The greatest focus of U.S. politics in 2020 was the presidential election, which took place against the backdrop of the rapid spread of the novel coronavirus disease (COVID-19) and intensifying protest movements against racism.

Although President Donald Trump was impeached by the House of Representatives over allegations concerning Ukraine in December 2019, the Senate acquitted him in the impeachment trial in February. Amidst this political situation, in preparation for the presidential election in November, President Trump used various opportunities, including his State of the Union address, to actively communicate to the U.S. people the achievements of his administration, including jobs increases and the decline in unemployment, the rise in stock prices, and the entry into force of the United States-Mexico-Canada Agreement (USMCA). On the other hand, former Vice President Joseph Biden, who had struggled in the early stages of the presidential primaries that began in February, gained momentum with his victory in the South Carolina primary, won a major victory on Super Tuesday in March, gained support from other candidates who had withdrawn, and secured the nomination in April over leftist Senator Bernie Sanders.

During this period, in late January, the first case of COVID-19 in the U.S. was confirmed in the state of Washington. On January 31, President Trump declared a public health emergency and banned entry into the U.S. from February 2 by foreign nationals with a history of staying anywhere in China, except Hong Kong and Macao, within 14 days prior. However, in March, COVID-19 infections began to spread rapidly in the U.S. By late March, the cumulative number of infected people had surpassed that of China, making the U.S. the country with the most COVID-19 infections in the world. As a result, lockdown orders and restrictions on economic activities were implemented across the country, placing limitations on people from gathering with family and friends. The U.S. economy, which had been doing well until then, slowed down significantly. Public education institutions such as schools were closed or shifted to online classes. Additionally, hospitals faced a serious shortage of beds, raising concerns about a crisis with a collapse of the medical system.

Meanwhile, on May 25 in Minneapolis, Minnesota, an incident occurred in which a black man named George Floyd was held with pressure applied to his neck by the knee of a white police officer for about nine minutes. Mr. Floyd died after being transported to a hospital. Videos spread of Mr. Floyd pleading, “I can't breathe” as he was held down on the ground, and protests against racism...
spread across the U.S. as the “Black Lives Matter” movement. Many people were arrested due to clashes with police and other such incidents, and there were casualties in some cities. Statues of Confederate military leaders from the Civil War and other historical figures were removed or destroyed one after another. In addition, on August 23, a black man named Jacob Blake was shot by a white police officer in Kenosha, Wisconsin. This reignited the protests and intensified discussions about the need to address structural racism and police reform.

President Trump and former Vice President Biden took different approaches to these events. In regard to COVID-19, President Trump emphasized China’s responsibility for the spread of the virus and the importance of continued economic activity, while repeatedly insisting that a vaccine would be developed and provided quickly within the year. In response, former Vice President Biden accused President Trump of lying to the public and failing to take necessary measures to prevent the spread of infection, as he knew that the virus was deadly, resulting in the loss of many lives. In regard to the “Black Lives Matter” movement, President Trump took the position that he would protect the people from riots by the far left and anarchists, and that he would take a severe response to maintain “law and order” as his top priority. In response, former Vice President Biden, while indicating his opposition to all forms of violence, reproached President Trump for inciting hatred and division without showing empathy for racial inequality. Consequently, COVID-19 countermeasures, the economy and social security, racial inequality, and maintaining “law and order” became major issues in the presidential election.

In relation to economic policies, former Vice President Biden raised the slogan of “Build Back Better” in response to President Trump’s handling of the economy. Specifically, he pledged to make large-scale investments in environmental and infrastructure areas, increase corporate taxes and taxes on the super-wealthy, and raise the federal minimum wage, claiming that he would rebuild the middle class. In addition, on the diplomatic front, in response to President Trump’s America First policy, former Vice President Biden clarified his stance focused on multilateral cooperation and alliance relations, arguing that the U.S. would need to revive its leadership in the world. His pledges included returning the U.S. to the Paris Agreement and the World Health Organization (WHO). On the other hand, there was no major gap between the two candidates’ stances on the need to withdraw or reduce the number of U.S. troops stationed in the Middle East and other areas and to take a tough position on China.

Amidst these circumstances, the Democratic Party and the Republican Party held their party conventions from August 17 and 24, respectively, and officially nominated their candidates for President and Vice President. Just before the Democratic convention, former Vice President Biden chose Senator Kamala Harris as his vice-presidential running mate, making her the first black woman to be nominated for Vice President. Due to the spread of COVID-19, the conventions of both parties had to be scaled down with use of online formats, which was an unusual situation.

