

B North America

1 United States

(a) Overall Relations between Japan and the US

(1) Overview

As allies, Japan and the United States (US) are not only working toward responding to various bilateral concerns, but also tackling various challenges that the international community is facing by cooperating with countries around the world under the concept of the “Japan-US Global Alliance.”¹ This Japan-US alliance is a relationship of close coordination and cooperation based not only on the Japan-US Security Arrangements, but also in a wide array of political, economic, and other fields.

(2) Responding to Bilateral Challenges

Concerning bilateral issues between Japan and the US, the realignment of the US forces in Japan (USFJ) and Bovine Spongiform Encephalopathy (BSE) had critical importance.

Regarding the realignment of the USFJ, numerous consultations were conducted in order to achieve the goal of both maintaining the deterrence of USFJ while reducing the burden on local communities, including those in Okinawa. These efforts led to the release of a document in October 2005, which compiled the results of reviews of this force posture realignment. Based upon this report, it was decided that a specific implementation plan would be made by March 2006 (refer to Chapter 3 Section A-1: The Japan-US Security Arrangements).

Regarding the BSE issue, under the basic premise of ensuring food safety and the confidence of consumers, consultations grounded in scientific knowledge have been conducted and after completing necessary domestic procedures, the two-way trade of beef between Japan and the US was resumed in December 2005 (refer to Section B-1 (b)). However, when it came to light on January 20, 2006 that veal containing specified risk material (SRM) (spinal column), which had not been approved for importation, arrived in Japan, Japan suspended import procedures for all US beef.

(3) Joint Efforts for Challenges Facing the International Community

Among the numerous challenges that the international community has faced, Japan and the US first jointly worked toward responding to the extensive damage caused by the major earthquake off the coast of Sumatra and the tsunami in the Indian Ocean which occurred in December 2004. To respond to the challenges of emergency support, rehabilitation, reconstruction, and protection within the afflicted regions, Japan and the US quickly set up a core group with Australia and India to lead the efforts of the international community and endeavored to ensure effective and efficient support.

New threats to the international community are emerging, such as terrorism and the proliferation of weapons of mass destruction (WMDs) and their means of delivery. The international security environment in the Asia-Pacific region still remains unpredictable and uncertain. In light of these, both Japan and the US, as allies sharing fundamental values such as human rights and democracy, as well as common interests, reaffirmed the importance of their taking leading roles in the international community's response to these issues. Both countries strongly affirmed the necessity of laying out common strategic objectives clearly and cooperating closely in order to achieve them.

Based upon such recognition, the Japan-US Security Consultative Committee (SCC, or 2+2 Meeting) was held in Washington, D.C. on February 19, attended by Minister for Foreign Affairs Nobutaka Machimura, Minister of State for Defense Yoshinori Ohno, US Secretary of State Condoleezza Rice, and US Secretary of Defense Donald H. Rumsfeld. At the meeting, common strategic objectives between Japan and the US were compiled. Those issues identified as common strategic objectives at the regional level included strengthening the peace and stability of the Asia-Pacific region, supporting the peaceful unification of the Korean Peninsula, and welcoming China to play a responsible, constructive role regionally and globally. At the global

1. Prime Minister Junichiro Koizumi and President George W. Bush reached an agreement at their Japan-US Summit Meeting of May 2003 on the concept of the “Japan-US Global Alliance.” This concept refers to a cooperative relationship in which Japan and the US coordinate with countries around the world in order to resolve various issues of the international community.

level, common objectives included promoting fundamental values such as basic human rights, democracy, and the rule of law in the international community, promoting the non-proliferation of WMDs and their means of delivery, and eradicating terrorism. In addition, the ministers concurred that regular consultations would be held to coordinate policies in accordance with these common strategic objectives, as well as to update these objectives as the security environment requires.

In addition, Japan and the US have had strategic dialogues on issues regarding medium- and long-term challenges to the international community, in which Japan and the US exchanged opinions from strategic viewpoints. As the issues that the two countries face in the international community broaden, the Japan-US Foreign Ministers' Meeting was held in Washington, D.C. on May 2, and the ministers agreed to upgrade the Japan-US strategic dialogues from the vice-ministerial-level to the ministerial-level and to conduct them at the senior officials' level as well.

Against this backdrop, Japan-US foreign ministers' meetings were held almost every month throughout 2005 between Foreign Minister Machimura and Secretary of State Rice and between Foreign Minister Taro Aso and Secretary Rice. At these meetings, candid exchanges of opinions were conducted in regard to shared efforts for the various challenges facing the international community.

