese Trade Minister Ryosei Akazawa confirmed on Thursday that the US will amend the executive order to eliminate the unintended duplication of tariffs. US officials also pledged to refund any excess duties already collected as a result of the overlap.

The original order, signed by President Donald Trump, had imposed a flat 15 percent tariff on all Japanese imports, but did not account for pre-existing duties on certain goods. As a result, many items faced both the original and new tariffs, leading to significantly higher costs for exporters. While the executive order had included exemptions for the European Union, it did not make similar provisions for Japan, sparking diplomatic concerns and political pressure in Tokyo.

Akazawa said that after several rounds of negotiations, the United States agreed not only to address the stacking issue but also to reduce tariffs on Japanese automobile imports from 27.5 percent to 15 percent. The agreement aligns with commitments made during a bilateral summit last month, where Japan agreed to inject $550 billion into the US economy through infrastructure projects and investment loans backed by its government.

“This agreement is a step forward in reaffirming the strength of the US-Japan economic partnership,” Akazawa told reporters. “It ensures our companies are not unfairly penalized and will help stabilize trade in key sectors.”

The uncertainty surrounding the executive order had already impacted Japanese industry, with Toyota Motor Corp. lowering its full-year revenue forecast by $9.5 billion due to anticipated tariff costs. Japan’s auto industry, a critical pillar of its economy, employs millions and contributes heavily to wage growth and technological exports. The sector had been especially concerned about the lack of clarity in how tariff relief would be implemented.

Despite the lingering questions over timing, the announcement triggered a wave of optimism in Japan’s financial markets. The Tokyo Stock Exchange’s Topix index surged past the 3,000-point mark for the first time, buoyed by strong earnings reports and relief over the trade situation.

Sony Corporation, which had earlier projected ¥100 billion (approximately $679 million) in tariff-related costs, revised its forecast downward to ¥70 billion ($475 million) following the news. Analysts at Morgan Stanley reported that 91 percent of major Japanese firms maintained their earnings outlooks, an indicator of growing confidence in economic stability.

Still, Japan's business community remains cautious. While the tariff rollback is a positive signal, many companies are awaiting formal implementation and legal confirmation. Akazawa did not provide a specific timeline for the new executive order, though he expressed confidence that it would be finalized soon.

Meanwhile, opposition parties in Japan have urged Prime Minister Shigeru Ishiba to issue a joint statement with the United States to clarify the deal's exact terms and enforcement schedule. So far, the Japanese government has chosen to pursue the matter quietly through diplomatic channels, focusing on minimizing disruption to trade.

Economists note that the back-and-forth highlights the fragility of bilateral trade relationships in the current geopolitical climate. The US-Japan agreement marks a critical moment in Washington's broader strategy of recalibrating global trade policies while safeguarding American manufacturing and labor interests.

For Japan, the decision marks a diplomatic success that could shield its industries from further shocks. For the United States, the revised agreement balances protectionist objectives with the need to maintain key alliances in Asia. As both countries face mounting global trade pressures, the outcome of these talks underscores the importance of negotiation over unilateral policy shifts.

With the revised order expected to be signed by President Trump within weeks, attention now turns to how efficiently US customs agencies and Japanese exporters can coordinate the rollout. Refunds of excess tariffs will also be closely monitored by affected companies, particularly in the automotive and electronics sectors.

The talks reflect an ongoing effort by both nations to stabilize economic ties and prevent trade friction from escalating. While implementation details remain pending, the resolution of the tariff stacking issue has been welcomed as a constructive step in restoring predictability for businesses on both sides of the Pacific.