



Quick Survey on the Perception of Japanese Companies in the U.S. regarding the New Trump Administration's Policies

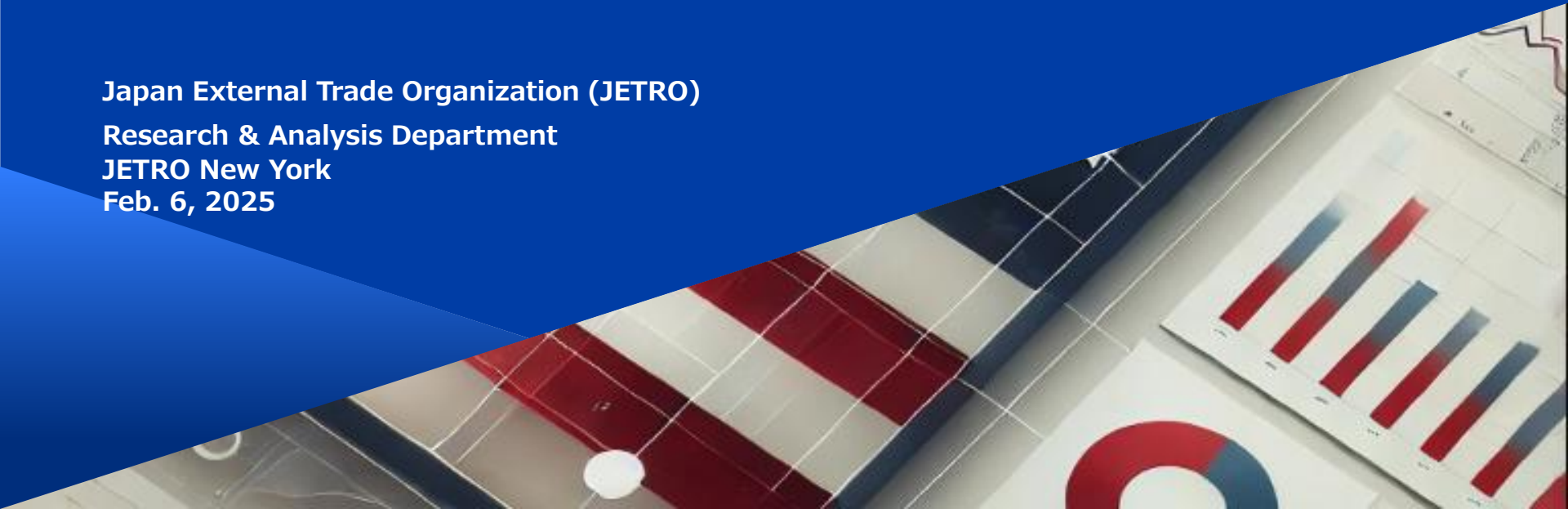
- Half of companies are taking a wait-and-see approach and many are especially wary of tariff policies -

Japan External Trade Organization (JETRO)

Research & Analysis Department

JETRO New York

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Summary of the survey

- Survey period : January 8-10, 2025
- Scope of survey : 694 Japanese-affiliated companies operating in the U.S.(note)
- Valid responses : 260 companies (37.5%)
- Breakdown of industry : 127 manufacturing companies, 133 non-manufacturing companies

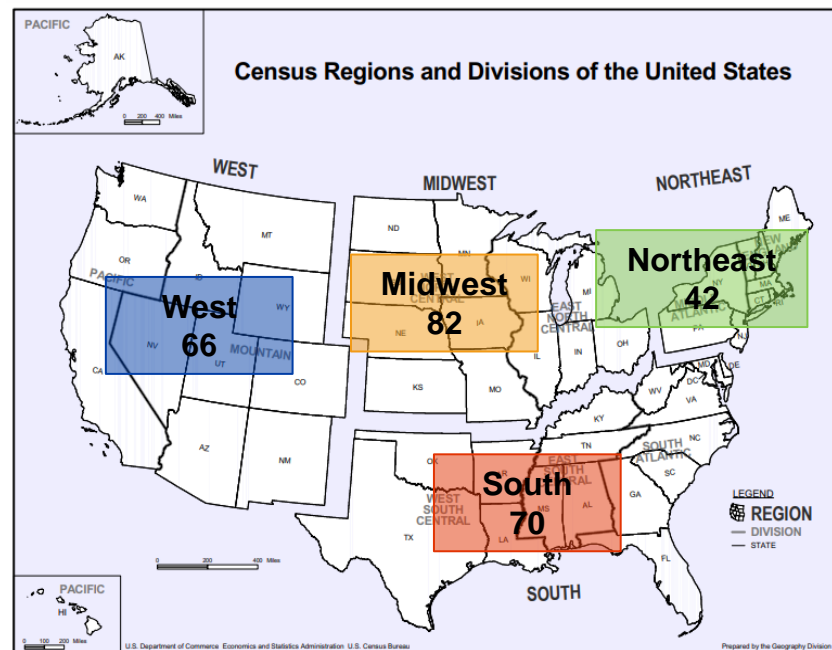
(Note) Japanese-affiliated manufacturers and non-manufacturers operating in the U.S. that are at least 10% owned by a Japanese parent, directly or indirectly, and branches of Japanese companies in the U.S. A questionnaire was sent to Japanese-affiliated companies in the U.S. that responded to the "2024 Survey on the Business Conditions of Japanese Companies Operating Overseas," conducted by JETRO in September 2024.