In relation to issues concerning North Korea, following the declaration on the possession of nuclear weapons by North Korea on February 10, the Joint Statement on North Korea was issued at the Japan-US Foreign Ministers' Meeting conducted on February 19. This statement indicated deep concern toward the declaration by North Korea and once again expressed commitment to the continued aim of reaching a peaceful and diplomatic resolution to the nuclear issue through the Six-Party Talks. During the second round of the fourth Six-Party Talks in September, concurrent with the meeting in Beijing, the foreign ministers from Japan, the US, and the Republic of Korea (ROK) held daily consultations in New York. These diplomatic efforts and the collaboration among the three countries largely contributed to the conclusion of the first "Joint Statement" of the Six-Party Talks. Japan and the US have also been cooperating closely on the abduction problem and other human rights issues concerning North Korea. The adoption of the resolutions related to the situation of human rights in North Korea at the United Nations (UN) Commission on Human Rights in April and at the UN General Assembly in December were results of

collaboration among Japan, the US, and the European Union (EU). In addition, the US appointed Jay Lefkowitz as its special envoy on human rights in North Korea in August. The following December, Japan appointed Japanese Ambassador to Norway Fumiko Saiga as ambassador in charge of human rights, including those of North Korea.

Furthermore, amidst continuing terrorist attacks, such as a series of terrorist bombings in London in July, both Japan and the US placed the fight against terrorism as a challenge of the utmost priority for the international community. As such, the two countries continued their close collaboration and demonstrated initiative through international frameworks such as the UN, G8, the Asia-Pacific Economic Cooperation (APEC), and the ASEAN Regional Forum (ARF). For example, Japan and the US collaborated closely on such measures as strengthening the international legal framework for strict punishment of terrorism, taking measures against terrorist funding, strengthening immigration controls and transportation security systems, and taking measures for the non-proliferation of WMDs. Furthermore, based on the Anti-Terrorism Special Measures Law, Japan's Self-Defense Forces (SDF) are providing water and fuel for the multinational force (MNF) in the Indian Ocean, from countries such as the US that are engaged in "Operation Enduring Freedom." The supply activity has received high appraisals from a number of countries as an activity which has played an important role in the fight against terrorism. The Government of Japan has extended this law for one year from November 1.

It is important to ensure the reconstruction of Iraq and the stabilization of the livelihoods of its people for peace and stability not only in the Middle East, but also in the international community as a whole, including Japan. In order to collaborate closely with concerned



Minister for Foreign Affairs Taro Aso meeting with US Secretary of State Condoleezza Rice (December 2, Washington, D.C., US)

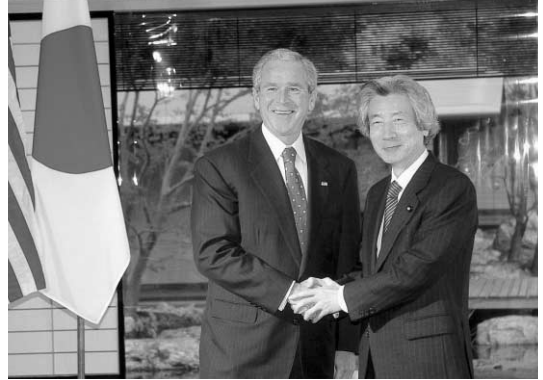
countries and to support nation-building in Iraq by the Iraqi people themselves, Japan dispatched the SDF for humanitarian and reconstruction assistance and provided Official Development Assistance (ODA) to Iraq. These measures are the “two wheels of one cart,” and Japan has expended the utmost effort. Throughout 2005 in particular, significant developments were seen in the political process, including the two National Assembly elections. The Iraqi security forces have steadily been strengthened by concerned countries such as the US. In the midst of this, Japan and the US conducted the sharing of information and policy coordination at various levels in order to succeed in the reconstruction process of Iraq. Through a variety of bilateral meetings between Japan and the US, Japan has received high appraisals from the US regarding Japan's contribution to Iraq, while Japan emphasized that it would continue cooperating with the international community and responding further to this issue.

Both Japan and the US have also enhanced their policy coordination in the field of development. Secretary of State Rice, who visited Japan in March, proposed the Japan-US Strategic Development Alliance as a periodic and systematic means of cooperation in development assistance between Japan and the US, which together provide almost 40% of the total amount of the development assistance given to developing countries in the world. At the Japan-US Foreign Ministers' Meeting in September, a joint statement proclaiming the launch of the framework for this alliance and common development principles was released. This initiative was designed to promote coordination regarding respective issues between Japan and the US, the two largest donor countries, based on their common philosophies and principles of assistance. It has been recognized as a new, concrete effort for the Japan-US cooperation that contributes to global stability and prosperity.

(4) Japan-US Summit Meeting in November

In response to efforts toward such bilateral issues and the variety of challenges to the international community, the leaders of both countries agreed to further strengthen cooperation at the Japan-US Summit Meeting held in Kyoto on November 16.

