

Section 2

North America

1 United States

(1) Situation in the U.S.

A Politics

In 2019, the Trump administration entered its third year and continued to aim to steadily implement its campaign promises under the slogan of “America first.” Meanwhile, amid the emergence of a divided Congress due to the 2018 midterm elections in which the Democratic Party, the opposition party, gained a majority in the House of Representatives, as well as the acceleration of political movements toward the 2020 presidential election, confrontations between Democrats and Republicans intensified in 2019 compared to the previous year. In particular, the battle over funding for the border walls as well as the resulting partial shutdown of federal agencies that continued from December 2018 to January 2019, the release in March of the contents of Special Counsel Mueller’s report concerning Russia-gate, and the congressional investigation regarding Ukraine-gate that started in September as well as the later presidential impeachment proceedings made the steady implementation of policies difficult and had major effect on the administration’s operations. These confrontations attracted much attention both within and outside the U.S. It is notable that within the U.S., the confrontations were not confined to antagonism between the

Republican and Democratic parties in Congress, but also deepened the political divide among U.S. citizens. In this political situation, attention should be given to future developments toward the presidential and congressional elections in November 2020.

President Trump actively spoke about his administration’s achievements over the past three years on such opportunities as his State of the Union Address to Congress in February 2019 and the campaign rally in June where he officially announced that he was running for reelection. In particular, he greatly emphasized how strong the economy was based on economic indicators such as high job creation and the low unemployment rate, and showed his determination to “keep America great” by reviewing trade policies, working on the issue of illegal immigration, and strengthening the U.S. military. With the 2020 presidential election in mind, he also severely criticized the Democratic Party and the media. While his election base highly appreciated this, confrontations between Democrats and Republicans further deepened, and there was no push for pursuing bipartisan cooperation on policy issues shared by the both parties, including immigration and border control, infrastructure investment, and lowering drug prices. The Congress failed to put together a budget for the construction of walls along the Mexican border, a core promise by the

Trump administration. This led to the longest-ever partial shutdown of federal agencies, lasting for 35 days, and affected the lives of citizens. Furthermore, in February, because congress did not approve the budget to construct the border wall, the President declared a national emergency in order to appropriate the existing budget for construction of the walls while strengthening border security. There are still differences in the positions of both parties concerning this matter, including President Trump vetoing the Congress, when it called for an end to the national emergency, and judicial conflicts concerning the constitutionality of the national emergency declaration.

The subject that governed the most attention in U.S. domestic policies in 2019 was the political battle between the administration and Congressional Democrats concerning allegations against President Trump. Concerning the so-called "Russia-gate," in which Russia allegedly intervened in the 2016 U.S. presidential election using various means, the investigation by Special Counsel Mueller which began in May 2017 concluded, and the contents of his report were disclosed in March 2019. Though it found that Russia had intervened in the election, the report did not find that there had been collusion between the Trump administration and Russia, and did not issue a final conclusion on whether President Trump had obstructed justice. Each party asserted that the report supported their own respective viewpoints and political confusion continued after the report. However, the report provided a tentative resolution to this matter, which had caused many related parties to be summoned as witnesses by Congress, as well as the prosecution of over 30 people, including the former chairman of President Trump's election campaign.

In September, the so-called "Ukraine-gate" emerged. This concerned allegations that President Trump used military assistance for Ukraine and a summit meeting with him as leverage to ask President Zelensky of Ukraine, corruption allegations regarding a Ukrainian

energy company where the second son of former Vice-President Biden, one of the main presidential candidates of the Democratic Party, served as an executive, as well as intervention by Ukraine in the 2016 U.S. presidential election. U.S. politics following this incident were dominated by the Congressional investigation into the allegations and the presidential impeachment process. Following a series of investigation processes that included a public hearing committee in the House of Representatives, in December, a majority of House members voted for a resolution setting forth two articles of impeachment for abuse of power and obstruction of Congress by President Trump. As a result of this, President Trump became the third U.S. president in history to be impeached by the House of Representatives, and the impeachment process moved to trials at the Senate.

As it faced many domestic challenges, the Trump administration continued to fulfill its pledge by a different approach from past administrations in diplomacy as well. Diplomatic efforts with North Korea were continued to improve the situation, including the second U.S.-North Korea Summit in February as well as President Trump's meeting with Chairman of the State Affairs Commission Kim Jong-un in Panmunjom in June. In addition, regarding the various issues in the Middle East, it was noteworthy that the Trump administration took a tough stance on Iran that encouraged dialogue yet did not exclude taking military action, and it stressed achievements such as the killing of Commander Baghdadi of ISIL (the Islamic State in Iraq and the Levant) in the battle against ISIL and terrorism, while aiming to implement an early withdrawal of troops stationed overseas.

During the third year of the Trump administration as well, there were frequent personnel changes among the executives and cabinet members of the administration. The main personnel changes included the appointment of Secretary of Defense Esper following the resignation of former Secretary Mattis in December 2018, the appointment of Attorney General Barr in February, the

resignation of Secretary of Homeland Security Nielsen in April, and the appointment of National Security Advisor O'Brien in September taking over from National Security Advisor Bolton in the same month. In addition, President Trump cooperated with the leaders of the Republican Party in the Senate, to actively nominate conservative judges to the federal courts, and received approval in the Senate at an unprecedented pace. Because federal judges have lifetime appointments and maintain influence for a long time, it is said that many Republican Party supporters highly appreciate this.

