



**US-Japan Relations:
Big Points on the Scoreboard But Can Noda Make It?**

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Prime Minister Noda accomplished important steps including the selection of the *F-35* as Japan's next-generation fighter, relaxing the three arms export principles, and announcing a decision to join negotiations for the Trans-Pacific Partnership (TPP) – all of which demonstrated the current Japanese government's readiness to revive the economy and strengthen security ties and capabilities. At the same time, the government's support rate began to collapse in a pattern eerily similar to Noda's five predecessors, raising questions about the ability of the government to follow through on the more challenging political commitments related to TPP. President Obama met Noda at the United Nations in New York and at the Asia-Pacific Economic Cooperation (APEC) forum in Hawaii in an active season of bilateral diplomacy. Public opinion surveys revealed generally positive views of the US-Japan relationship in both countries but the impasse over relocating Marine Corps Air Station Futenma fueled negative perceptions in Japan.

Take three: enter Noda

Noda Yoshihiko formally introduced his Cabinet on Sept. 2 and revealed in his personnel choices a desire to represent the various power centers within his ruling Democratic Party of Japan (DPJ). Unlike his predecessor Kan Naoto, who distanced himself from party kingmaker Ozawa Ichiro and did not install any of his loyalists in the government, Noda appointed two lawmakers with close ties to the former party president and engineer of the 2009 election victory: Ichikawa Yasuo as minister of defense and Yamaoka Kenji as minister of consumer affairs. (Ichikawa made a clumsy debut by declaring himself an amateur and claiming this was a hallmark of civilian rule over the military.) The new trade minister, former socialist Hachiro Yoshio, resigned after eight days for reportedly joking with the media about radiation and referring to the area around the Fukushima Daiichi nuclear plant as a "city of death"; he was replaced by Edano Yukio, a rising leader who had served as chief Cabinet secretary under Kan and was the chief government spokesman after the March 11 disasters. Noda also gave prominent posts to other members of the younger generation such as Hosono Goshi, who was retained as the minister in charge of handling the Fukushima nuclear accident and was appointed environment minister; Gempa Koichiro, the new foreign minister who like Noda hails from the Matsushita Institute of Government and Management; and Furukawa Motohisa, who became minister for national policy. Noda's "balance of power" approach also manifested itself in party posts. In another nod to Ozawa, Noda installed Koshiishi Azuma as DPJ secretary general but appointed Maehara Seiji, former foreign minister and also a Matsushita Institute graduate, as chairman of the Policy Research Council. This was a bold attempt at forging unity in a party devoid of consensus on several policy challenges and facing an opposition likely to complicate the legislative process.

Noda also distinguished himself with two decisions regarding policy coordination. First, in defiance of the DPJ focus on “politician-led government” (*seiji shudo*) meant to weaken bureaucrats, he reinstated regular meetings among administrative vice ministers (*jimujikan kaigi*) that up to 2009 had been a core mechanism for coordination across the government. Noda also established a Council on National Strategy and Policy composed of Cabinet members and private citizens (including the governor of the Bank of Japan and the leaders of Japan’s two largest business associations) to develop a comprehensive revitalization strategy for the nation. The Council is somewhat reminiscent of the Council for Economic and Fiscal Policy established in 2001 during the Koizumi administration to champion reform, but unlike that body was not established by law and the extent of its influence is unclear. Nonetheless, both developments suggested an effort to strengthen competence and coherence largely absent under DPJ rule.

Much of the policy debate focused predictably on economic policy and the balance between stimulus and fiscal discipline. After painstaking negotiations with opposition parties, the Noda government managed to pass a \$158 billion supplemental budget, the third of the fiscal year, to support reconstruction efforts in the Tohoku region affected by the March 11 disasters. The Diet also passed legislation establishing special economic zones in Tohoku to spur investment and also called for a reconstruction agency to guide the recovery beginning next spring. The appreciation of the yen served as a drag on exports and led the government to intervene in foreign exchange markets on Oct. 31, but the issue persisted and estimates for growth were subsequently downgraded due to the strong yen and global economic downturn. Despite these sobering developments Noda proposed a set of tax increases to shore up government finances, which proved controversial within his party and mystified the public. (Opinion polls showed majority support for tax increases to support reconstruction, but much less enthusiasm for an increase in the consumption tax, which Noda earmarked for social security obligations.) On Dec. 29 Noda reached a compromise with the DPJ leadership on a proposal that would increase the consumption tax gradually from 5 to 10 percent by October 2015 and include language that the increase could be delayed based on a review of economic conditions. The compromise did little to stem the controversy over tax policy and Noda set himself up for a fierce legislative battle in the next Diet session.