In September, Supreme Court Justice Ruth Bader Ginsburg, who was known for being liberal, passed away. President Trump quickly nominated as her replacement Amy Coney Barrett, a female judge of the U.S. Court of Appeals for the Seventh Circuit, who is considered to be a conservative. The appointment of Supreme Court justices, who make decisions on cases that affect U.S. society and the lives of its citizens, is a matter of great public interest. Because the Democratic Party had taken the position that the next president should make the nomination, this became a major issue in the election. In late October, Justice Barrett was confirmed by the Republican-majority Senate and assumed her position.

COVID-19 continued to spread in the U.S. with the second wave beginning in July and the third wave beginning in October (as of the end of Janu-
ary 2021, the cumulative number of infected people was approximately 25 million and the number of deaths was approximately 400,000). Amidst constraints on his campaigning and fundraising, President Trump resumed his in-person political rallies early on and placed importance on methods of directly appealing to his supporters. On the other hand, former Vice President Biden conducted markedly different campaigning activities, including making greater use of methods such as online rallies and television ads out of concern for the spread of COVID-19 infections. In this situation, on October 2, President Trump announced that he had been infected with COVID-19. He left the hospital only three days after his hospitalization and resumed his rallies on October 10. There was much criticism that his infection prevention measures were not adequate, including of infections at a White House event. In addition, President Trump’s response to the pandemic and his own infection once again made COVID-19 a point at issue in the presidential election.

Former Vice President Biden won the presidential election on November 3 with a total of 306 Electoral College votes against President Trump’s 232 votes. Former Vice President Biden won in three “Rust Belt” states (Pennsylvania, Michigan, and Wisconsin), Arizona, and Georgia, which President Trump had won in 2016. Due in part to a large increase in mail-in voting because of COVID-19, the total number of votes cast was over 150 million, the largest number ever, indicating the high level of interest among the American people. Former Vice President Biden received over 81 million votes, the most in history. President Trump received about 74 million votes, an increase of over 10 million votes from his number in the 2016 election, and more than any previously elected president.

In addition, a major characteristic of the 2020 election was that early voting including mail-in voting, which increased significantly, accounted for about two-thirds of all votes cast. Tallying the votes took a long time in various states because of this, and former Vice President Biden was not declared the winner until November 7, four days after election day. Making various claims including about the existence of voter fraud in the early voting, President Trump would not concede even after November 7. He maintained a stance of...
contesting the legitimacy of the election results by demanding recounts and filing lawsuits in states where he lost in close races. Although many of these lawsuits were dismissed as baseless, President Trump completely refused to admit defeat in the presidential election. He did not allow the administration to conduct formal transition procedures until November 23. This gave rise to an unusual situation of delays, including for the implementation of briefings from the current administration to the President-elect and for the disbursement of federal funds to the administration transition team.

In response to the election results, President-elect Biden set four top priorities for his new administration: COVID-19 countermeasures, rebuilding the economy, racial equality and climate change countermeasures. After nominating Ronald Klain as his Chief of Staff on November 11, he also announced a series of appointments to his incoming administration’s Cabinet and high-level officials, including Jacob Sullivan as National Security Advisor, Antony Blinken as Secretary of State, Janet Yellen as Secretary of the Treasury, and Lloyd Austin as Secretary of Defense. The lineup’s characteristics include the appointment of former aides who have long supported Biden, such as Mr. Klain and Mr. Blinken, to key posts; the appointment of many high-ranking Obama administration officials with experience, such as former Secretary of State John Kerry in the priority climate field and former National Security Advisor Susan Rice for domestic policy; and the appointment of many women and racial minorities.

In regard to the congressional elections held on the same day as the presidential election, the Democrats maintained their majority in the House of Representatives but lost seats. In the Senate, the Republicans won 50 seats, half of the total, but the outcome of the Georgia run-off on January 5, 2021 for two seats determined which party would have the Senate majority. In the much-anticipated election, the Democratic candidates defeated the Republican incumbents in both seats, creating an even 50-50 split in Senate seats. Because the party of the Vice President, who serves as President of the Senate, becomes the majority party in the event of an even split, the Democrats regained the majority in the Senate for the first time in six years, securing majorities in both the Senate and House of Representatives. The results of the congressional elections were a tailwind for the new Biden administration. But with only a small difference in the number of seats held by the parties in both houses of Congress, attention will be focused on whether the Biden administration will also be able to cooperate with congressional Republicans in order to advance its pledges.