At the meeting, candid exchanges of opinions were held from a broader perspective as well as over cooperation on various challenges facing the world such as Iraq, Afghanistan, and North Korea, as well as the situation surrounding China, in addition to bilateral issues such as the realignment of US forces. In terms of bilateral



Prime Minister Junichiro Koizumi shaking hands with US President George W. Bush before the meeting (November 16, Kyoto State Guest House Photo: Cabinet Public Relations Office, Cabinet Secretariat)

relations, at the 2+2 Meeting held at the end of October, it was agreed that the contents of the joint document would be steadily implemented in regard to strengthening the cooperation between Japan and the US and the realignment of the USFJ. Furthermore, consensus was reached over issues such as the continuation of close collaboration toward the implementation of the Joint Statement at the Six-Party Talks for the peaceful resolution of the North Korean nuclear issue, the necessity of resolving the abduction issue, and Japan-US bilateral cooperation to realize reform of the UN Security Council.

In light of these results, both heads of state reaffirmed the value of “the Japan-US Global Alliance” in definitive terms at a joint press conference held after the meeting.

(5) Visit of Their Majesties The Emperor and Empress of Japan to Saipan

Their Majesties The Emperor and Empress of Japan visited Saipan, a territory of the US, from June 27 to 28 in the sixtieth year after the end of World War II in order to mourn and pay tribute to all those who lost their lives on foreign soil in the war and to pray for world peace (refer to Topic: “Visit of Their Majesties The Emperor and Empress of Japan to Saipan”).

(b) Economic Relations between Japan and the US

Recent economic relations between Japan and the US have gone through a change from one characterized by friction to a coordinated relationship based on constructive dialogue. The challenges that the US and Japan must strive to address based on this spirit of coordination cover a wide array, from global matters such as the

World Trade Organization (WTO) Doha Rounds, to matters at the regional level such as cooperation in economic areas throughout the Asia-Pacific region, and to matters of bilateral economic relations. Moreover, the Bush administration strongly supports the structural reforms by the Koizumi Cabinet based on the recognition that the recovery of Japan's economy is essential not only for the development of Japan-US economic relations and the growth of the world economy as a whole, but also for the stability and prosperity of the Asia-Pacific region.

The Japan-US Economic Partnership for Growth² reflects this transformation of Japan-US economic relations. Comprehensive and constructive dialogue has been conducted between Japan and the US under the framework of this partnership. Chief among these is the Regulatory Reform and Competition Policy Initiative under which, based on the principle of two-way dialogue, Japan and the US address various regulatory issues in each of the sectors of (1) telecommunications, (2) Information and Communications Technology (ICT), (3) energy, and (4) medical devices/pharmaceuticals, as well as (5) cross-sectoral regulatory issues in both countries. In 2005, working groups and a High-level Officials Group (vice-ministerial-level) were held, and the Fourth Report to the Leaders on the US-Japan Regulatory Reform and Competition Policy Initiative was compiled and released on November 2. The countries exchanged recommendations for the fifth-year dialogue on December 8.

As described below, Japan addresses individual issues between Japan and the US both within and out of the Japan-US Economic Partnership for Growth to maintain coordinated and constructive Japan-US economic relations.

First, Japan suspended imports of US beef in response to the confirmation that a cow in the state of Washington was suspected of BSE infection on December 23, 2003. The Government of Japan continued consultations grounded in scientific knowledge to satisfy the basic premise of ensuring food safety for consumers. As a result, resumption of imports of US beef through the necessary domestic procedures was announced on December 12, 2005. On the same day, the US government announced that it would resume the import of Japanese beef which had been halted since March 2000 due to the occurrence of foot and mouth

disease and BSE. However, when it came to light on January 20, 2006 that veal containing SRM (spinal column) which had not been approved for importation arrived in Japan, Japan suspended all import procedures for US beef.

Second, in regard to issues concerning US measures determined to be in violation of the WTO Agreements, Japan has been strongly requesting the US government to repeal the so-called "Byrd Amendment" which stipulates the distribution of revenues from anti-dumping duties to US domestic companies, as well as anti-dumping measures aimed at hot rolled sheet steel from Japan. In regard to the Byrd Amendment in particular, owing to the fact that conditions violating the WTO Agreements were not rectified, Japan put in place countermeasures against the US on September 1 in the form of imposing additional customs duties on designated products within the range of the countermeasures authorized by the WTO. Following this, on February 8, 2006 the US passed the Deficit Reduction Act of 2005, which (1) repeals the Byrd Amendment and (2) states that all anti-dumping duties on entries of goods filed before October 1, 2007 would continue to be distributed pursuant to the Byrd Amendment. The enactment of a law which repeals the Byrd Amendment is a significant step forward and represents the success of Japan's appeal to the US. However, because the distributions under the Byrd Amendment will continue for a certain period hereafter, the Japanese government intends to strongly encourage the US to halt these distributions immediately and to completely repeal the Byrd Amendment.