Despite the disorder in domestic politics and political confrontation, the Trump administration maintained a stable approval rating between 40-45% against the backdrop of the strong U.S. economy. Of particular note, his approval rating did not drop even amid battles with the Democratic Party and media coverage concerning Russia-gate and Ukraine-gate, with the administration receiving approximately 90% approval from its Republican Party supporters.

In this political situation, President Trump officially announced in June that he was running for reelection in the 2020 presidential election, and since then has been strengthening activities such as holding political rallies in many political battling grounds as well as cooperating with the Republican Party to raise funding. On the other hand, the Democratic Party started the primary process and held six debates among the candidates. The competition to gain the nomination among the candidates began in earnest toward the Iowa Caucus in February and the Democratic Convention in July 2020.

B Economy

(A) Current economic situation

The U.S. economy continued to recover steadily in 2019. The 2019 real GDP growth rate increased by 2.3% year-on-year. The unemployment rate also continued to improve and dropped to 3.5% in December, falling to a lower level than before

the 2008 financial crisis. While the U.S. economy's recovery is expected to continue, attention will need to be paid to future policy moves and their impact.

(B) Economic policy

The main development in the U.S. trade in 2019 was that, regarding potential moves in imposing additional tariffs on automobiles and automotive parts based on Section 232 of the U.S. Trade Expansion Act, President Trump decided in May to seek negotiations with the EU, Japan, and others based on the investigation by the Department of Commerce, and that levying additional tariffs was avoided. Since then, the U.S. has not imposed additional tariff measures on automobiles and automotive parts.

With regard to relations with China, the exchanges of imposing additional tariff measures continued and expanded between the U.S. and China. At the same time, the consultation to achieve the agreement of the phase one trade deal has continued, and as of the end of 2019, the U.S. has not imposed further additional tariff measures, which was originally planned for mid-December. With regard to relations with Mexico and Canada, consultations of the United States-Mexico-Canada Agreement (USMCA) signed in autumn 2018 restarted, and the revised agreement was signed in December 2019. On the other hand, for relations with the EU, no major progress could be seen for U.S.-EU trade negotiations launched in July 2018. In October 2019, in relation to the issue of subsidies to Airbus SE that have been a matter of contention between the U.S. and the EU for many years, the U.S. is levying additional tariffs on the EU, following the arbitration decision by the World Trade Organization (WTO) that authorized the U.S. to impose up to 7.5 billion US dollars per year of countermeasures against the EU.

With regard to monetary policies, the subprime loan issue in 2007 led to the gradual lowering of the target range for the federal funds rate, and a

zero-interest-rate policy which set the target range between 0% and 0.25% continued for seven years from 2008. In December 2015, the Federal Open Market Committee (FOMC) decided to raise the target range and removed the zero-interest-rate policy. The target range had been raised eight times to 2.25-2.50% since then, but it was lowered by the FOMC in July, September, and October 2019, partly due to low inflation rates. As of January 2020, the target range is between 1.50% and 1.75%. When making decisions on future monetary policy, the FOMC will take into account measures of labor market conditions, indicators of inflation pressures, inflation expectations, financial conditions, and international affairs.

(2) Japan-U.S. Political Relations

Continuing on from 2018, in 2019 there was frequent policy coordination at high levels between Japan and the U.S., including 11 summit meetings (of which six were telephone calls) and 14 foreign ministers' meetings (of which 11 were telephone calls, and which included meetings with the acting Secretary of State). In particular, there were three consecutive months of mutual visits by the leaders of Japan and the U.S., consisting of the visit to the U.S. by Prime Minister Abe in April, the visit to Japan by President Trump as the first State Guest of the Reiwa era in May, and President Trump's visit to Japan to attend the G20 Osaka Summit in June. Under such deep relationships of trust achieved through frequent exchanges between the leaders and the Foreign Ministers, the Japan-U.S. Alliance has become stronger than ever, and both countries have been closely cooperating on resolving various regional and international matters such as the issue of North Korea, as well as maintaining and strengthening a "Free and Open Indo-Pacific" (FOIP).

During the Japan-U.S. Foreign Ministers' telephone call on January 21, Foreign Minister Kono was briefed in detail by Secretary of State Pompeo on the current status of the U.S.-North Korea negotiations, including the recent meeting between

Secretary of State Pompeo and Kim Yong-chol, Deputy Chairman of the Workers' Party of North Korea. In addition, based on this, the two foreign ministers closely aligned their policies concerning the issue of North Korea, including their response to the upcoming second U.S.-North Korea Summit.

On February 28 and March 1, there were telephone calls between Prime Minister Abe and President Trump as well as between Foreign Minister Kono and Secretary of State Pompeo respectively. President Trump and Secretary of State Pompeo provided explanations of the details regarding the second U.S.-North Korea Summit held on February 27 and 28. During the Japan-U.S. Summit telephone call Prime Minister Abe stated that the Government of Japan fully supports President Trump's decision to urge North Korea to take concrete actions without making easy concessions, while at the same time continuing constructive discussion, with his strong determination to achieve the denuclearization of the Korean Peninsula. President Trump also explained that he raised the abductions issue during his one-on-one meeting with Chairman Kim on February 27.