The results of the November presidential election were officially confirmed at a joint session of Congress held on January 6, 2021. However, during the process, supporters of President Trump who did not accept the election results formed a mob and invaded the U.S. Capitol Building. As a result, several people died and congressional deliberations were temporarily suspended. A curfew was imposed in the U.S. capital of Washington, D.C. due to the breakdown in security and the National Guard was mobilized. In addition, protests broke out in other states, and a chaotic situation arose. President Trump was severely criticized for calling on his supporters to rally in the capital, and inciting a riot through his speech just before the outbreak of the incident. The House of Representatives decided to impeach him for the second time before the end of his term.

In his victory speech on November 7, President-elect Biden emphasized that he “doesn’t see red and blue states, but a United States,” and stressed the need for unity in U.S. society. However, the violence by President Trump’s supporters once again exposed the division of U.S. society. It will be noteworthy in U.S. politics how the new Biden administration will respond to this major challenge after the inauguration on January 20, 2021, and what direction the Republican Party will take after President Trump leaves office.
Economy

(A) Current economic situation

In 2020, the U.S. economy sustained major damage due to the spread of COVID-19. The unemployment rate, which hit about a 60-year low (3.5%) in February before the spread of infections, rapidly deteriorated to the worst level in the postwar era (14.7%) in April, just two months later. Real GDP in 2020 decreased year on year by 3.5%, the second-highest decrease in the postwar era after the decrease of 11.6% in 1946. In terms of the components of GDP, all of them set record declines. The decline in consumer spending, which accounts for 70% of the U.S. economy, was particularly significant, as restrictions on economic activities and layoffs due to the spread of COVID-19 rapidly cooled consumer spending in the service industry and other industries. The U.S. Congressional Budget Office (CBO) predicted that GDP will recover to the level before the spread of COVID-19 by mid-2021 (with a year-on-year GDP growth rate of 4.6% for the full year of 2021) due to the expectation that economic activities will resume with the increase in vaccinations.

(B) Economic policy

In regard to trade relations between the U.S. and third-party countries in 2020, in January, the U.S. signed the “Phase One Agreement” with China, in which the U.S. promised to lower some of its additional tariffs and China promised to increase its imports from the U.S. by at least 200 billion US dollars over two years. On the other hand, in September, the World Trade Organization (WTO) determined that the U.S. imposition of additional tariffs under Section 301 of the U.S. Trade Act on imports from China violated the WTO Agreement (GATT) and recommended that the measures concerned be corrected. However, the U.S. objected and appealed the decision to the Appellate Body.

In regard to relations with Canada and Mexico, the USMCA entered into force on July 1.

With respect to relations with the European Union (EU), the EU agreed to eliminate tariffs on lobsters in August, but other than that, there has been no significant progress in trade negotiations between the U.S. and the EU. In October, the WTO decided to allow the EU to take a countermeasure of tariffs on U.S. imports worth 4 billion US dollars per year in regard to U.S. subsidies to the Boeing Company, which had been a longstanding point of contention. Based on this decision, the EU imposed additional tariffs on imports from the U.S.

In addition, as a move to impose additional tariffs under Section 232 of the U.S. Trade Expansion Act, in May the Department of Commerce launched new investigations on transformers, mobile cranes and vanadium.

In 2020, amidst the worst unemployment rate in the post-war period due to the spread of COVID-19, the U.S. implemented measures totaling 3 trillion US dollars to support individuals including expansion of unemployment benefits and stimulus checks, support for small and medium-sized enterprises, support for medical institutions, and support for state governments financially exhausted by COVID-19 measures. Due to this, the budget deficit for FY2020 (October 2019 to September 2020) was about 3 trillion US dollars (according to the U.S. Department of the Treasury), more than double the 1.4-trillion-US-dollar budget deficit recorded in FY2009 when the global financial crisis occurred. The federal debt also expanded to about 26 trillion US dollars, more than 120% of GDP. Despite this, Chairman Jerome Powell of the Federal Reserve Board (FRB) has consistently argued for the need for fiscal policy rather than reducing the budget deficit.