Third, following the terrorist attacks in the US in September 2001, the US tightened immigration control including more stringent procedures for acquiring and renewing visas. In relation to this issue, the Japanese government has been taking every opportunity, including at consultations under the Japan-US Economic Partnership for Growth, to urge the US to ensure that the strengthening of anti-terror measures would not produce any negative impact on trade and investment between Japan and the US.

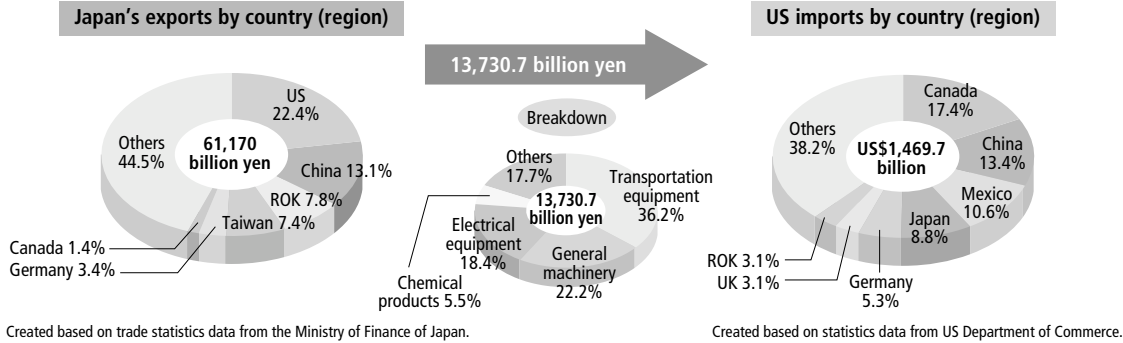
(c) The Situation in the US

In his February 2005 State of the Union Address, President George W. Bush, who won reelection in November 2004, raised reform of the social security system (public pensions) as one of the most important

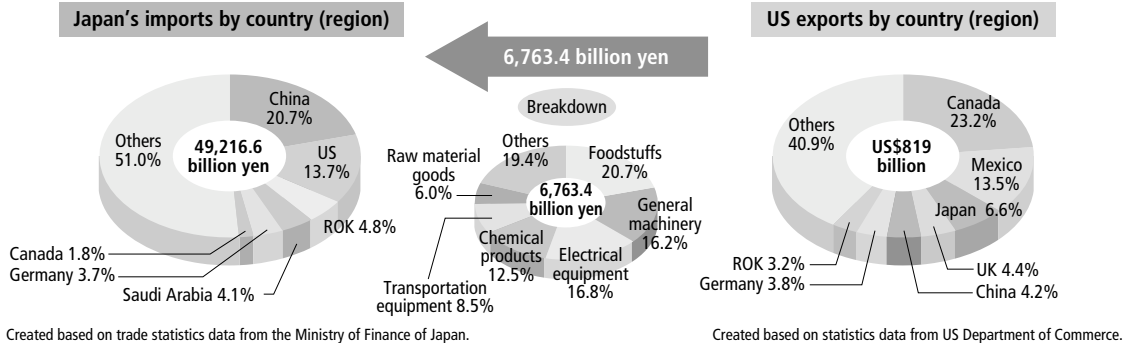
2. An economic framework for dialogue between Japan and the US agreed upon by the heads of state of both countries during the Japan-US Summit Meeting of June 2001. It is comprised of the six forums of the (1) US-Japan Subcabinet Economic Dialogue, (2) the Private Sector/Government Commission, (3) the Regulatory Reform and Competition Policy Initiative, (4) a Trade Forum, (5) an Investment Initiative, and (6) a Financial Dialogue.

