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USJTA Benefits For Japanese Manufacturers

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The 2020 global pandemic overshadowed a major development for Japanese suppliers to the U.S. market: the entry into force of the U.S.-Japan Trade Agreement (“USJTA”). Now that the U.S. economy has continued to rebound since the pandemic, Japanese suppliers may find they have more reason to move manufacturing back to Japan. Under the USJTA, a long list of goods can now be imported duty-free into the U.S.

The USJTA does not affect goods that were already duty-free in the U.S. under existing WTO arrangements. However, there are at least two reasons why increasing the Japanese content of goods can benefit Japanese suppliers in the U.S. market. First, goods being manufactured in China are still subject to additional Section 301 import tariffs. This means that even if goods exported from China are subject to zero duty, they will still be subject to the Section 301 duties. Second, goods being manufactured in so-called “developing economies,” including major manufacturing nations in Southeast Asia, have not yet had their duty-free status restored in the U.S. This means that developing nations’ exports will be subject to import duties until the U.S. Congress restores their duty-free status. However, goods that qualify as “made in Japan,” will retain their duty-free status for as long as the treaty remains in force and are not subject to the Section 301 additional duties.

Japanese manufacturers of electronics and other hardware may stand to benefit from increasing the Japanese content of their end products in the form of zero import tariffs in the U.S. This should be welcome news in an era of growing protectionism in the U.S. and Europe.