The FRB also made a major shift in its monetary policy in 2020 in response to the spread of COVID-19. It revived its zero-interest rate policy, which had been in place from the 2008 financial crisis until December 2015, and developed proactive monetary policy by introducing for the first time a program to purchase corporate bonds in cooperation with the Department of the Treasury.
Furthermore, it shifted its policy target for the inflation rate from “2%” to a rate that “averages 2% over time” and changed its policy to allow temporary inflation of over 2%, in an effort to dispel market concerns.

(2) Japan-U.S. Political Relations

In 2020, frequent policy coordination at high levels continued between Japan and the U.S., including five summit meetings (all of which were telephone calls) and five foreign ministers’ meetings (of which three were telephone calls), even in the difficult situation with restrictions on international travel due to COVID-19. The Japan-U.S. Alliance has become stronger than ever. In particular, even during critical periods in the administrations of Japan and the U.S., the two countries have closely cooperated in their responses for resolving various regional and international issues, including the response to North Korea, and toward achieving a “Free and Open Indo-Pacific” (FOIP), by holding meetings such as the August telephone call between Prime Minister Abe and President Trump, the September telephone call between Prime Minister Suga and President Trump, and the November telephone call between Prime Minister Suga and President-elect Biden.

From January 13 to 16, Foreign Minister Motegi visited San Francisco to participate in the Japan-U.S.-ROK Foreign Ministers’ Meeting and to meet with Secretary of State Michael Pompeo. During the Japan-U.S. Foreign Ministers’ Meeting, the two foreign ministers confirmed the importance of continuing diplomatic efforts toward easing tensions and stabilizing the situation in the Middle East. Regarding the situation in North Korea, the foreign ministers also completely shared the view that Japan and the U.S., as well as Japan, the U.S. and the ROK, will continue to cooperate more closely and work together toward the resolution of the abductions, nuclear and missile issues.

In the midst of the spread of COVID-19, Prime Minister Abe and President Trump, as well as Foreign Minister Motegi and Secretary of State Pompeo respectively held telephone calls on March 13 and 20 and exchanged views on the infection situations and measures to prevent the spread of infections in both countries. In the Japan-U.S. Summit telephone call on March 13, during the leaders’ discussion on both countries’ efforts, President Trump expressed his appreciation for Japan’s efforts to host the Olympic and Paralympic Games Tokyo 2020. The two leaders also exchanged views on the regional situation, including North Korea.

During the Japan-U.S. Summit telephone call on March 25, Prime Minister Abe explained that during his March 24 telephone call with International Olympic Committee (IOC) President Thomas Bach, they agreed to postpone the Tokyo 2020 Games by approximately one year until the summer of 2021 at the latest. President Trump stated that postponing the Games was a great and wise decision and that he would fully support Prime Minister Abe’s position. The two leaders confirmed that they would work closely together to ensure that the 2020 Tokyo Games would be held in a “complete form” as proof of mankind’s victory over COVID-19. They also agreed to continue close coordination on bilateral cooperation and information sharing, including in developing cures and vaccines. The two leaders also exchanged views on the situation surrounding North Korea.

On May 8, Prime Minister Abe held a Japan-U.S. Summit telephone call with President Trump under the recognition of the need for constant communication at the Japan-U.S. summit level regarding the response to COVID-19. The two leaders confirmed close bilateral coordination on the situations in both countries, measures to prevent the spread of infections, development of therapeutics and vaccines, measures to restart the economy, and other efforts. They also shared the recognition that the international community, including China, needs to work as one to prevent the spread of infections. The two leaders also exchanged views on regional affairs including North Korea.

Mutual visits by foreign dignitaries, including
from the U.S., were halted due to the spread of COVID-19. Amidst this, particularly in consideration of the strong need for a frank, in-person exchange of views between Japan and the U.S., Deputy Secretary of State and Special Representative for North Korea Stephen Biegun visited Japan as the first foreign dignitary to do so after the spread of COVID-19. He paid a courtesy call to Foreign Minister Motegi on July 10. Foreign Minister Motegi stated that it is important for Japan and the U.S. to cooperate to strengthen FOIP even amidst the global spread of COVID-19. Deputy Secretary of State Biegun expressed gratitude for the coordination conducted by the Government of Japan for his visit to Japan. He also stated that the Japan-U.S. Alliance is the cornerstone of peace, stability and prosperity in Asia, and that he would like to further develop it in line with the new era.