Breakdown of responding companies by industry

(Unit : Company, %)

		Total	Comp. Ratio			Total	Comp. Ratio
Total				260			100
Manufacturing	Total	Comp. Ratio	Non-manufacturing	Total	Comp. Ratio		
	127	48.8		133	51.2		
General machinery	23	8.8	Sales Companies/ Sales Subsidiaries	38	14.6		
Automotive etc. parts	23	8.8	Trade/Wholesale	30	11.5		
Chemicals/Medicines	14	5.4	Transport	15	5.8		
Iron/Non-ferrous metals/ Fabricated metal products	14	5.4	Construction	7	2.7		
Food	12	4.6	Information and communication	5	1.9		
Plastic products	8	3.1	Real estate and leasing	5	1.9		
Electrical machinery/ Electronic device	7	2.7	Travel/Amusement	5	1.9		
Electrical machinery parts/ Electronic device parts	7	2.7	Finance/Insurance	4	1.5		
Rubber/Ceramic/Stone and clay products	5	1.9	Mining/Energy	4	1.5		
Precision machines/ Medical equipment	4	1.5	Professional and technical services	4	1.5		
Textiles/Apparel	4	1.5	Retail trade	4	1.5		
Automobiles etc.	1	0.4	Education/Medical	3	1.2		
Railway/Transport vehicles etc.	1	0.4	Restaurant	1	0.4		
Other manufacturing	4	1.5	Agriculture/Forestry/ Fisheries	1	0.4		
		Other non-manufacturing		7	2.7		

Breakdown of responding companies by region



(Note) The regional classification of the Northeast, Midwest, West, and South is based on the classification by the U.S. Department of Commerce, Census Bureau.

Survey Results Summary

■ Half of companies are taking a wait-and-see approach to Trump's new administration policies (p. 3)

- ❖ About half (48.1%) of companies answered they “currently did not know” the overall impact of the new administration's policies on their companies. This was followed by “negative impact” (25.0%), “similar amount of negative and positive impact” (14.2%), and “positive impact” (10.8%). Only 1.9% responded “no impact.”

■ Wariness regarding tariff, immigration and foreign worker visa policies (p. 4-5)

- ❖ Among the policies expected to be implemented by the new administration, Japanese companies in the U.S. are wary of additional tariffs, harsher measures against illegal immigration, stricter work visa screening, and stronger Buy American policies. Notably, out of the 123 companies responding they would be affected by tariff policies, over 70% (72.4%) pointed to negative impacts, fearing a hike in import prices and delays in deliveries. Moreover, out of the 106 companies that also expect some impact from immigration and foreigner work visa policies, 61.3% feared a negative impact, worrying about difficulties in securing labor force as a result of policy changes.

■ Positive effects are also expected from the new administration's tax reform, economic and energy policies (p. 4, 6)

- ❖ Japanese companies in the U.S. expect the new administration to improve the business environment by reducing corporate and other taxes, curbing inflation, easing energy-related regulations, and improving infrastructure. Among these, they expected tax reform to have the largest positive impact (47.3%), followed by economic policies such as measures to curb inflation (34.9%), and energy policies that will reverse those of the Biden administration (34.5%).

■ Tariff policies' largest impact will be from baseline tariffs, followed by tariffs on China and then on Mexico (p. 7-8)

- ❖ In terms of tariff policies, the additional universal 10-20% baseline tariff on imports from all countries and regions, as well as increased tariffs on China, will have a significant impact, the largest of which will be on supply chains for Japanese companies in the U.S. if a 60% tariff is imposed on imports from China.

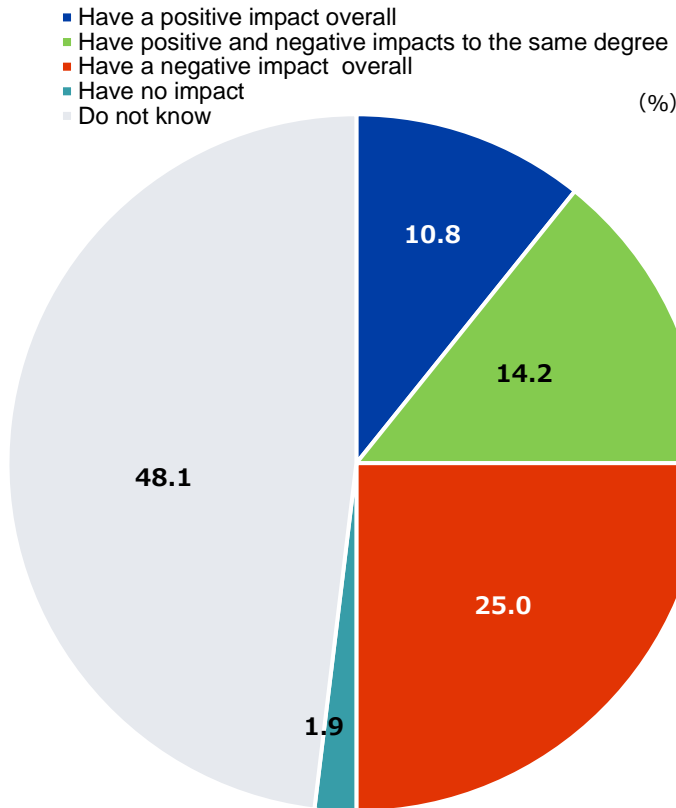
■ The most common response to the upcoming new administration's increased tariff policies is anticipatory measures (p. 10-11)

- ❖ In view of the upcoming administration's increased tariff policies, most companies said they were currently taking anticipatory measures. For instance, many have already started enhancing their manufacturing and procurement within the U.S., adjusting their production bases and suppliers, considering raising product prices or ways to pass on higher prices to customers, and accelerating production, shipments and deliveries, before the policies are implemented.