Foreign Minister Kono visited Washington D.C. from April 18 to 21. He participated in the Japan-U.S. Security Consultative Committee (Japan-U.S. "2+2") and held a meeting with Secretary of State Pompeo. During the meeting, the two foreign ministers closely aligned their future policies toward the resolution of the abductions, and nuclear and missile issues, taking into account the recent situation following the second U.S.-North Korea Summit. They shared the view on full implementation of the UN Security Council resolutions, and reconfirmed that Japan and the U.S. as well as Japan, the U.S., and the ROK, will continue to coordinate closely. The two foreign ministers also reaffirmed that Japan and the U.S. will continue to work together toward the early resolution of the abductions issue.

Prime Minister Abe visited Washington D.C. from April 26 to 27 and held a Japan-U.S. Summit

Meeting with President Trump. The two leaders closely coordinated their policies with regard to the issues of North Korea, and confirmed that Japan and the U.S., as well as Japan, the U.S., and the ROK, will continue to coordinate closely toward the complete denuclearization of the Korean Peninsula. In addition, two leaders reaffirmed that Japan and the U.S. will continue to cooperate closely toward the early resolution of the abductions issue. President Trump made a powerful remark indicating that the U.S. will continue to fully cooperate with Japan. Furthermore, the leaders reaffirmed their intention to further strengthen cooperation toward realizing FOIP, and welcomed economic development based on fair rules to promote FOIP.

President Trump visited Japan from May 25-28 as the first State Guest of the Reiwa era, and held a Japan-U.S. Summit Meeting with Prime Minister Abe. During the meeting, both leaders agreed on the recognition that the Japan-U.S. Alliance is stronger than ever before due to efforts contributing to the strengthening of the alliance in recent years such as the Legislation for Peace and Security as well as the personal relationship between the two leaders, and that the Japan-U.S. Alliance is the closest alliance in the world now. The leaders also confirmed their determination to further strengthen the unwavering bond between Japan and the U.S. and to lead the peace and prosperity of the regional and international

community as true global partners in the new era.

In addition, Prime Minister Abe expressed his gratitude to President Trump for meeting once again with family members of the victims abducted by North Korea following the last meeting which took place during President Trump's previous visit to Japan (November 2017), and expressed his determination to meet face-to-face with Chairman Kim toward the resolution of the abductions issue. In response, President Trump expressed his full support for Prime Minister Abe's determination. In addition, family members of the victims abducted handed President Trump a letter, and President Trump later sent a handwritten reply expressing support for the family members.

In addition to this, both leaders further strengthened their relationship of trust through viewing sumo matches, visiting the JS Kaga destroyer, playing golf, and attending a social dinner (see the Column on page 94).

On June 14, taking the opportunity immediately following Prime Minister Abe's visit to Iran, telephone calls were held respectively between Prime Minister Abe and President Trump as well as between Foreign Minister Kono and Secretary of State Pompeo. During the Japan-U.S. Summit telephone call, the leaders exchanged views regarding the situation in the Middle East based on Prime Minister Abe's visit to Iran, and President Trump expressed gratitude for Prime Minister Abe's visit to Iran and his work to appeal to Iran.



Prime Minister Abe meeting with President Trump (April 26, Washington D.C.; Photo: Cabinet Public Relations Office)



The leaders of Japan and the U.S. and their spouses visiting the JS Kaga destroyer (May 28, Tokyo; Photo: Cabinet Public Relations Office)

Column

President Trump and the First Lady Watch the Grand Sumo Tournament

President Trump and the First Lady's visit to Japan as the first state guests in the Reiwa era served as a very important opportunity for Japan-U.S. diplomacy. One of the highlights of their visit was the last day of a sumo tournament (*senshuraku*) of the official sumo tournament held in May (*gogatsu-basho*). Prime Minister Abe and Mrs. Abe guided President Trump and the First Lady around the Ryōgoku Kokugikan. In the long history of the Grand Sumo Tournament, this was the first time for an incumbent U.S. President to watch a tournament. The occasion was also a commemorable event for the Japan Sumo Association. Oguruma Oyakata, the manager of the Japan Sumo Association, emphasized that the Association would offer its full cooperation as this is a golden opportunity for the U.S. President to experience Japanese culture.

On the other hand, the advance party from the U.S. who first inspected the Ryōgoku Kokugikan were somewhat exasperated. It was clear to anyone that watching the tournament from the box seats near the sumo ring would be extremely difficult for security. Nevertheless, thanks to the good relationship between the two leaders, complete trust in Japan's security, and the cooperation of all the parties involved in the Grand Sumo Tournament including the spectators, the two leaders and First Ladies of the two countries were able to watch the Grand Sumo Tournament despite the difficulties. "All possible safety precautions will be taken." These were the reassuring words offered by the Japanese police and Kasugano Oyakata, who heads the security division of the Japan Sumo Association.

On a certain night after the Nakabi (the mid-point of a sumo tournament), at Ryōgoku Kokugikan amid the lingering reverberations of the day's tournament, officials from the Japan Sumo Association and the Governments of Japan and the U.S. held a rehearsal for the awards ceremony just as it would take place on the actual day. With the explanation that President Trump wishes to respect Japan's traditional culture, the U.S. officials checked every single movement and reported back to the U.S. immediately. This was because President and Mrs. Trump were paying close attention and deep respect to Japan's traditional culture. MOFA officials, too, continued to make adjustments with the relevant personnel until the very last minute, with the intention of striking a balance between ensuring that President and Mrs. Trump would experience the power of sumo wrestling, and keeping to the demands of security as well as tradition and convention.