Foreign Minister Motegi and Deputy Secretary of State Biegun also held an extensive exchange of views, confirming that Japan and the U.S. will cooperate and work together to address regional situations, including the situation surrounding North Korea, and common issues of the international community under the strong Japan-U.S. Alliance.

On August 31, due to Prime Minister Abe’s decision to resign from his position as Prime Minister, he and President Trump as well as Foreign Minister Motegi and Secretary of State Pompeo respectively held telephone calls. During the Japan-U.S. Summit telephone call, Prime Minister Abe expressed his gratitude to President Trump for making the Japan-U.S. relationship stronger than ever before through numerous mutual visits and telephone calls based on the deep personal trust between the two leaders. In response, President Trump repeatedly expressed his appreciation for his special friendship with Prime Minister Abe and for Prime Minister Abe’s strong leadership. Prime Minister Abe also expressed his gratitude for President Trump’s cooperation on the abductions issue and asked for his continued support toward its resolution.

Prime Minister Suga, who took office on September 16, held his first Japan-U.S. Summit telephone call after his inauguration with President Trump on September 20. Prime Minister Suga stated that the Japan-U.S. Alliance is the cornerstone of peace and stability in the region and the international community, and that he would like to further strengthen the Japan-U.S. Alliance, which had become stronger than ever under the deep personal trust between former Prime Minister Abe and President Trump. In response, President Trump congratulated him on his appointment as Prime Minister and said that he expressed his wish to further consolidate the Japan-U.S. relationship with Prime Minister Suga. Prime Minister Suga also expressed his intention to work resolutely toward the early resolution of the abductions issue, and asked for continued full support toward its resolution.

On October 6, Prime Minister Suga received a courtesy call from Secretary of State Pompeo, who
was visiting Japan to attend the Japan-Australia-India-U.S. Foreign Ministers’ Meeting. This courtesy call was Prime Minister Suga’s first in-person meeting with a foreign dignitary since his inauguration. Prime Minister Suga and Secretary of State Pompeo shared recognition of the increasingly severe regional situation, and agreed to further strengthen the Japan-U.S. Alliance and closely cooperate with like-minded countries to realize FOIP. They also exchanged views on the situation surrounding North Korea, including the abductions issue. In response to Prime Minister Suga’s request for full support toward the early resolution of the abductions issue, Secretary of State Pompeo stated that he would continue to fully support Japan’s efforts to resolve the abductions issue.

In addition, on the same day, Foreign Minister Motegi and Secretary of State Pompeo held a Japan-U.S. Foreign Ministers’ Meeting. Bearing in mind the discussions in the Japan-Australia-India-U.S. Foreign Ministers’ Meeting to be held on the same day, the two foreign ministers reaffirmed that continuing coordination among like-minded countries including Japan and the U.S. is important for realizing FOIP. As the foreign ministers exchanged views on the situations surrounding the East China Sea, South China Sea and North Korea, Foreign Minister Motegi stated that the abductions issue is a top priority for the Suga administration, and the two foreign ministers shared the view to continue to closely coordinate toward the resolution of the abductions, nuclear and missile issues concerning North Korea.

On November 12, Prime Minister Suga held a telephone call with President-elect Biden to convey congratulations on his victory in the U.S. presidential election. Prime Minister Suga stated that the Japan-U.S. Alliance plays a pivotal role in maintaining peace and stability in the Indo-Pacific region, which is becoming increasingly unstable due to the abductions, nuclear and missile issues concerning North Korea, and that he would like to coordinate toward realizing FOIP. In response, President-elect Biden expressed his commitment that Article 5 of the Japan-U.S. Security Treaty applies to the Senkaku Islands, and stated that he would cooperate with Prime Minister Suga for peace and stability in the Indo-Pacific region, including strengthening the Japan-U.S. Alliance. In addition, Prime Minister Suga requested cooperation on the abductions issue.