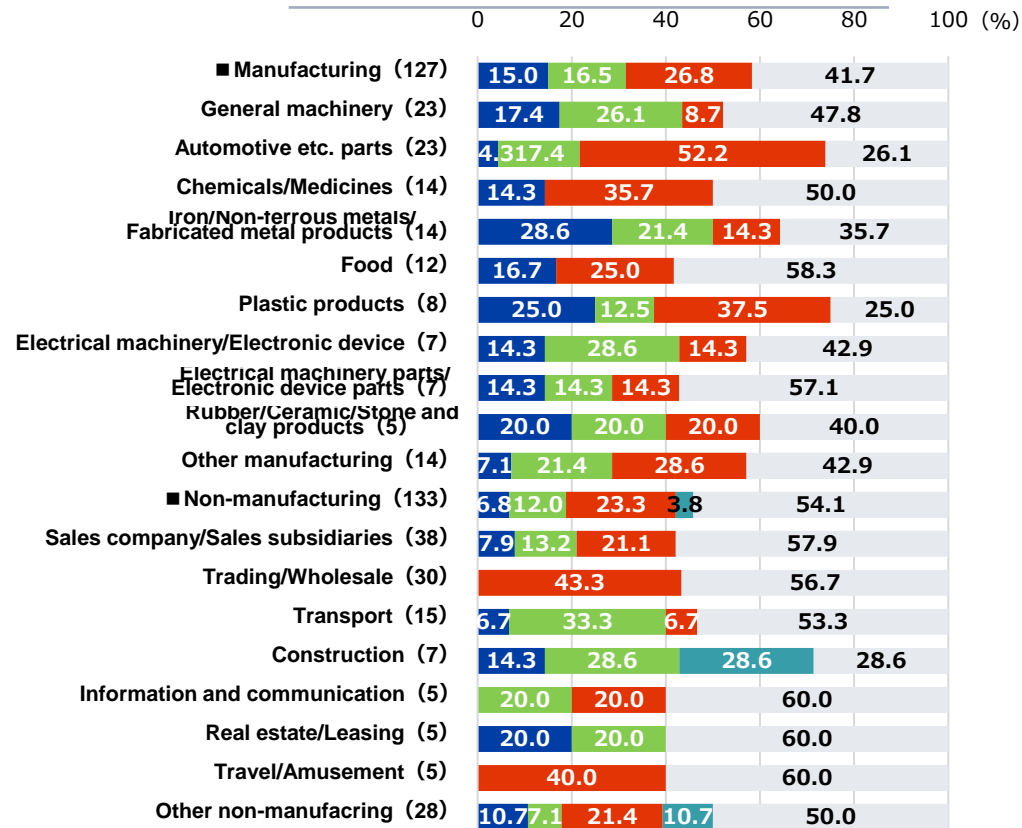
1 | Policy Impact of the New Administration

- Nearly half of the companies answered that they currently did not know the impact of the new administration's policies, suggesting a strong sense of uncertainty about the future. This was followed by expectations of negative (25.0%) and positive (10.8%) impacts.
- By industry, in the automotive and other parts sector, the expected negative impact (52.2%) was significantly higher than the positive (4.3%), suggesting concerns about the backlash from rolling back electric vehicle (EV) policy and from high tariff policies that will end up affecting Japanese companies' business activities.

Impact of the new administration's policies on your company



Impact of the new administration's policies on your company (by industry)



(Right Figure Note 1: Figures in parentheses indicate the number of responding companies)

