

US-Japan Trade Agreement Secured with Lower Tariffs and Major Investment

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The United States and Japan have finalised a significant trade agreement, announced by US President Donald Trump on Wednesday, reducing the tariff rate on Japanese goods from 25% to 15%. This deal marks a pivotal moment in bilateral trade relations, promising substantial economic benefits for both nations.

In a post on Truth Social, President Trump described the agreement as potentially “the largest Deal ever made.” He highlighted Japan’s commitment to invest \$550 billion in the United States, with the US set to receive 90% of the returns. “This trade deal with Japan will create hundreds of thousands of jobs,” Trump stated, adding that Japan will open its markets to American cars, trucks, rice, and other agricultural products, while paying reciprocal tariffs of 15%.

The deal also includes provisions for a potential joint liquefied natural gas (LNG) export project in Alaska, as reported by Bloomberg, citing Japan’s public broadcaster NHK. Additionally, tariffs on Japanese auto imports may be reduced to 15%, a move that has already spurred market optimism. Following the announcement, shares of Japanese carmakers surged on the Tokyo Stock Exchange, with Toyota Motor Corp climbing approximately 15% and Honda Motor Co rising by about 11%. The TOPIX benchmark index gained up to 2.6%, while US equity futures also saw modest increases.

Japan’s Prime Minister Shigeru Ishiba, in a recent interview, emphasized the rigorous negotiations that prioritized national interests. “Japan and the US have been conducting close negotiations with our national interests on the line,” Ishiba said, adding that both countries are committed to fostering job creation and producing high-quality goods through continued collaboration.

Japan’s primary exports to the US include vehicles, machinery, and electronic equipment, while the US exports chemicals, plastics, rubber, and leather goods to Japan. The agreement follows Trump’s earlier imposition of a 25% tariff on Japanese and South Korean goods, effective from August 1, 2025, due to persistent trade deficits. In a letter to Prime Minister Ishiba, Trump had cautioned against retaliatory tariffs, warning that any increase in Japanese tariffs would be met with a corresponding hike above the initial 25%. However, he noted that tariff rates could be adjusted based on the state of bilateral relations.

This trade deal reflects a pragmatic shift in US policy, fostering economic cooperation while addressing trade imbalances. It lays a foundation for stronger ties, with significant investments and job creation on the horizon, benefiting both American workers and Japanese industries.