President Biden was inaugurated on January 20, 2021. Foreign Minister Motegi and Secretary of State Blinken held their first telephone call since the Biden administration inauguration on January 27, and Prime Minister Suga and President Biden held their first telephone call since the Biden administration’s inauguration on January 28. During the Japan-U.S. Summit telephone call, the leaders agreed to work closely together in order to further strengthen the Japan-U.S. Alliance. President Biden expressed his unwavering commitment to the defense of Japan, including the application of Article 5 of the Japan-U.S. Security Treaty to the Senkaku Islands. The two leaders also shared the view on the importance of strengthening the U.S. presence in the Indo-Pacific region, and affirmed that they would work side-by-side to address regional challenges and to realize FOIP. During the Japan-U.S. Foreign Ministers’ telephone call, the foreign ministers confirmed that they would closely coordinate to further strengthen the Japan-U.S. Alliance, and exchanged views on the regional situation including China, North Korea and the ROK, as well as the importance of FOIP. In addition, they confirmed close coordination between Japan and the U.S., as well as with like-minded partners including Australia and India, on challenges facing the region and the international community.

On March 16, Foreign Minister Motegi held his first Japan-U.S. Foreign Ministers’ Meeting with Secretary of State Blinken, who was visiting Japan on his first overseas visit since assuming his position as Secretary of State. The two foreign ministers reaffirmed that Japan and the U.S. will continue to take the lead in strengthening cooperation to realize the FOIP concept in cooperation
with Australia, India, ASEAN and others. They also exchanged views on regional situations including China, North Korea, the ROK, Myanmar and Iran. Furthermore, the foreign ministers also exchanged views on common issues of the international community, such as COVID-19 countermeasures and climate change. Secretary of State Blinken supported Japan’s determination to hold the Olympic and Paralympic Games Tokyo 2020, and the two foreign ministers agreed to continue to closely cooperate for the success of the Games. They agreed that Foreign Minister Motegi would visit the U.S. and hold a Foreign Ministers’ Meeting at the earliest possible date while assessing the situation of COVID-19.

From April 15 to 18, Prime Minister Suga was the first world leader to visit Washington, D.C. since President Biden’s inauguration and hold an in-person Summit Meeting with President Biden. The two leaders noted their shared universal values, including freedom, democracy, human rights and the rule of law, and they shared the view on strengthening the Japan-U.S. Alliance, which is the cornerstone of peace and prosperity in the Indo-Pacific region, while strengthening their relationship of personal trust. They also confirmed that Japan and the U.S. will strengthen their unity and cooperation while partnering with like-minded countries such as Australia, India and ASEAN countries toward the realization of FOIP.

After the meeting, a Japan-U.S. Joint Leader’s Statement titled “Japan-U.S. Global Partnership for a New Era” was issued. The two leaders also agreed on the “Japan-U.S. Competitiveness and Resilience (CoRe) Partnership” to lead “Build Back Better” in the world. They also shared the view on promoting competitiveness and innovation including in the digital and science and technology fields, common priorities to both countries, and cooperating in areas such as the COVID-19 response, green growth, and climate change. Furthermore, the leaders decided to launch the “Japan-U.S. Climate Partnership on Ambition, Decarbonization, and Clean Energy” to further strengthen cooperation on the implementation of the Paris Agreement, clean energy technology, and decarbonization in developing countries.

### (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 security and people-to-people exchanges. The Japan-U.S. Trade Agreement, which entered into force on January 1, not only expanded bilateral trade between Japan and the U.S., which covers approximately 30% of global GDP, in a strong, stable and mutually beneficial manner, but also created a free economic sphere covering approximately 80% of global GDP together with the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (TPP11 Agreement) and the Japan-EU Economic Partnership Agreement (EPA) that had already entered into force, as well as the Japan-UK Comprehensive Economic Part-
nership Agreement and the Regional Comprehensive Economic Partnership (RCEP) Agreement. In addition, in the context of the world economy becoming increasingly data-driven, the Japan-U.S. Digital Trade Agreement, which entered into force on January 1, established high-standard rules in digital areas, 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. In 2019, Japan surpassed the UK to become the country with the largest amount of investment in the U.S. in terms of direct investment (approximately 619.3 billion US dollars (U.S. Department of Commerce statistics)). Japan’s direct investment is contributing to the regional economy of the U.S. in the form of employment creation by Japanese companies in the U.S. (approximately 950,000 people in 2018 (U.S. Department of Commerce statistics)). Japan also ranks first in investment in R&D (corporate R&D activities) (2018 (U.S. Department of Commerce statistics)), and in greenfield investment (investment in the form of establishing a new corporation, etc.) and job creation in the U.S. (2019 (U.S. Department of Commerce statistics)). The strengthening of the multifaceted bilateral relationship 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 advancing economic cooperation in infrastructure, energy and digital sectors.