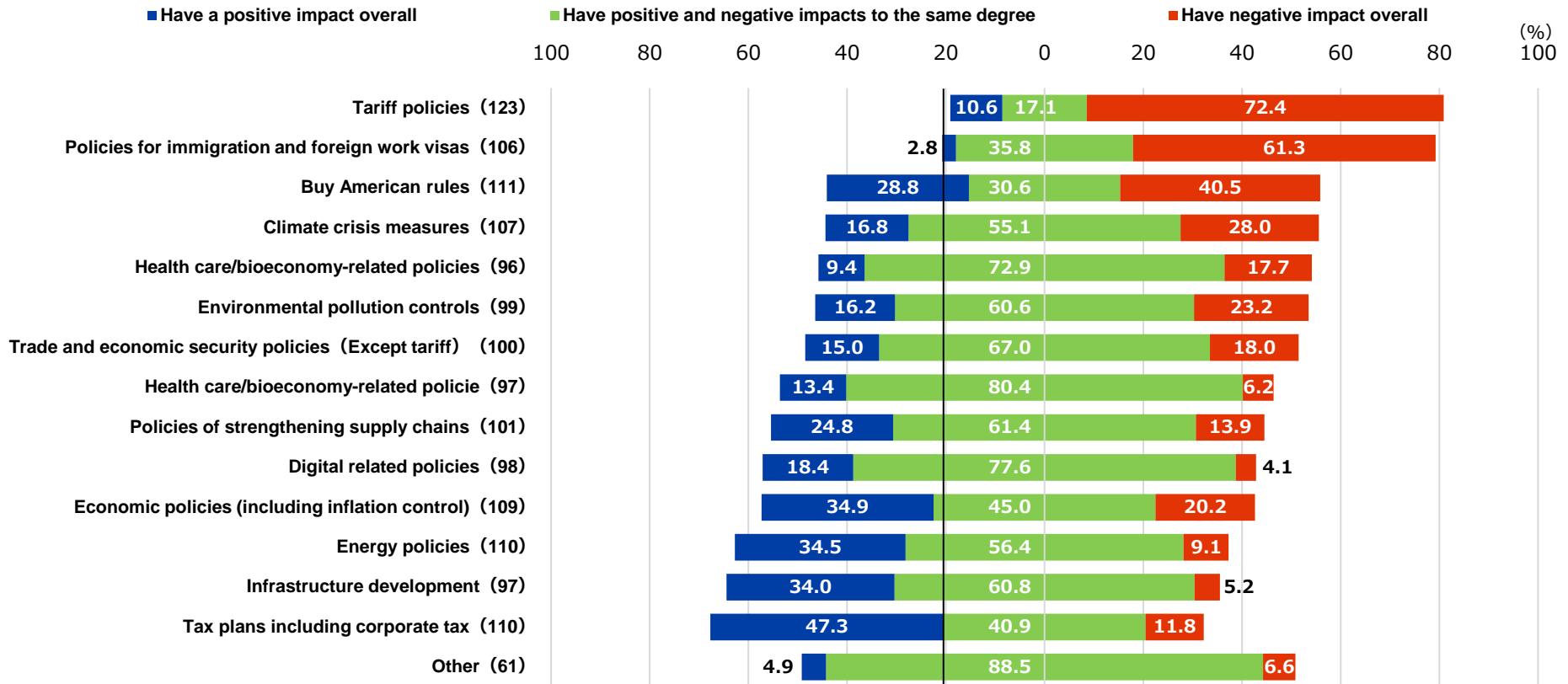
(Right figure Note 2: Pie chart percentages are rounded to the nearest whole number, so totals do not necessarily add up to 100%. Same below)

(Note 3: Industries with fewer than 5 responding firms are included in the "Other manufacturing" or "Other non-manufacturing" categories)

2 | Policy Impact of the New Administration by segment

- In terms of specific policies, the largest number of companies (123) indicated that they would be affected by tariff policies, of which 72.4% said they would be negatively affected, far exceeding the expectations for positive impact (10.6%).
- On the other hand, Japanese companies in the U.S. mostly expect a positive impact from the new administration's tax reforms, with corporate tax heading the list (positive: 47.3%, negative: 11.8%) and also from countering inflation and energy-related deregulation.

Impact of the new Trump administration's policies on your company (by policy area)



(Note: Figures in parentheses indicate the number of companies that responded that the policy in question will have an impact)

3 | Policies which may have negative impacts

- Japanese companies in the U.S. are concerned about the broad impact of the new administration's tariff agenda, including a hike in import prices for raw materials and products, the shift of such prices to selling prices, and delays in delivery times.
- Companies have also pointed as risks harsher measures against illegal immigration and stricter visa screening for Japanese expatriates making it more difficult to secure labor. Some are concerned that the uncertain outlook will pose unforeseen risks for their own companies.

Reasons for the negative impact (Specific comments)

■ Tariff Hikes on Foreign Products

- Increase in import prices will lead to costs being passed on to customers and, as a result, a decrease in sales. Conversely, our gross profit will be reduced if we do not pass on costs to consumers [Sales companies/Sales subsidiaries]
- Additional tariffs on imports from Chinese factories will significantly affect our cost competitiveness. In that case, we must consider changing the production area [General Machinery]
- Although our company has its own factory in the U.S., since we import key components from Japan and other Asian countries, the tariff policies may pose a risk of having to pass on the costs to customers or affect our delivery times [Electrical machinery/Electronic device Components]

■ Harsher Immigration Measures and Stricter Visa Issuance for Expatriates

- Difficulties in securing workers at plants in states with high immigration rates [Iron/Non-ferrous metals/Fabricated metal products]
- We expect a heavier burden due to difficulty in recruitment, increased man-hours for employees, and rising labor costs [Foods]
- With stricter expatriate visas issuance, visa approval will be more difficult, affecting our ability to replace personnel as needed [Retail Industry]

■ Policies Enforcing Buy American

- Policies strengthening the enforcement of Buy American will have a negative impact on our company since we sell imported products [Trading/Wholesale]
- Our products are made in Japan and could be negatively affected with a stronger Buy American enforcement policy [Electrical machinery/Electronic device]

■ Setback on Environmental and Climate Change Measures

- We expect that, by curbing inflation in the U.S., we will be able to procure raw materials domestically at lower prices [Chemicals/Medicines]
- Inflation rose under the Biden administration, sending labor and raw material costs soaring, which was squeezing our company's profits [Agriculture, Forestry, and Fisheries]

■ Concerns About the Economic Impact of the New Administration's Policies

- The negative impact will be great if excessively harsh immigration measures lead to losing labor in the U.S. and inflation resurges [General Machinery]
- High tariffs and immigration countermeasures could lead to further price hikes and inflation, resulting in an overall negative impact [Plastic Products]

■ Policy Outlook Uncertainty

- Lack of policy predictability makes it difficult to invest in environment-related projects [Electrical machinery parts/Electronic device parts]
- With increasing unpredictability, we run the risk of missing the possible impacts on our company [Plastic products]

4 | Policies with positive impacts

- Japanese companies in the U.S. expect the new administration to improve the business environment by maintaining or reducing corporate tax rates, easing environmental and energy-related regulations, and lowering procurement prices to tackle inflation.
- The policy of additional tariffs on foreign products and protecting the U.S. domestic industry will increase the product competitiveness of Japanese companies that have already established production systems in the United States.