Finally, at 4:55 p.m. on May 26, amid thunderous applause, the two leaders and First Ladies entered the venue through an adorned passage, led by Hakkaku Oyakata, Chairman of the Japan Sumo Association. President Trump, who sat down in the box seats near the ring, watched the wrestlers compete in the sumo ring with a serious expression while listening to Prime Minister Abe's explanation. The two leaders watched five bouts of wrestling, including the final bout of the day.

At the awards ceremony held after the final bout, the words "Reiwa One" resounded powerfully across the venue when President Trump read them out from the certificate. After that, President Trump presented the President's Cup trophy to Asanoyama Hideki, who had won the tournament for the first time. Prior to that, President Trump had in fact carefully prepared for this moment by repeatedly practicing the presentation of the trophy with Prime Minister Abe in the waiting room. The two leaders and First Ladies then departed from the Ryōgoku Kokugikan amid loud cheers and a standing ovation.

This brought President Trump and Mrs. Trump's first experience of a Grand Sumo Tournament to a conclusion. A video of about 40 seconds, edited by the White House, was also posted to its official Twitter account. As of February 2020, this video had been played almost 5 million times, and is broadcasting the appeal of sumo wrestling and the friendly relations between Japan and the U.S. to the world.



The two leaders and First Ladies watching the Grand Sumo Tournament
(Photo: Cabinet Public Relations Office)



The two leaders watching the Grand Sumo Tournament
(Photo: Japan Sumo Association)



The leaders of Japan and the U.S. deepening their exchange through golf
(May 26, Tokyo; Photo: Cabinet Public Relations Office)



The leaders of Japan and the U.S. and their spouses attending a dinner banquet
(May 26, Tokyo; Photo: Cabinet Public Relations Office)

On June 28, President Trump and Secretary of State Pompeo, who were visiting Japan to attend the G20 Osaka Summit, respectively held a Japan-U.S. Summit Meeting and a Japan-U.S. Foreign Ministers' Meeting with Prime Minister Abe and Foreign Minister Kono, and confirmed close cooperation toward the success of the G20 Osaka Summit. Furthermore, both leaders held the second Japan-U.S.-India Summit Meeting with the addition of Prime Minister Modi of India.

Following President Trump's meeting with Chairman Kim Jong-un in Panmunjom on June 30, Foreign Minister Kono had a Japan-U.S. Foreign Ministers' telephone call with Secretary of State Pompeo on that day, mainly focusing on the situation surrounding North Korea. Foreign Minister Kono received a detailed explanation of the meeting and the two ministers then closely coordinated their future policies toward the resolution of the abductions, nuclear and missile issues, and



Japan-U.S.-India Summit Meeting
(June 28, Osaka; Photo: Cabinet Public Relations Office)

affirmed that Japan and the U.S. will continue to work together.

In response to the short-range ballistic missile launch by North Korea on the previous day, on July 26, Foreign Minister Kono had a Japan-U.S. Foreign Ministers' telephone call with Secretary of State Pompeo. Both foreign ministers confirmed and shared information, and affirmed that Japan and the U.S. as well as Japan, the U.S., and the ROK, will continue to coordinate closely.

On August 2, Foreign Minister Kono, who was visiting Bangkok, Thailand to attend the ASEAN-related Foreign Ministers' Meetings, held a Japan-U.S.-ROK Foreign Ministers' Meeting with Secretary of State Pompeo and ROK Foreign Minister Kang. Foreign Minister Kono emphasized the importance of Japan-U.S.-ROK cooperation in addressing the issues of North Korea. The three foreign ministers exchanged views on the situation regarding North Korea, including recent developments. The three ministers aligned their future policies, and confirmed that Japan, the U.S., and the ROK will continue to coordinate closely.

On August 25, Prime Minister Abe, who was visiting France to attend the G7 Summit in Biarritz, held a Japan-U.S. Summit Meeting with President Trump. The two leaders confirmed that both sides reached consensus on the core elements on agricultural and industrial products as a result of Japan-U.S. trade negotiations. In addition, the leaders confirmed that Japan and the U.S. will continue to cooperate closely toward the



Japan-U.S. Summit Meeting (September 25, New York;
Photo: Cabinet Public Relations Office)



Japan-U.S. Foreign Ministers' Meeting
(September 26, New York)

resolution of issues of concern regarding North Korea, including the abductions, and nuclear and missile issues.

Foreign Minister Motegi, who assumed his position on September 11, had a Japan-U.S. Foreign Ministers' telephone call with Secretary of State Pompeo on September 16. During the meeting, Secretary of State Pompeo congratulated Foreign Minister Motegi on his appointment, and both ministers confirmed that they would closely cooperate in order to work on further strengthening the Japan-U.S. Alliance and respond to various regional and international issues.

On September 25, Prime Minister Abe, who was visiting New York to attend the UN General Assembly, held a Japan-U.S. Summit Meeting with President Trump. The two leaders confirmed that a final agreement had been reached on the Japan-U.S. Trade Agreement and the Japan-U.S. Digital Trade Agreement, and issued the Japan-U.S. Joint Statement. The leaders also confirmed that Japan

and the U.S. would continue to cooperate to ease tensions and stabilize the situation in the Middle East.