Japan-US Economic Relations

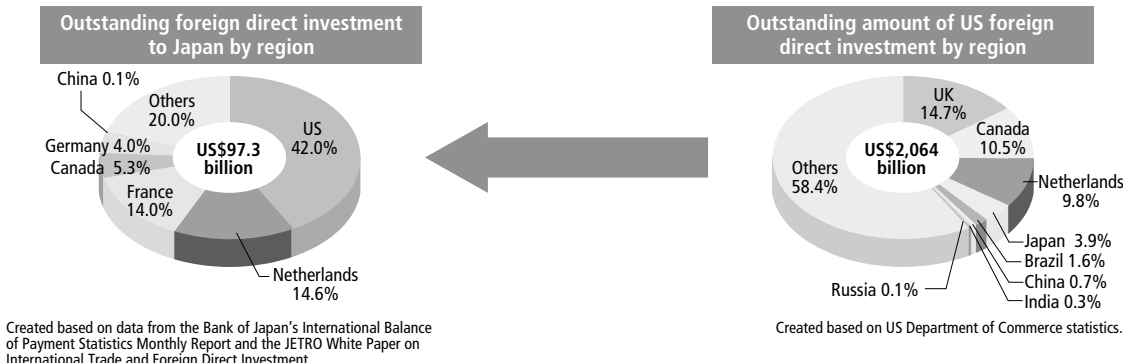
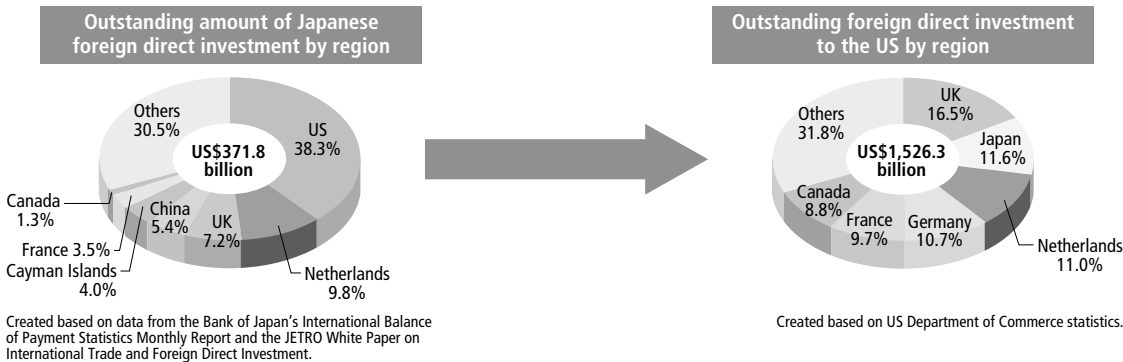
Exports from Japan to the US (2004)



Imports to Japan from the US (2004)



Direct investment (stock) 2004



challenges for his second term. Although national debate was called for and an energetic campaign was conducted, the plan failed to raise the interest of the general public and never reached the point of serious deliberations in Congress. At the end of August, Hurricane Katrina wreaked enormous damage to the states along the Gulf of Mexico, such as Louisiana, and reacting to this damage came to pose a significant problem of domestic politics during the latter half of the same year. Also during this period, steep rises in the price of gasoline had a major impact on the household budgets of the general public. Public interest was raised regarding the question of whether high-level government officials were involved in the leaking of information related to a Central Intelligence Agency (CIA) agent, and in October Chief of Staff to the Vice President Irve Lewis Libby Jr. was indicted by a federal grand jury for crimes of perjury and he resigned from his post. In addition, scandals involving high-ranking Republicans from both houses of Congress and other affairs were disadvantageous to the Bush administration and the Republican Party.

While the death toll of American soldiers in Iraq surpassed 2,000, a sense of uncertainty persisted over the future. Public opinion surveys have also showed results that less than 40% of the public approves of the Bush administration's Iraq policies, and disapproval exceeds approval.

In each public opinion survey, the approval rating for President Bush decreased throughout the year, dropping from approximately 50% in the beginning of 2005 to the upper 30% range in most surveys from the fall of the year. In response to this, President Bush conducted a series of speeches before and after December 15, the date of the Iraqi National Assembly election, where he highlighted the progress in Iraq and drew attention to achievements of the US economy as well. As a result, the presidential approval rating recovered to the low 40% range by the end of the year.

In terms of domestic affairs, the appointment of US Supreme Court justices also received a large attention in 2005. In the US, the judiciary, with the US Supreme Court as the highest point, has significant influence on culturally and socially contentious issues (abortion, gay

rights, etc.) which divide public opinion and are difficult to resolve legislatively. In addition, since Supreme Court justices receive lifetime appointments, they remain on the Supreme Court after the completion of the term of the president who nominated them. President Bush nominated US Appeals Court Justice John Roberts as the successor to Chief Justice William H. Rehnquist, who passed away in September, and Roberts became the new Chief Justice after confirmation of the US Senate. President Bush nominated Counsel to the President Harriet Miers to succeed the moderate Justice Sandra Day O'Connor, who announced her intention in July to resign. However, due to strong opposition from conservatives, President Bush nominated US Appeals Court Justice Samuel Alito, perceived to be a conservative, in her stead, and confirmation for his appointment was given in January 2006.