Reasons for Positive Impact (Specific comments)

■ Corporate Tax Reduction

- Maintaining or reducing current corporate taxes will increase retained earnings and capital for reinvestment [Textiles/Apparel]
- Improved federal corporate income tax savings [Sales companies/Sales subsidiaries]

■ Economic Policies to Curb Inflation and the Like

- We expect that, by curbing inflation in the U.S., we will be able to procure raw materials domestically at lower prices [Chemicals/Medicines]
- Inflation rose under the Biden administration, sending labor and raw material costs soaring, which was squeezing our company's profits [Agriculture, Forestry, and Fisheries]

■ Policies Easing Environmental and Energy Regulations

- We expect gasoline and electricity prices to go down [Sales companies/Sales subsidiaries]
- Easing regulations on environmental impact and climate change will reduce costs associated to various environmental measures [Other Manufacturing]
- Repealing the EV purchase tax credit will delay the shift to electrification in the auto industry and keep alive demand for parts for internal combustion engine vehicles [Automotive etc. parts]
- Returning to fossil fuels and abolishing the policy of promoting the purchase of EVs could ramp up the demand and sales of gasoline and hybrid vehicles [Automotive etc. parts]

■ Infrastructure Development

- Developing infrastructure will help rise real estate prices [Real Estate and leasing]
- Increased infrastructure investment will bolster the number of customer orders [Construction]

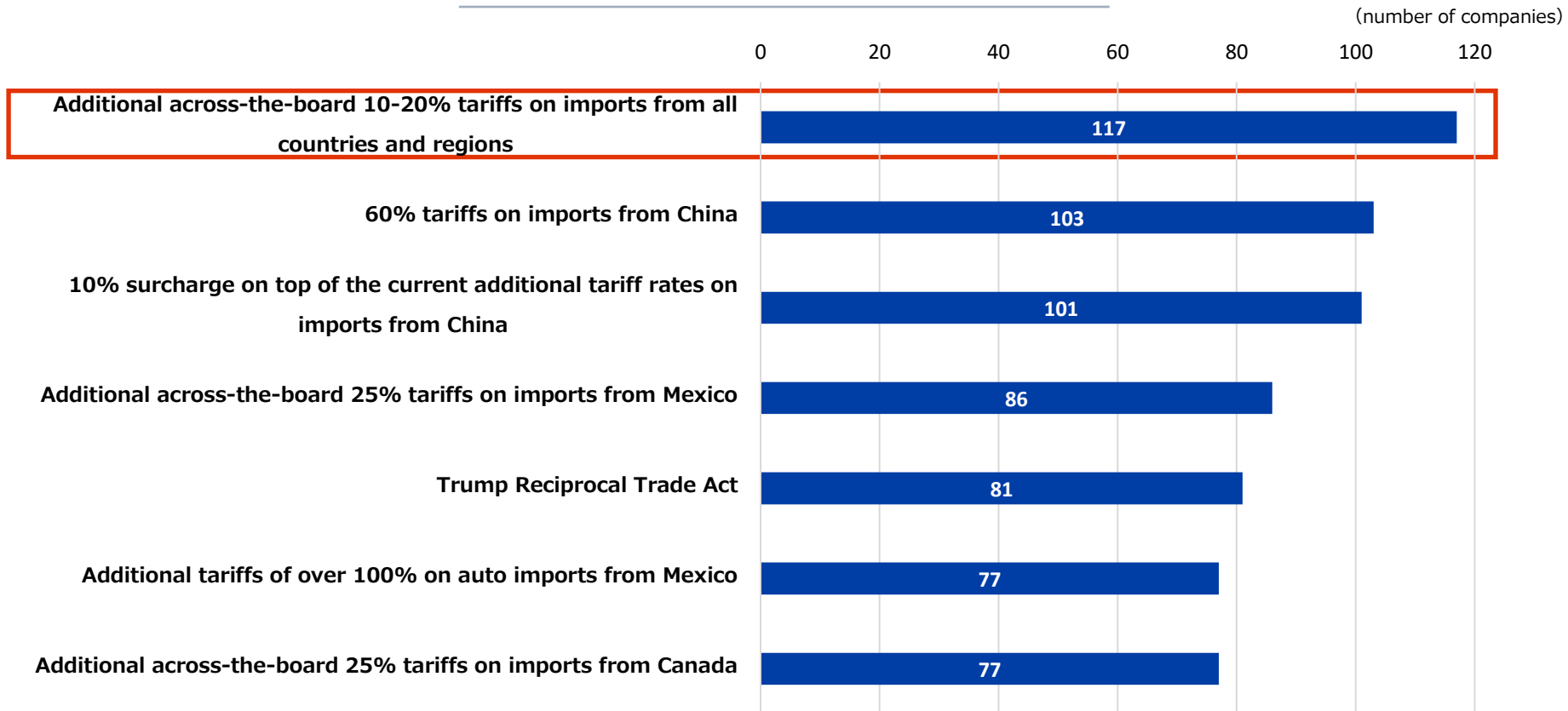
■ High Tariffs on Foreign Products and Protection of U.S. Domestic Industry