Equally controversial on the economic front was Noda’s announcement on Nov. 11 that Japan would enter into discussions about joining the Trans-Pacific Partnership (TPP) trade negotiations. The DPJ failed to reach consensus on this issue and agricultural interests led a spirited campaign against TPP under the rationale that their livelihoods were threatened, but Noda concluded that trade liberalization and enhanced competition would ultimately strengthen the Japanese economy, including the agricultural sector. The announcement added fuel to a heated domestic debate about trade but also had potential implications for the US-Japan relationship as the US is already a party to the negotiations and would have to consult Congress before deciding whether to welcome Japan into the trade talks. The leaders of the House Ways and Means Committee and the Senate Finance Committee submitted a letter to US Trade Representative Ron Kirk in early November expressing concerns about Japan’s interest in TPP, suggesting that the politics of trade would prove complicated in both capitals.

Two developments in the realm of security also had important ramifications for US-Japan relations. On Dec. 19 the government announced that it had selected Lockheed Martin's *F-35* as its next generation fighter aircraft and would allocate funding for the purchase of four aircraft in fiscal year 2012. One week later Chief Cabinet Secretary Fujimura Osamu issued a statement announcing a relaxation of Japan's three arms-export principles to allow the transfer of equipment overseas for peacekeeping operations and joint development and production of defense equipment, which would enable Japan to acquire advanced technology for much less than it would cost to develop indigenously and expand opportunities for defense industrial collaboration with the US.

The Noda government dispatched several officials to Okinawa in an effort to make progress on the realignment plan for Marine Corps Air Station Futenma, but was embarrassed by a scandal that further weakened the prospects for a breakthrough. Japanese media reports alleged that on Nov. 28 Tanaka Satoshi, director general of the Okinawa Defense Bureau in the Ministry of Defense, likened the relocation of Futenma to a rape in a private session with reporters during a visit to Okinawa. Defense Minister Ichikawa apologized for Tanaka's remarks the next day and dismissed him from his post, but then made matters worse by confessing during an appearance in the Upper House of the Diet on Dec. 1 that he was not familiar with the details surrounding the 1995 rape of a 12-year old school girl by US servicemen stationed in Okinawa. Opposition parties passed a nonbinding censure motion against Ichikawa in the Upper House on Dec. 9 and demanded his resignation. Prime Minister Noda refused to sack him, prompting the opposition Liberal Democratic Party (LDP) to vow not to cooperate with Noda during the next legislative session when the budget for the next fiscal year will be debated.

Noda's proposal for tax increases, the heated debate over TPP, and the Tanaka scandal appeared to adversely affect views of the new government. By mid-December, Noda's approval rating had fallen to around 40 percent in some polls and one survey found that 86 percent of the public felt he was not explaining his policies adequately. Many analysts observed that his leadership skills would be put to the test in the next Diet session, which could make or break his tenure as prime minister. The decline in his popularity at home contrasted sharply with his image in Washington, burnished by his decisiveness on TPP, the relaxation of the three arms-export principles, and productive meetings with his US counterpart.

Bilateral diplomacy

Prime Minister Noda met President Obama on the sidelines of the UN General Assembly on Sept. 21 and the two discussed the bilateral alliance, trade, continued US support for Japan's recovery from the March 11 disasters, and their respective plans to boost economic growth. This was preceded two days earlier by a meeting between Secretary of State Hillary Clinton and Foreign Minister Gamba which focused on bilateral issues including Futenma. The two governments then engaged in working-level consultations on regional and global issues and coordinated closely on the agendas for the Asia-Pacific Economic Cooperation (APEC) forum and East Asia Summit scheduled for November.