On September 26, Foreign Minister Motegi, who was also visiting the U.S. to attend the UN General Assembly, held his first Japan-U.S. Foreign Minister Meeting with Secretary of State Pompeo following his appointment on September 11. The two foreign ministers held a one-on-one exchange of views regarding the regional situation based on the Japan-U.S. Summit Meeting on the previous day, and confirmed that Japan and the U.S. would continue to closely cooperate to respond to various regional and international issues.

On October 22, Foreign Minister Motegi had a Japan-U.S. Foreign Ministers' telephone call with Secretary of State Pompeo. The two foreign ministers held an exchange of views centered on the situation in the Middle East, and confirmed that Japan and the U.S. would continue to closely cooperate toward easing tensions and stabilizing the situation in the Middle East.

On October 23, Prime Minister Abe received a courtesy call from Secretary of Transportation Chao, who was visiting Japan to attend the Ceremony of the Enthronement of His Majesty the Emperor on behalf of the U.S. Prime Minister Abe expressed his sincere appreciation that President Trump and his spouse visited Japan in May as the first State Guests in the Reiwa era and that President Trump issued a celebrational statement. Prime Minister Abe also expressed his delight to welcome Secretary Chao on this historic occasion.

On December 22, Prime Minister Abe held a telephone call with President Trump. The two leaders exchanged views on the latest developments relating to North Korea and closely coordinated their policies with regard to the issue of North Korea. In addition, the two leaders completely shared the view that Japan and the U.S. will continue to cooperate more closely and work together toward the resolution of the abductions, and nuclear and missile issues.

(3) Japan-U.S. Economic Relations

Japan-U.S. economic relations are one of the three pillars of the Japan-U.S. Alliance, together with the security and people-to-people exchanges. 2019 was a year of further deepening of economic relations between the two countries, as the Japan-U.S. Trade Agreement and the Japan-U.S. Digital Trade Agreement were concluded.

In regard to the Japan-U.S. Trade Agreement and the Japan-U.S. Digital Trade Agreement, Minister Motegi (the Minister in charge of Economic Revitalization until September 2019, Foreign Minister from September 2019) and U.S. Trade Representative Lighthizer held ministerial consultations eight times after April 2019 based on the Japan-U.S. Joint Statement issued in September 2018. At the Japan-U.S. Summit Meeting held in New York on September 25, the leaders confirmed that a final agreement had been reached on the Japan-U.S. Trade Agreement and the Japan-U.S. Digital Trade Agreement (see the Special Feature on page 265), and the Japan-U.S. Joint Statement was issued. The Joint Statement specifies that both countries will refrain from taking measures against the spirit of these agreements and the Joint Statement. The leaders confirmed at the Japan-U.S. Summit Meeting that this means that additional tariffs based on Section

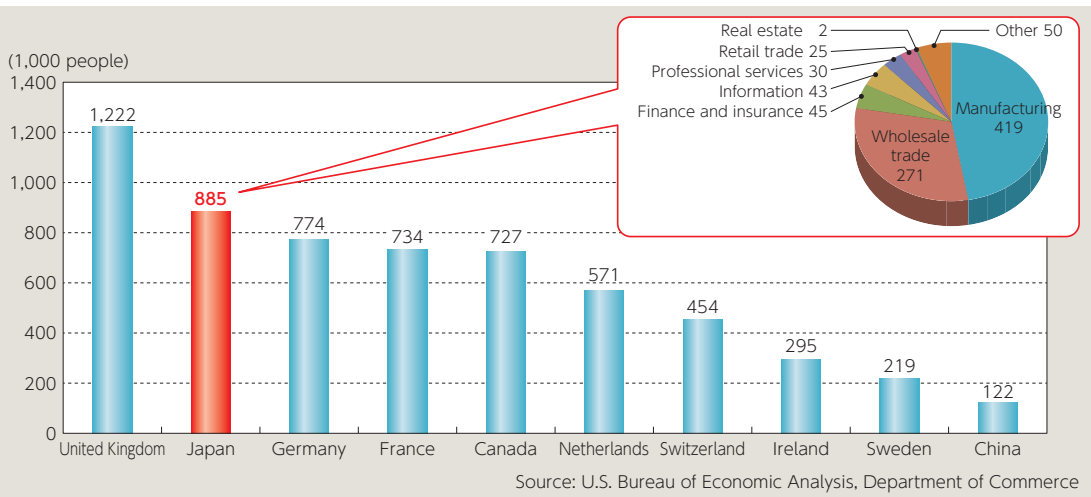
232 of the U.S. Trade Expansion Act will not be levied on Japanese automobiles and automobile parts.

On October 7, both agreements were signed at the White House in the U.S. On December 10, after both Japan and the U.S. notified each other in writing of the completion of their respective applicable legal procedures, both agreements entered into force on January 1, 2020. The Japan-U.S. Trade Agreement not only expands the bilateral trade between Japan and the U.S., which covers approximately 30% of the global GDP, in a strong, stable, and mutually beneficial manner, but also creates a free economic sphere covering approximately 60% of the global GDP together with the TPP11 and the Japan-EU EPA that already