In the infrastructure sector, Japan and the U.S. are advancing cooperation through efforts such as seminars for third-party countries, including the presentation by the Japan Bank for International Cooperation (JBIC) on quality infrastructure at the Indo-Pacific Business Forum held by the Government of the U.S. in Hanoi, Viet Nam in October 2020, in order to spread and establish the G20 Principles for Quality Infrastructure Investment that were approved at the G20 Osaka Summit in June 2019. In addition, in regard to cooperation in third-party countries to promote FOIP, knowledge sharing on infrastructure development and ideal Japan-U.S. cooperation were discussed at the Third Japan Infrastructure Investment Forum held in Texas in February concerning infrastructure cooperation between Japan and the U.S.

In the energy sector, U.S. monthly oil export volume in September 2019 exceeded the import volume for the first time, and the U.S. became a net exporter of oil. On the other hand, oil futures prices turned negative for the first time in history in April, affected by lower demand and higher inventories due to COVID-19. 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. Production and shipments started for the Cove Point LNG project in Maryland, the Cameron LNG project in Louisiana, and the Freeport LNG project in Texas by December 2019. LNG import from the U.S. is expected to gain momentum. It is hoped this will result in significantly contributing to the energy security and stable supply of energy not only of Japan but also of the region, including Southeast Asia, which is a rising LNG market. In addition, to promote FOIP, the Japan-U.S. Strategic Energy Partnership (JUSEP) was launched in 2018, and two JUSEP meetings were held in 2020 to discuss specific projects in each region. Moreover, in September, on the occasion of the one-year anniversary of the Japan-U.S. Mekong Power Partnership (JUMPP), the Japan-U.S. Joint Ministerial Statement on JUMPP was released. It was decided to identify opportunities for JUMPP to further accelerate Mekong sub-regional power infrastructure connectivity, promote private investment, and expand capacity building and technical assistance among partners to grow cross-border energy trade. Furthermore, in February, both governments signed the Memorandum of Cooperation (MOC) on Strengthening Energy and Infrastructure Finance and Market Building, and are promoting finance-related cooperation.
With respect to the digital sector, Japan and the U.S. are advancing cooperation in areas such as 5G generation mobile communications systems, smart cities and cyber security. At the 11th meeting of the U.S.-Japan Policy Cooperation Dialogue on the Internet Economy (IED) in September, there were discussions on a wide range of matters concerning the internet economy between Japan and the U.S., including promotion of open, secure, trustworthy and resilient 5G networks and services, international coordination on areas such as sharing best practices of IoT (internet of things) security, promotion of data free flow and public-private partnerships to support for responsible stewardship of trustworthy AI (artificial intelligence). In addition, as for third-country cooperation to promote FOIP, Japan and the U.S. have been discussing the ways to realize Japan-U.S. cooperation in the digital sector, including the launch of the Working Group on the Japan-U.S. Strategic Digital Economy Partnership (JUSDEP) in 2019 whose fifth meeting was held in September 2020. Since the fourth meeting in January, discussions have focused on important areas such as smart cities, 5G and optical submarine cables, and the formation of projects is underway.

Furthermore, cooperation at the regional level, including with various U.S. states, is also advancing. Cooperation is being conducted based on the memorandums of cooperation concerning economic and trade relations between Japan and municipal governments such as states of Washington, Maryland and Indiana as well as the city of Chicago. Moreover, a memorandum concerning reciprocal partial exemptions of driver’s license tests was created with the state of Virginia in February, to the states of Maryland, Washington and Hawaii. The memorandums reduce the burden associated with acquiring a driver’s license for local Japanese nationals.

Since the launch of the Government Taskforce on Strengthening Japan-U.S. Ties at the Grass Roots in 2017, the Government of Japan has undertaken efforts based on a tailor-made approach that accords with the characteristics of each region and the level of interest in Japan of the target regions, under the recognition that it is important to implement grassroots initiatives that reach members of the general public to strengthen Japan-U.S. ties further. In 2020, various events, such as seminars and receptions, and information dissemination focusing on Japan-U.S. economic relations were implemented. Since the spread of COVID-19, various efforts have been made under the cooperation between various ministries, agencies and organizations such as the promotion of Japanese food products and dissemination of Japanese culture through online events and video streaming, and the holding of webinars on the theme of Japan-U.S. economic relations. A wide range of all-Japan initiatives will continue to be implemented to boost Japan-U.S. economic relations and promote understanding of Japan at a grassroots level.