- With an expected increase in domestic demand in the U.S., we foresee a sales boost thanks to our production bases in U.S. soil [Plastic Products]
- These policies will revitalize U.S. manufacturing companies and probably lead to boosted sales for our company [Trading/Wholesale]
- If our clients increase their production, it will drive up their demand for our equipment consumables [Sales companies/Sales subsidiaries]
- The possibility of higher prices for overseas competing products will increase the relative competitiveness of our company's products thanks to our existing production system in the U.S. [Chemicals/Medicines]
- As a Japanese-affiliated company, decoupling from Chinese technology and capital will give us an advantage in a competitive environment [Electrical machinery parts/Electronic device parts]

5 | Impact of Tariff policies

- The number of companies saying they would be affected by President-elect Trump's tariff agenda was highest for the “baseline (universal) tariffs,” which would impose 10-20% blanket tariffs on all imports.
- This was followed by tariff measures against China, including a 60% tariff on imports from China and a 10% tariff surcharge on top of the current additional tariff rate on imports from China.

Impact of Tariff policies (Specific comments)

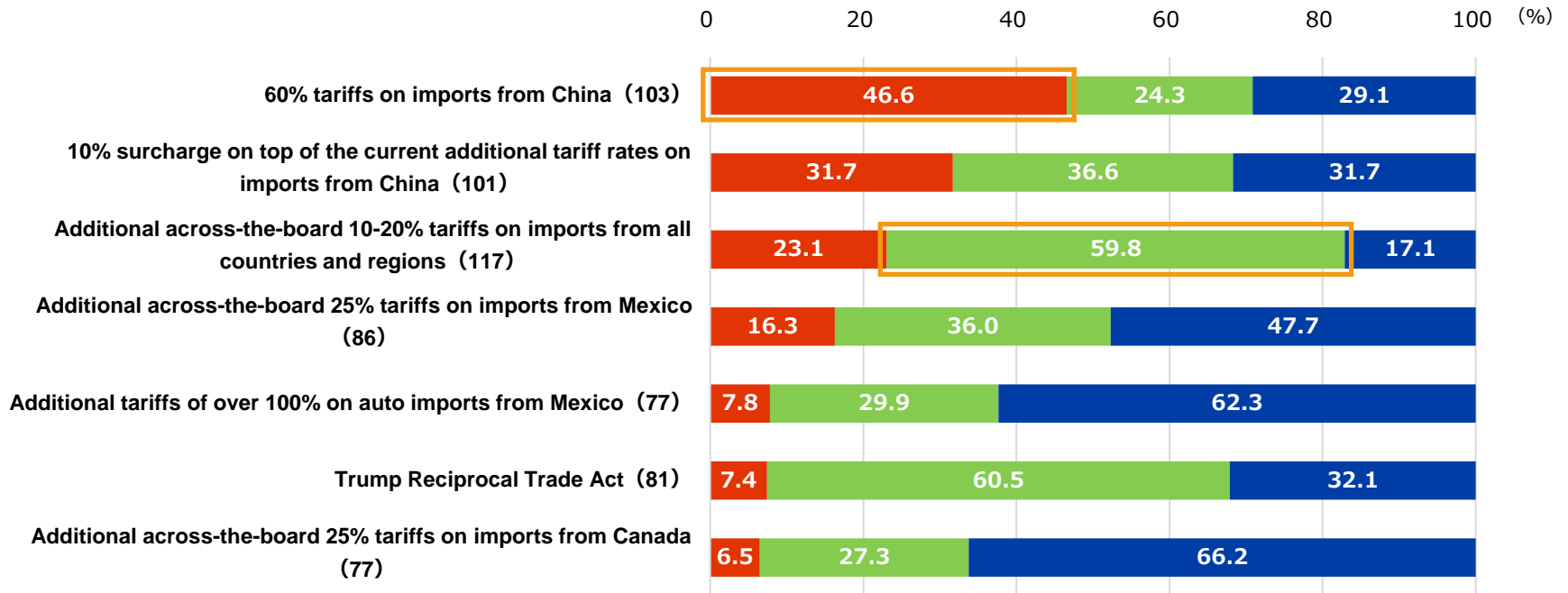


6 | Impact of Tariff Policies on Supply Chains

- Out of the total companies saying that President-elect Trump's tariff agenda would have "sufficient impact to consider changing their supply chain," the highest percentage was in the mid-40% range, saying it would be in case a "60% tariff on imports from China" were to be imposed.
- Out of the total companies saying that tariffs would "not force them to consider changing their supply chain, but still have a significant impact," the highest percentage was approximately 60%, saying it would be in case "10-20% blanket tariffs on imports from all countries and regions" were to be imposed.