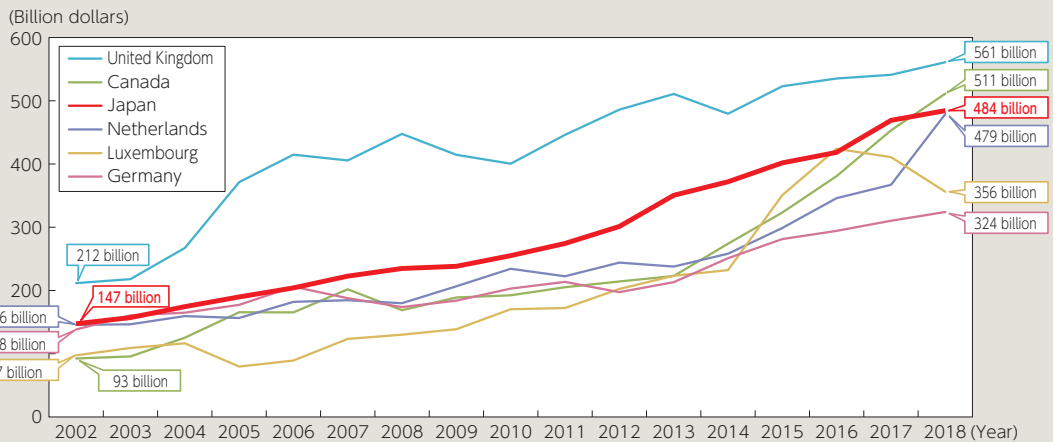


Meeting between Minister Motegi (then Minister in charge of Economic Revitalization) and U.S. Trade Representative Lighthizer (April 15, Washington D.C.; Photo: TPP Headquarters at the Cabinet Secretariat Office)

Japan ranks second in the world for the number of people employed by Japanese companies in the United States

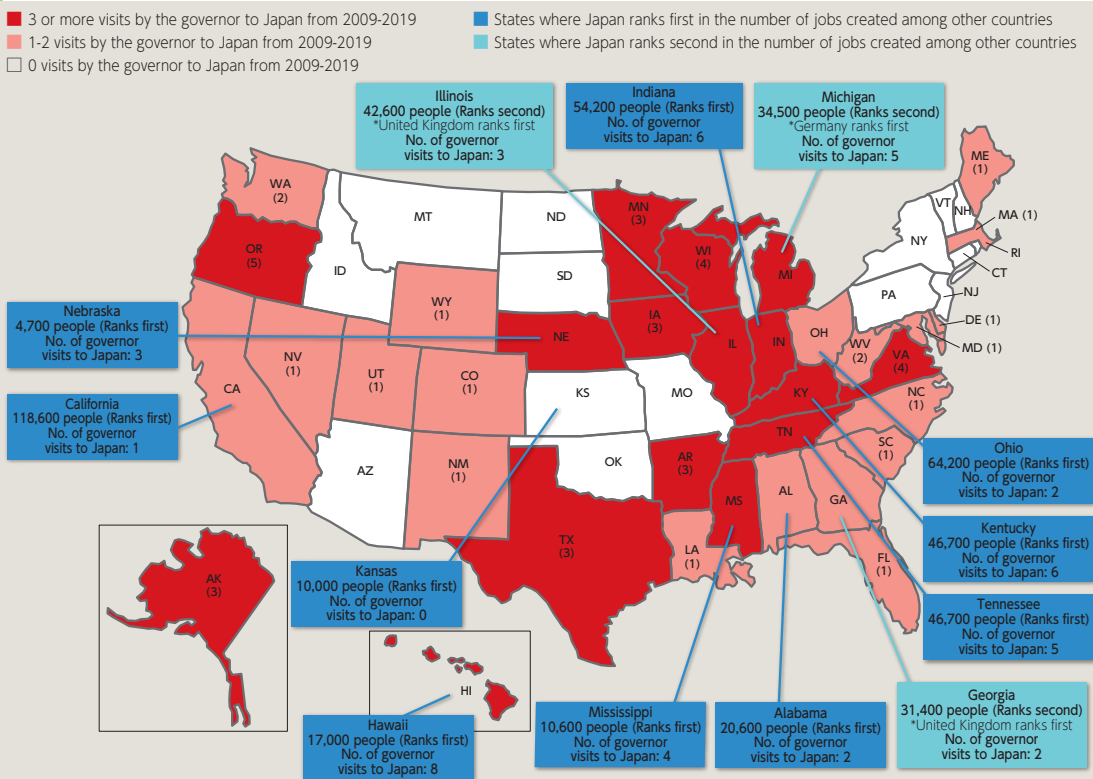


Japan ranks third in the world for cumulative FDI in the United States



Source: U.S. Bureau of Economic Analysis, Department of Commerce

Creation of employment by Japanese companies in each state and visits by the governor of each state to Japan



Note: The number of visits by the governor of Guam to Japan was 6 times.

(Data source)
Number of jobs created: U.S. Bureau of Economic Analysis,
Department of Commerce, Number of governor visits to Japan (January 2020)

entered into force. In addition, in the context of the world economy becoming increasingly data-driven, the Japan-U.S. Digital Trade Agreement establishes high-standard rules in the area of digital trade, and will be the foundation for Japan and the U.S. to play leading roles in global rule-making concerning digital trade.

In addition, of particular note in Japan-U.S. economic relations is the investment by Japanese companies in the U.S. Currently, Japan's cumulative direct investment in the U.S. is the third highest after the UK and Canada (approximately 484.4 billion US dollars in 2018 (U.S. Department of Commerce statistics)). Direct investment by Japanese companies is contributing to the regional economy of the U.S. in the form of employment creation by Japanese companies in the U.S. (approximately 890,000 people in 2017 (U.S. Department of Commerce statistics)). The strengthening of the multilayered relationship of the two countries through vigorous investment and employment creation has become a rock-solid foundation for Japan-U.S. relations that are better than ever before.