2 Canada

(1) Situation of Canada

There has also been a large number of COVID-19 cases in Canada, mainly in metropolitan areas of such provinces as Quebec, Ontario, Alberta and British Columbia (as of the end of January 2021, the cumulative number of infected people in Canada was approximately 750,000, and the number of deaths was approximately 20,000).

In March, all provinces and territories declared states of emergency. The Federal Government implemented a series of measures one after another, including the issuance of travel advisories restricting Canadians from non-essential travel to anywhere in the world, the prohibition of entry into Canada in principle by foreign nationals, and temporary prohibition of non-essential travel between the U.S. and Canada (all these measures are still in effect as of the end of January 2021).

Although Canada’s domestic economy was greatly affected by the spread of COVID-19, employment and GDP recovered relatively quickly
due to factors including the Trudeau administration’s successive activation of government spending to support people’s lives, including benefits, wage subsidies and cash flow support, and the resumption of economic activity during the summer. On the other hand, growth is expected to slow down from September onward, as the number of infected people increases again as schools reopen and economic activity picks up (as of the end of October, the Bank of Canada’s real GDP growth rate for 2020 was negative 5.7%).

On the diplomatic front, the Trudeau administration has been strengthening participation in the Indo-Pacific region, in addition to the areas that Canada placed importance on in the past such as the U.S.-Canada relations, the UN, the North Atlantic Treaty Organization (NATO), the G7, the G20 and the Organization of American States (OAS). In particular, Canada has been active in monitoring and surveillance activities against illicit maritime activities, including ship-to-ship transfers with North Korean-flagged vessels prohibited by the UN Security Council resolutions. Canada resumed dispatching Royal Canadian Navy vessels to waters surrounding Japan including the East China Sea in October, and also resumed monitoring and surveillance activities by aircraft from November to December. Meanwhile, Canada-China diplomatic relations, which marked its 50th anniversary in 2020, remained weak following on from 2019, posing a major challenge for Canada. Positive sentiment toward China in Canada has seen a major drop, due to the lack of progress in the case of the arrest of the Chief Financial Officer (CFO) of Huawei by the Government of Canada, and that of the detention of two Canadian citizens by the Government of China afterward, both of which occurred at the end of 2018; as well as factors such as distrust of China’s COVID-19 response; and the deteriorating situation in Hong Kong.

On the economic front, the United States-Mexico-Canada Agreement (USMCA) entered into force in July. In addition, in November, Canada and the UK concluded an agreement under which the Canada-EU Comprehensive Economic and Trade Agreement (CETA) will continue to apply on an interim basis after the end of the transition period for the UK’s withdrawal from the EU.

(2) Japan-Canada Relations

Between Japan and Canada, even though in-person high-level meetings were not held in 2020 due to the spread of COVID-19, four summit telephone calls and two foreign ministers’ telephone calls were held. During the Japan-Canada Foreign Ministers’ telephone call in February, Foreign Minister François-Philippe Champagne expressed his gratitude for Japan’s response to the Canadian passengers on board the cruise ship “Diamond Princess.” Foreign Minister Champagne and Foreign Minister Motegi shared the view on continuing close communication and cooperation to respond to COVID-19. In the telephone call of Prime Minister Suga with Prime Minister Trudeau held immediately after his inauguration in September, the two leaders reaffirmed cooperation between the two countries and the two leaders.

On the economic front, two years have passed since the entry into force of the TPP11 Agreement, which is the first economic partnership agreement between Japan and Canada, and trade and investment relations are expected to deepen further. 2020 saw a major drop in exports to Canada in April and May due to the impact of COVID-19, but this has been on a recovery trend since the summer. In addition, the impact on Canada’s exports to Japan, consisting mainly of primary commodities, remained small. International travel between Japan and Canada, however, has been severely affected due to COVID-19, and all airlines have reduced direct flights between the two countries. In December, Japan held the 30th Meeting of the Japan-Canada Joint Economic Committee online, during which there were discussions on international trade conditions, as well as bilateral economic cooperation toward FOIP and Priority Areas of Cooperation.