(d) The US Economy

The US economy recorded negative growth from the year 2000 to 2001 as a result of the impact from both the economic downturn accompanying the bursting of the IT bubble and the terrorist attacks in the US. However, from the second quarter of 2003 on, the economy has recorded growth at an annual rate of 3% or greater for ten consecutive quarters. This is due to factors such as support from the robust personal consumption backed by improved employment, as well as the private capital investment which strengthened the cyclical recovery power of the economy. Currently, the economic climate is viewed as basically moving in a direction of expansion, and it is generally estimated that hereafter growth of approximately 3.5% will continue. Furthermore, many people are of the opinion that the impacts of the hurricane damage of August and September 2005 on US economic growth turned out to be minor compared with estimates.

Since the terrorist attacks in the US in September 2001, the Bush administration has been implementing a series of economic stimulus measures, with large-scale tax cuts³ as a main pillar. Additionally, in 2005, two supplemental budgets totaling approximately US\$62.3 billion and tax cuts of about US\$6.1 billion for the

3. In concrete terms, immediately following the 9/11 terrorist attacks, the US implemented US\$40 billion in emergency spending and US\$15 billion in support for domestic airlines and additionally the Economic Growth and Tax Relief Reconciliation Act of 2001, which will result in a total of US\$1.35 trillion in tax cuts by FY2011, centering on a reduction in the income tax and phased abolition of the estate tax. In March 2002, an economic stimulus package was enacted that includes an extension of unemployment benefits and preferential tax treatment for corporations. In May 2003, Congress enacted the Jobs and Growth Tax Relief Reconciliation Act, which will result in US\$349.7 billion in tax cuts by FY2013, mainly tax reductions as applied to dividends and the sale of shares. In September 2004, Congress passed the Working Families Tax Relief Act, which extended tax cuts totaling US\$145.9 billion, including an expansion of the deduction for child dependents, the elimination of the marriage penalty to lighten the tax burden on families with two working spouses, and the expansion of the 10% income-tax bracket.

victims were decided on in order to support the hurricane-affected area.

On the monetary side, in June 2004 the Federal Reserve Board (FRB), following the robust private consumption and capital investment, increased interest rates for the first time in roughly four years. As a result of raising rates 13 times since then, the Federal Fund (FF) rate for the end of the year 2005 climbed to 4.25%. Furthermore, at the end of January 2006, Chairman of the FRB Alan Greenspan resigned and Chairman of the President's Council of Economic Advisors Ben S. Bernanke took his place.

Hereafter, the greatest cause for concern regarding the US economy will be the financial and trade deficits (so-called "twin deficits") which have been on an increasing trend in recent years. There is a growing concern in the market that the resurgence of these "twin deficits" has the potential to induce sudden hikes in interest rates and rising adjustment pressure currency (a weakened dollar), as well as to lower consumer appetite. Another concern is that a precipitous drop in the dollar and a rise in long-term interest rates could lead to disturbances in the stock market and thereby create a destabilizing factor for the world economy. Furthermore, continued vigilance is also necessary in regards to trends in the price of energy and the impact of interest rate hikes by the FRB.

In terms of trade, the deficit in commercial trade for 2005 reached US\$766.8 billion (a 17.8% increase compared to the previous year). The deficit with Japan increased by 9.4% to US\$82.7 billion compared to the previous year making it the highest ever recorded. The deficit with China increased by 24.5% to US\$201.6 billion, breaking the record high for the fourth consecutive year. China comprised one-fourth of the US trade deficit and was the largest country in terms of deficit amount by country for the sixth year in a row.⁴

On the fiscal side, the financial deficit for the 2005 fiscal year budget (October 2004 to September 2005) decreased by 22.9% to US\$318.3 billion (2.6% relative to gross domestic product [GDP]) compared to the previous fiscal year. Although the US has run a financial deficit for four years in a row, the deficit has decreased substantially compared to the previous fiscal year due to the increase in tax revenue which has accompanied the economic expansion. President Bush has promised to reduce the financial deficit by half from the US\$521.0 billion, initially predicted for FY2005, by the year 2009. However, it is necessary to take heed of the factors acting

contrary to the goal of improving the fiscal balance, such as the fact that tax cuts for income taxes are scheduled to become permanent, the fact that it seems certain that additional appropriations will be organized for the activities in Iraq and Afghanistan, and the fact that social security costs are projected to rise rapidly due to increasing Medicare prescription drug benefits and the aging of the post-war baby-boom generation.

In terms of the employment situation, an increase in the number of persons employed was recorded for the 31st month in a row as of December 2005, with strong expectations that robustness has been maintained. Furthermore, throughout the entire year of 2005, employment was created for approximately 1.98 million people (monthly average increase of approximately 165,000 people).