Japan and the U.S. are promoting cooperation in infrastructure, energy, and digital sectors as economic cooperation toward maintaining and promoting FOIP. To highlight cooperation in these three sectors, the Japan-U.S. Joint Statement was issued at the time of the visit to Japan by Vice President Pence in November 2018 and a factsheet was issued on the occasion of the Japan-U.S. Summit Meeting in May 2019.

(1) Infrastructure

The Japan International Cooperation Agency (JICA), the Japan Bank for International Cooperation (JBIC), and Nippon Export and Investment Insurance (NEXI) are working toward forming Japan-U.S. cooperation projects based on the memorandum of cooperation concluded with the Overseas Private Investment Corporation (OPIC) of the U.S. In addition, the Japan-U.S.-Australia joint mission on infrastructure

cooperation was dispatched to Papua New Guinea in April. Furthermore, in response to the approval of the G20 Principles for Quality Infrastructure Investment at the G20 Osaka Summit in June, Japan and the U.S. are advancing cooperation, including holding capacity building programs and seminars for third-party countries, in order to spread and establish the principles.

(2) Energy

Japan-U.S. Strategic Energy Partnership (JUSEP) meetings were held a total of three times in 2019. In August at the Seventh Tokyo International Conference on African Development (TICAD7), a memorandum of cooperation was signed to expand Japan-U.S. energy cooperation in Sub-Saharan Africa. In addition, the Japan-U.S. Mekong Power Partnership (JUMPP) was established, and discussions are being conducted toward realizing Japan-U.S. energy cooperation in the Mekong region.

(3) Digital

The Working Group on the Japan-U.S. Strategic Digital Economy Partnership (JUSDEP) was established in 2019. A total of three meetings were organized to hold discussions toward realizing Japan-U.S. cooperation in the digital sector. In November, the Joint Statement by the United States and Japan on Furthering the Development of Smart Cities in the Indo-Pacific was issued, which confirmed the promotion of Japan-U.S. cooperation in the smart cities sector.

Moreover, in the infrastructure sector, high-speed rail projects utilizing Japan's high-speed rail technology, which symbolize Japan-U.S. cooperation, are being promoted. The Texas High-Speed Rail Project is currently being promoted as a project on the premise that Texas Central (TC) will introduce Japanese shinkansen technology between Dallas and Houston. HTeC, a subsidiary of Central Japan Railway Company, concluded a technical assistance agreement with TC, and is providing support toward the implementation

of the project. The Japan Overseas Infrastructure Investment Cooperation for Transport & Urban Development (JOIN) and JBIC are also providing support for the detailed design and fundraising stages of this project. Furthermore, the Northeast Maglev project, which plans to introduce Maglev technology between Washington D.C. and New York, is achieving steady progress including the implementation of a survey with cooperation between Japan and the U.S.

In the energy sector, U.S. monthly oil export volume in September exceeded the import volume for the first time, and the U.S. is expected to become a net exporter of oil in the future. In addition, in regard to liquefied natural gas (LNG), acquisitions of export license approval for all projects in which Japanese companies participate were completed in June 2014, and production started for the Cameron LNG project in Louisiana in May 2019 and for the Freeport LNG project in Texas in August. LNG import from the U.S. is expected to gain momentum as Japanese energy users plan to purchase 10 million tons of LNG annually from the U.S. It is hoped that more imports of LNG from the U.S. will significantly contribute to Japan's energy security and the stable supply of energy to Japan.

With respect to the digital sector, Japan-U.S. cooperation is being strengthened in areas such as artificial intelligence (AI), fifth generation mobile communications systems (5G), and cybersecurity. At the 10th Director General-Level Meeting of the Japan-U.S. Policy Cooperation Dialogue on the Internet Economy in October, which was co-chaired by the Director-General of the Global Strategy Bureau from the Ministry of Internal Affairs and Communications (MIC) (Japan side) and the Deputy Assistant Secretary of State for Cyber and International Communications and Information Policy (U.S. side), there were discussions on a wide range of matters concerning the internet economy between Japan and the U.S., including promotion of 5G networks and services, public-private cooperation concerning

implementation of digital infrastructure and services in third countries, international cooperation concerning sharing best practices and free data circulation regarding IoT (internet of things) security, and public-private cooperation regarding implementation of AI in society.

Furthermore, cooperation with various regions across the U.S. is also advancing. In addition to holding the Japan-U.S. Governors Forum, the Japan-Midwest U.S. Association, the Japan-Southeast U.S. Association, and the Japan-U.S. Business Council, cooperation is being conducted based on the memorandums of cooperation concerning economic and trade relations between Japan and the states of California, Washington, Maryland, and Indiana as well as the city of Chicago. Moreover, the memorandums concerning reciprocal partial exemptions of driving license tests were created with the states of Maryland, Washington, and Hawaii, and reduce the burden associated with acquiring a driver's license for local Japanese nationals.