Impact of Tariff Policies on Supply Chains

- Sufficient impact to consider changing the supply chain
- Will not force to consider changing the supply chain, but will still have a significant impact
- Will not force to consider changing the supply chain, but will still have some impact



(Note) Figures in parentheses indicate the number of companies that responded that the tariff policy in question will have an impact

7 | Concerns About the USMCA Review

- The biggest concern about the U.S.-Mexico-Canada Agreement (USMCA) review scheduled for 2026 is the hike in tariff rates. Many Japanese companies in the U.S. worry about ensuing rising costs, with some voicing concerns about a possible slump in consumption due to economic slowdown and decreased production in Mexico caused by inflation.
- On the other hand, companies with bases in the U.S. expect to benefit from the reduced inflow of foreign products due to higher tariff rates.

Concerns About the USMCA review (Specific comments)

■ Hike in Tariff Rates

- Price hikes due to tariffs imposed [Automobile and other parts]
- Concerns about automobile-related tariffs [Trading/Wholesale]
- Concerns that traditional cost advantages will be compromised, particularly regarding imported products manufactured in Mexico, significantly affecting our profits [Sales companies/Sales subsidiaries]
- High tariffs on imports from Canada pose a risk of directly increasing manufacturing costs [Information and Communications]
- If tariffs are imposed in disregard of USMCA rules, our North American automotive supply chain will easily collapse [Automotive etc. parts]
- Tariff hikes will increase the prices of imported raw materials in the supply chain and retaliatory tariffs (towards Canada and Mexico) will lead to a loss of export opportunities for clients [Plastic Products]
- We are concerned that if additional tariffs are implemented, Mexico and Canada may also impose retaliatory tariffs on U.S. products, ultimately having a negative impact on our business [Other Manufacturing]
- Potential impact to our logistics business if customers' procurement routes were to change due to tariff hikes [Transport]
- We expect that tariffs may bring back to the U.S manufacturing processes that had been nearshored to Mexico [Electrical and Electronics Components]

■ Impact on Consumption and Production

- May lead to further inflation in the U.S. [Automotive etc. parts]
- We are concerned that rising prices and wages in the U.S. will worsen our profit structure [Sales companies/Sales subsidiaries]
- U.S. prices will soar, sending the economy into recession [Other Manufacturing]
- Higher intra and extra-regional tariffs will aggravate inflation and reduce consumer activity. This will reduce the business volume between Japanese manufacturers and trading companies, our main customers, and lower demand for our services [Transport]
- Decrease in demand from customers with manufacturing bases in Mexico and cost increases due to further inflation [Chemicals/Medicines]
- If the Mexican economy deteriorates, sales to Mexican customers will decrease [Sales companies/Sales subsidiaries]
- We might be forced to withdraw our manufacturing operations from Mexico [Sales companies/Sales subsidiaries]
- Deterioration in business performance of Japanese companies in Mexico, especially in the automotive industry [Sales companies/Sales subsidiaries]
- A decrease of auto parts production in Mexico will possibly force us to cut back production at our Mexican plant [Plastic Products]
- Economic slowdown in Mexico and Canada will ensue due to the downsizing of plants that manufacture exports to the U.S. [General Machinery]

■ Impact on Investment Plans

- We have been considering investing on and developing supply chains for vehicle electrification based on the current USMCA. As the final investment decision date is imminent, most probably we will have to postpone it [Automotive etc. parts]

8

Measures Anticipating the New Trump Administration's policies (1)

- The most common answer to the upcoming new administration's tariff policies were anticipatory measures. Japanese companies in the U.S. are increasingly preparing for the imposition of Trump tariffs by adjusting their production bases (in China, Mexico, and Canada) and procurement sources, enhancing manufacturing and procurement in the U.S., estimating the impact of tariffs on costs, considering product price increases and passing on higher prices to consumers, building up inventory, and accelerating production, shipments, and deliveries in advance.

Measures Anticipating the New Administration's Policies (Specific comments)