Regarding trade policy, the Bush administration raised the promotion of free trade as its primary agenda and actively promoted trade negotiations through the WTO while at the same time facilitating the conclusion of free trade agreements (FTAs). During 2005, the US completed the domestic ratification procedures for the Central American Free Trade Agreement (CAFTA), signed an FTA with Bahrain, and also finished FTA negotiations with Oman. Furthermore, with the expiration date of July 1, 2007 for the Trade Promotion Authority (TPA) in mind, the US is not only aiming for the prompt conclusion of FTAs which were currently under negotiation, but also considering initiating FTA negotiations with the ROK, countries in the Association of Southeast Asian Nations (ASEAN), and Middle Eastern countries, among others. Hereafter, as well, it will be necessary to pay close attention to the influence US efforts with regard to FTAs have on Japan's economy and various regional economies, as well as on the world economy as a whole.

(e) US Foreign Relations

In his second inauguration speech and the State of the Union Address in January, President Bush emphasized the role of human freedom in the fight against terrorism as an important diplomatic agendum. As such, the promotion of freedom and democratization was a focus of US diplomatic policy in 2005. While democratic elections were carried out in Iraq, Afghanistan, and Palestine, the stabilization of the Middle East region, particularly through the spread of democracy, became an important challenge for the US. Furthermore, Secretary of State Rice, who was newly appointed to her position

4. All values are based on census data.

in January, followed by Deputy Secretary of State Robert B. Zoellick, who was appointed in February, energetically advanced diplomacy through active trips abroad.

The fight against terrorism has continued to be the primary diplomatic challenge to the US, and it continued its cooperation with its allies and friends. The US also vigorously tackled the proliferation of weapons of mass destruction. The US has been cooperating with some 70 or more countries through the Proliferation Security Initiative (PSI), and cooperated with Libya over dismantling its WMDs.

As for Iraq, the US proactively supported the process of democratization. During the Transitional National Assembly election in January, the US made efforts to ensure public order by increasing the number of US forces to approximately 150,000 in order to carry out the election smoothly. It also placed emphasis on the national referendum on the draft constitution held on October 15 and the National Assembly election held on December 15 as important steps toward democratization of Iraq. The US and the MNF have been training the Iraqi military, police, and security forces, as well as providing support so that the country can protect itself on its own. The US is contributing to the utmost degree possible toward the reconstruction of Iraq as well, particularly through rebuilding infrastructure such as electricity, water, sanitation, communications, and transportation.

Regarding Afghanistan, as the democratization of the country has advanced, as exemplified in the parliamentary elections on September 18, the US has continued assistance to the country. In addition to counter-terrorism measures, the US also made efforts on the Provincial Reconstruction Team (PRT), which aims to improve the capacity of provincial administration, and is addressing anti-drug measures and other issues.

For peace in the Middle East, Secretary of State Rice actively took part in mediation efforts in November which achieved results such as the reopening of the Rafah Border Crossing checkpoint between the Gaza Strip and Egypt. As for Syria, the US called on the Syrian government to end its support for terrorists and to open the door to freedom, claiming that it does not restrict terrorists in its own territory and parts of Lebanon, actions that eventually will ruin the opportunities for peace in the Middle East.

Regarding Iran, the US supported the negotiations of the EU3 (the United Kingdom [UK], Germany, and France), while putting diplomatic pressure on the Iranian government to abandon its uranium enrichment program and the reprocessing of plutonium, as well as to halt its support of terrorism.

In Asia, the US continued to strengthen its close cooperative relations with allies and friendly countries such as Japan, the ROK, and Australia. It also expanded its cooperation with China on issues such as the Six-Party Talks concerning North Korea, the reconstruction of Afghanistan and Iraq, the fight against terrorism, and illicit drugs. The US made diplomatic efforts to encourage China to play a constructive role as a “responsible stakeholder.” Prime Minister Dr. Manmohan Singh of India visited the US in July, and both the US and India sought to strengthen relations through means such as an agreement upon the Next Steps in Strategic Partnership (NSSP) initiative and the US-India Civilian Nuclear Cooperation Agreement.

With regard to issues surrounding North Korea, the US continued to cooperate closely with concerned countries such as Japan and the ROK to achieve a peaceful resolution of the North Korean nuclear issue. The Bush administration has strongly maintained its position that it would respond to issues through negotiations within the framework of the Six-Party Talks with Japan, the ROK, China, and Russia, and that it would not agree to hold direct talks with North Korea outside this framework. The Bush administration has been pursuing the complete dismantlement of North Korea’s nuclear weapons program under international verification through a diplomatic process. Furthermore, the US is steadfast in its support of Japan’s position regarding the abduction issue.

As for US relations with Europe, whose opposition to the US concerning the debate over the use of force in Iraq in 2003 had been prominent, President Bush visited Belgium, Germany, and Slovakia, had a meeting with the leaders of 25 EU member states and the North Atlantic Treaty Organization (NATO) leaders in February. President Bush and the leaders from European countries shared their recognition of the importance of US-Europe relations, with common values, and agreed to continue cooperation on issues such as support for Iraq.