Based on the understanding that implementing grassroots initiatives that reach members of the general public are important ways to strengthen Japan-U.S. ties further, the "Grassroots Government Taskforce on Strengthening Japan-U.S. Ties" was launched in April 2017. The Taskforce produced an action plan setting out guidelines for the implementation of concrete initiatives. At the 3rd follow-up meeting held in June 2019 under Deputy Chief Cabinet Secretary Nishimura Yasutoshi, there were reports on the concrete initiatives implemented during the previous fiscal year as well as discussions on policies toward strengthening these initiatives. Based on the understanding, which set out in the action plan that a tailor-made approach that accords with the characteristics of each region and the level of interest in Japan of the target regions are necessary, a wide range of initiatives are being implemented in different parts of the U.S. under the cooperation among relevant ministries and agencies. Such initiatives include a "regional

caravan” which travels to regions where multiple Japanese companies operate, combined events that introduce Japan, and seminars. A wide range of all-Japan initiatives will continue to be implemented to boost Japan-U.S. economic relations and strengthen the Japan-U.S. Alliance further.

2 Canada

(1) Situation of Canada

In the House of Commons election in October that called into question the public evaluation of the Trudeau administration, although the ruling Liberal Party led by Prime Minister Trudeau lost seats and its working majority, it secured its position as the top party and the second Trudeau administration began. Ms. Freeland, who served as Minister of Foreign Affairs during the first administration, became Deputy Prime Minister and Minister of Intergovernmental Affairs. Mr. Champagne, who served as Minister of International Trade during the first Trudeau administration, assumed the position of Minister of Foreign Affairs.

On the diplomatic front, in addition to areas that Canada has placed importance on until now such as U.S.-Canada relations, the UN, the North Atlantic Treaty Organization (NATO), the G7, the G20, and the Organization of American States (OAS), the Trudeau administration is also strengthening participation in the Indo-Pacific region. In April, at the Japan-Canada Summit Meeting during Prime Minister Abe’s visit to Canada, it was agreed that Japan and Canada would strengthen their strategic partnership under the vision of FOIP, and Prime Minister Trudeau announced a two-year extension of the deployment of ships by Canada for monitoring and surveillance activities against illegal maritime activities, including ship-to-ship transfers with North Korean-flagged vessels. On the other hand, in terms of Canada-China relations, no progress was seen in the case of the detention of two Canadian citizens by the Government of China

following the arrest of the Chief Financial Officer (CFO) of Huawei by the Government of Canada based on a request from the Government of the U.S. at the end of 2018. This continues to be a major challenge for Canada.

On the economic front, the growth rate is decelerating, although Canada achieved a high rate of economic growth due to the effects of the strong U.S. economy in 2017, and due to effects such as the unclear global economic situation. The second Trudeau administration inaugurated in November has promised to work on economic policies for the middle class such as tax reductions and expansion of the child care benefit and unemployment benefits, as well as active climate change policies. On the diplomatic front, the administration is continuing to promote free trade policies, concluded the USMCA, and is working on strengthening relations with Asia-Pacific countries.

(2) Japan-Canada Relations

Japan and Canada are important partners for each other in the Indo-Pacific region. As G7 members, the two countries also cooperate closely in a wide range of fields including politics, economy, security, and people-to-people exchanges. 2019, the 90th anniversary of the opening of Canada’s legation in Tokyo, was a year in which bilateral relations deepened further through frequent mutual visits by dignitaries, security and economic cooperation, and more.

At the summit level, Prime Minister Abe held a summit meeting with Prime Minister Trudeau during his visit to Canada in April. Then Prime Minister Trudeau visited Japan during the G20 Osaka Summit in June. A Summit Meeting was also held in August taking the opportunity of the G7 Summit in Biarritz. At the foreign ministerial level, foreign ministers’ meetings were held between Foreign Minister Kono and Foreign Minister Freeland during the G20 Osaka Summit in June and the ASEAN-related foreign ministers’ meetings held in Bangkok in August. Foreign Minister Champagne, immediately after assuming



The leaders of Japan and Canada exchanging uniforms of their national rugby teams (April 28, Ottawa, Canada; Photo: Cabinet Public Relations Office)



Japan-Canada Foreign Ministers' Meeting (June 29, Osaka)

his position, attended the G20 Aichi-Nagoya Foreign Ministers' Meeting held in November in Nagoya. Through such frequent opportunities at a high level, Japan and Canada coordinate their recognitions of various regional and international issues including North Korean affairs, and closely cooperate with each other.

On the security front, the Japan-Canada Acquisition and Cross-Servicing Agreement (ACSA) entered into force in July. In addition, Japan and Canada are closely cooperating to respond with monitoring and surveillance activities against illicit maritime activities, including ship-to-ship transfers with North Korean-flagged vessels. Japan and Canada are also promoting exchanges between their forces, such as implementation of a joint exercise by the Maritime Self-Defense Force and the Royal Canadian Navy in waters near Viet Nam in June following on from 2017. Furthermore, Minister of National Defence Sajjan made the first visit to Japan in 13 years in June, as Canadian defence minister, during which they affirmed their intention to raise the bilateral defence relationship to a new level. Thus, 2019 marked a year in which Japan-Canada cooperation in the security sector heightened concretely and strategically.

On the economic front, one year has passed since the entry into force of the Comprehensive and Progressive Agreement for the Trans-Pacific Partnership (TPP11) signed by eleven countries including Japan and Canada, and trade and investment relations are expected to deepen further. Cooperation in the energy sector, including exports of liquefied petroleum gas (LPG) in June from the West Coast of Canada to Japan and other Asian countries progressed further. In December, the 29th Meeting of the Japan-Canada Joint Economic Committee was held in Toronto, and there were discussions regarding international trade conditions and priority cooperation sectors.