

United States – Japan Trade Agreement Takes Effect

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On September 4, President Donald Trump signed the executive order “[Implementing the United States-Japan Agreement](#)” (the Agreement), which clarifies the bilateral trade agreement framework [announced](#) on July 23.

Key Provisions of the Agreement

The Agreement applies a baseline 15% “reciprocal” tariff rate for most Japanese imports. If a product’s rate is already set at 15% or more by the Harmonized Tariff Schedule of the United States (HTSUS), then no reciprocal duty will apply.

Special treatment is applied to several product categories under the Agreement. Manned civil aircraft and related parts and components will be exempt from the 15% reciprocal tariff rate (as outlined in [Executive Order 14257](#)); and from the Section 232 sectoral tariffs (as outlined in [Proclamations 9704](#) (aluminum), [9705](#) (steel), and [10962](#) (copper)).

Previously, passenger vehicles, light trucks, and specific automotive parts, including those imported from Japan, were subject to an additional 25% tariff under Section 232, pursuant to [Proclamation 10908](#) (discussed in detail [here](#)). With the Agreement, these products will be assessed a 15% tariff rate.

Other goods will be subject to a preferential zero percent reciprocal duty. These include generic pharmaceuticals and their ingredients and chemical precursors, as well as “natural resources that are not naturally available or produced in the United States.” This aligns with the [executive order](#) released by President Trump on September 5 (discussed more in detail [here](#)), which established procedures for implementing trade agreements, including provisions establishing a zero percent reciprocal tariff on certain goods, including “products that cannot be grown, mined, or naturally produced in the United States or grown, mined, or naturally produced in sufficient quantities in the United States to satisfy domestic demand; . . . and non-patented articles for use in pharmaceutical applications.” The September 5 executive order included a list of more than 1,900 products potentially eligible for country-based tariff exemptions or reductions (potentially to zero).

The Agreement’s provisions will be applied retroactively to goods that were entered for consumption or withdrawn from a warehouse for consumption on or after 12:01 a.m. ET on August 7.

Bilateral Commitments and Economic Exchange

The Agreement states that “the Government of Japan has agreed to invest \$550 billion in the United States.

These investments . . . will be selected by the United States Government.”

In addition, Japan, according to the Agreement, “will provide American manufacturing, aerospace, agriculture, food, energy, automobile, and industrial goods producers with breakthrough openings in market access across key sectors.”

Japan has also committed to purchase U.S.-made commercial aircraft and defense equipment and is “working to accept for sale in Japan” U.S.-manufactured and U.S. safety-certified passenger vehicles without additional testing.

Regulatory Guidance

In light of the retroactive effect of the Agreement, U.S. Customs and Border Protection (CBP) issued [interim guidance](#) on September 5, emphasizing that products entered for consumption or withdrawn from a warehouse for consumption on or after 12:01 a.m. ET on August 7 are eligible for refunds pursuant to the protest or correction process overseen by CBP. However, the interim guidance advises the trade community not to file any protest or correction for these products until further instructions are provided.

On September 16, the International Trade Administration released its [regulatory notice](#) to implement necessary modifications to the HTSUS to reflect the changes to be made pursuant to the Agreement.

Moving Forward

With pending litigation surrounding tariffs (discussed in detail [here](#) and [here](#)), which has been [accepted for review](#) by the Supreme Court and is scheduled for oral arguments in November, stakeholders should continue to watch for changes in tariff policy.

Troutman Pepper Locke will continue to monitor CBP guidance and developments related to the Agreement, as well as other international trade developments. For questions about compliance or the impact of these changes on your business, please contact our team.

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