Opening of the Kyoto State Guest House

"We were so honored to stay at the Kyoto State Guest House. It's a fantastic facility. I know the folks of this community have great pride in the guest house, and you should." (From the White House website)

Having stayed in the Kyoto State Guest House in November, US President George W. Bush was so impressed with the Guest House that in the beginning of



Prime Minister Koizumi, US President George Bush and the First Lady feed carps from the bridge in the inner courtyard. (Source: Cabinet Public Relations Office, Cabinet Secretariat; Photo: Official Photograph, Kantei Photography Office)

his policy speech "President Discusses Freedom and Democracy in Kyoto," he added the above underlined sentences, which were not originally in the speech's draft.

With its Japanese-style construction, created by traditional Japanese sukiya techniques in the carpentry and plasterwork, as well as Japanese landscape techniques applied throughout the Japanese garden, the guest house evokes a sense of Japanese history and culture. The guest house is aimed to foster a broader understanding of Japan by allowing visitors from overseas to immerse themselves in the Japanese atmosphere.

It is expected that the Kyoto State Guest House will serve well in offering foreign dignitaries Japanese hospitality, which will in turn give Japan a worthy and responsible place in the international community.

Principal events at the Kyoto State Guest House

April	Guest House Opening ceremony (attended by Prime Minister Junichiro Koizumi, Speaker of the House of Representatives Yohei Kono, President of the House of Councillors Chikage Ohgi, Chief Justice of the Supreme Court of Japan Akira Machida)
May	The 7th Asia-Europe Meeting (ASEM) Foreign Ministers' Meeting
October	Japan-Paraguay Summit Meeting
November	Japan-US Summit Meeting (stay of President Bush)

2 Canada

Overview

Japan and Canada share fundamental values such as democracy, freedom, and the market economy, and continue to cooperate closely in a wide range of areas, including politics, economics, security, and culture. Relations between the two countries developed further throughout 2005, through the Japan-Canada summit meetings held three times during the year and the official initiation of the Japan-Canada Economic Framework following its signing by the leaders of both countries in November.

(a) The Situation in Canada

Prime Minister Paul Martin (Liberal Party), who had been managing a minority ruling government since its inception in 2004, was further beset by unstable political conditions in 2005. A vote of no confidence against the Cabinet was approved on November 28 following the submission of a report (Gomery Report) on allegations of improper expenditures of federal government subsidies related to public relations and publicity fees. In the federal election on January 23, 2006, the Conservative Party headed by party leader Stephen Harper acquired 124 out of the 308 seats in the House of Commons, recapturing political control from the Liberal Party for the first time in roughly 12 years.

In terms of domestic policy, interest remains high toward health care, and a bill was passed which validates same-sex marriage.

On the diplomatic front, the Martin administration released its International Policy Statement on April 19, and cross-sectoral reviews were implemented for diplomacy, national defense, development, and commerce for the first time in 10 years. Emphasis was accorded to Japan as the world's second-largest economy and a G8 member country with established relations. Following favorable growth in 2004 (GDP growth rate of 2.9%) as

a result of such factors as the recovery of the US economy, the Canadian economy continued to grow steadily (GDP growth rate of 2.9%) backed by domestic demand and the expansion of exports in 2005. On the financial front, annual financial surpluses were posted from FY1997 until FY2004, with this sound financial management continuing.

(b) Relations between Japan and Canada

While the two countries generally maintain favorable relations with one another, their bilateral relations were further strengthened in 2005. In January, Prime Minister Martin and Mrs. Martin visited Japan, and the Japanese and Canadian leaders released a joint statement as well as two additional documents concerning peace and security cooperation, and a bilateral economic framework. Prime Minister Koizumi and Prime Minister Martin also signed the Japan-Canada Economic Framework document on November 19 while the two leaders were in Busan, ROK to attend the APEC Economic Leaders' Meeting. In addition, on September 6, a Japan-Canada antitrust cooperative agreement was signed (and entered into effect on October 6), and the signing of a Japan-Canada social security agreement was conducted on February 15, 2006. Regarding the BSE issue which has been a concern between the two countries in recent years, a decision was made on December 12 for the resumption of imports to Japan of Canadian beef. Furthermore, non-governmental dialogues continued, such as the Canada-Japan Forum and the Canada-Japan Symposium on Peace and Security Cooperation, and grassroots exchanges were profusely carried out through the Japan Exchange and Teaching (JET) Programme,⁵ which conducts language instruction, Working Holiday Programme, as well as others.

5. See page 204.