■ Hike in Tariffs

- If tariffs on Japan increase, we are considering the possibility of locally producing the current products we import [Sales companies/Sales subsidiaries]
- We have resumed negotiations with U.S. raw material suppliers [Chemicals/Medicines]
- We are trying to understand the cost impact of tariffs on our operations and how to deal with it [Iron/Non-ferrous metals/Fabricated metal products]
- We are considering changing our mold providers, such as purchasing them from the U.S. and other countries [Plastic Products]
- We established a project team for finding alternative raw materials and they are currently working on it [Automotive etc. parts]
- We will stop land border crossings from the U.S. to Mexico for the first few days of the new administration [Transport]
- Mainly enhance our manufacturing systems in the U.S. [General Machinery]
- We have begun considering switching the manufacturing of products in Canada to the U.S. [Iron/Non-ferrous metals/Fabricated metal products]
- Reduce procurement of materials from overseas, including China [Foods]
- Monitoring tariff policy trends and incorporating risks into plan prospects [Electrical machinery parts/Electronic device parts]
- We suspended relocating the production of some parts to Mexico [Automotive etc. parts]
- Considering changing suppliers from China to other regions [General Machinery]
- Already completed the cost estimation for relocating operations from China to Indonesia and Thailand [Iron/Non-ferrous metals/Fabricated metal products]
- We are estimating the cost impact on parts procurement and reviewing the measures proposed [Automotive etc. parts]
- We have begun considering changing the country of production and raising product prices [Sales companies/Sales subsidiaries]
- Since we import some of our raw materials from outside the U.S., we have already started negotiations with our clients regarding possible rising costs due to tariff hikes [Chemicals/Medicines]
- Since the products we sell are imported from our Japan headquarters, any increase in import duties from Japan would force us to increase the selling prices [Sales companies/Sales subsidiaries]
- Building up inventory to meet increased demand that may arise from additional tariffs on competing Chinese goods [Sales companies/Sales subsidiaries]
- We are considering accelerating production and shipments in anticipation of increased tariffs [Electrical machinery parts/Electronic device parts]
- Shift imports from manufacturing bases other than China [Trading/Wholesale]
- Examining of alternative product suppliers other than Chinese ones [Trading/Wholesale]
- We completed our application for tariff exclusions in December 2024 anticipating possible revision on steel tariffs [Iron/Non-ferrous metals/Fabricated metal products]
- We put on hold the expansion of a plant in Mexico [Iron/Non-ferrous metals/Fabricated metal products]
- Procuring parts locally to avoid additional tariffs [Trading/Wholesale]
- If costs increase due to tariffs, etc., we will pass on higher prices to the customer [Sales companies/Sales subsidiaries]
- Transferring in advance inventories of Mexican products to the U.S. [Trading/Wholesale]
- Bringing forward delivery from current suppliers before the new administration is inaugurated. We are also considering changing to suppliers from Southeast Asia and India [Other Manufacturing]
- Stopped considering building a manufacturing facility in Mexico [Trading/Wholesale]
- We are asking clients about changes in shipping conditions, etc., assuming that tariffs will be imposed [Sales companies/Sales subsidiaries]
- Currently, the only possible solution is to change the material suppliers from Canada to U.S. suppliers [Automobile and other parts]
- Considering importing parts from countries other than China [Other Manufacturing]
- Exchanging information with customers and other consultees on how tariff policies may affect cargo movement to and from the U.S., etc. [Transport]

9 | Measures Anticipating the New Trump Administration's Policies (2)

- In addition to tariffs, anticipating changes in immigration and work visa policies, economic policies, and climate change measures expected to roll out under the new administration, companies have started applying for expatriate visas earlier, adjusting compensation and benefits to secure human resources, considering currency exchange- rate fluctuation risks, and reconsidering environment-related businesses, among other initiatives. On the other hand, many companies said that given the current unpredictability, they would confine themselves to only gathering information at this point and would consider how to react based on the actual policies implemented after the new administration takes off.

Measures Anticipating the New Administration's Policies (Specific comments)

■ Immigration and Foreign Worker Visa Policies

- Assuming the worst scenario (of rejection), we renewed the current expatriates' visas during the Biden administration [Sales companies/Sales subsidiaries]
- We are considering adjusting compensation and various benefits to secure workers [Iron/Non-ferrous metals/Fabricated metal products]
- We are trying to obtain information related to work visas [Electrical machinery/Electronic device]

■ Economic Policies

- If inflation accelerates and the U.S. dollar continues to strengthen, we are considering whether to maintain or to withdraw our business operations from the U.S. market [Chemicals/Medicines]
- We are considering business risks in the event of swing over to a strong yen [Electrical and Electronics Equipment]
- Reducing fixed costs due to inflation-related concerns [General Machinery]

■ Climate Change Measures

- We will actively expand sales for businesses other than hydrogen [Sales companies/Sales subsidiaries]
- The company is considering an upward revision of its production plan for the next fiscal year anticipating a drop in EV sales in the U.S. and a shift to gasoline and hybrid vehicles [Automotive and other components]

■ Supply Chain Enhancement Measures

- Although we applied for grants under the CHIPS and Science Act, for now we can only wait and see how things develop [Chemicals/Medicines]

■ Healthcare policies

- In anticipation to changes in medicine policies, we will enhance our information provision to medical professionals and insurance companies and also make an appeal to customers regarding the effectiveness of our pharmaceutical products [Chemicals/Medicines]

■ Other

- We are taking quick actions to ensure that our current subsidy applications will not be derailed by the Trump administration [Chemicals/Medicines]
- Predicting the impact of the new administration's policies on our business and considering strategies based on those predictions [Trading/Wholesale]
- Watching closely for policies to be announced after the new administration is inaugurated [Rubber, Ceramics, Soil and Stone]
- We are currently trying to identify potential impacts [Plastic Products]
- Although we have a lot of business in Mexico, we are also seriously considering starting business in the U.S. in earnest [Construction]
- Continue to strengthen cooperation with our public policy and external relations department in Washington, D.C., closely monitoring policy direction shifts and reflecting changes promptly in the business activities [Information and Communications]
- Basically, we see the various policies as positive for our company, so currently we are not planning any measures [Foods]
- We are in the process of identifying various possibilities and have scheduled a meeting at our headquarters for the end of February 2025 to discuss them [Sales companies/Sales subsidiaries]
- We will consider measures once Trump's administration is inaugurated [General Machinery]
- At present we are only gathering information [Information and Communications]
- Gathering information only, with no concrete measures taken yet [Chemicals/Medicines]
- We can but speculate about the unforeseeable situation. It is also risky to take measures now given the unpredictability of the policies [Automobile etc. parts]
- Although we have not yet taken specific measures, we expect we will have to reconsider our U.S. business depending on how the policies are implemented going forward [Sales companies/Sales subsidiaries]

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