The debate over government spending in Washington attracted a great deal of attention in Japan as the prospect for substantial cuts in the US defense budget raised concerns about the

sustainability of the US forward presence in the Asia-Pacific region. Defense Secretary Leon Panetta visited in late October to reiterate the US commitment to the peace and prosperity of the region and the importance of alliances figured prominently in that message. Panetta visited Tokyo on Oct. 25 and met with Prime Minister Noda, Foreign Minister Gamba, and Defense Minister Ichikawa. Panetta and Ichikawa conducted a defense ministerial and addressed a range of issues including regional security, space, missile defense, information security, and the relocation of MCAS Futenma. Deputy Secretary of State William Burns visited immediately after Panetta for consultations on a wide range of issues and delivered an address at the University of Tokyo on the enduring value of the US-Japan alliance in a bilateral, regional, and global context.

President Obama hosted APEC in Hawaii and met Prime Minister Noda on Nov. 12. The two leaders discussed the Futenma relocation, Japan's beef import restrictions, the upcoming East Asia Summit in Indonesia, and TPP. Noda had announced his decision to enter into discussions over joining TPP a day prior and President Obama welcomed the decision, noting that eliminating trade barriers between the US and Japan presented an opportunity to strengthen the economic partnership between the two countries. A read-out of the meeting issued by the White House caused a kerfuffle by indicating that Noda told Obama he would put all goods and services on the negotiating table for trade liberalization. The Japanese government denied the statement and the dispute was covered widely in the Japanese press. Noda then faced intense questioning back home about the meeting and how he characterized Japan's interest in TPP. This diplomatic row notwithstanding, the APEC meeting generated some momentum for the economic pillar of the relationship.

Rounding out a fall of steadfast diplomacy, Secretary of State Clinton hosted Foreign Minister Gamba at the State Department in Washington on Dec. 19, the day North Korean media reported the death of Kim Jong Il. They discussed the evolving situation on the Korean Peninsula and President Obama discussed the matter with Prime Minister Noda in a telephone call later that day. Clinton and Gamba also addressed bilateral cooperation to support the recovery from the March 11 earthquake, Japan's interest in TPP, Japan's progress in considering accession to the Hague Convention on International Parental Child Abduction, Burma, Afghanistan, Iran, and dialogue with India. Assistant Secretary of State Kurt Campbell and Assistant Secretary of State Robert Blake co-chaired the first-ever trilateral dialogue between the United States, Japan, and India at the State Department that day.

Futenma relocation

The Japanese central government submitted an environmental impact statement on the Futenma relocation to the Okinawa prefectural government on Dec. 28, welcomed by the Pentagon as a sign of progress on the realignment plan agreed to by both governments. But members of Congress remained skeptical about the prospects for success. Congressional appropriators cut \$150 million in projects for the relocation of US Marines from Okinawa to Guam out of the National Defense Authorization Act (NDAA) for 2012 that was signed by President Obama on Dec. 31. The Japanese government then decided to decrease funding for the relocation of US Marines from Okinawa to Guam by 85 percent in the draft budget for fiscal year 2012. The

NDAA called for an independent study of US force posture in the Asia-Pacific and the fate of the current Futenma relocation plan could depend on the outcome.

Perceptions of US-Japan relations

According to an annual survey of attitudes toward foreign countries released by Japan's Cabinet Office on Dec. 4, a record 82 percent of Japanese have a favorable view of the US and 73 percent consider the US-Japan relationship in good condition. But another annual survey published Dec. 18 by *Yomiuri Shimbun* and Gallup found much less sanguine views of the bilateral relationship in Japan. Ninety-four percent of Japanese respondents appreciated US military relief efforts after the March 11 earthquake, but only 35 percent said US-Japan relations were good or very good; 52 percent of US respondents felt that way. When asked whether they trust the US, 47 percent of Japanese said somewhat or very much; 67 percent of US respondents shared those sentiments about Japan. Indicating the degree to which the Futenma issue is covered and impacts perceptions in Japan, 82 percent of Japanese felt the impasse over relocating MCAS Futenma has had an adverse impact on the relationship while 59 percent of US respondents said they were not familiar with the topic. Seventy-two percent of US respondents thought Japan should join TPP negotiations but only 50 percent of Japanese were positive. When Japanese were asked which institutions they trust (with multiple answers allowed), the Japan Self-Defense Forces topped the list for the first time at 75 percent and the National Diet fared worst with 17 percent.

Coming up

Prime Minister Noda faces a bruising battle over the budget in the Diet and could struggle to advance his tax proposals amid concerns about economic growth. The Obama administration is expected to unveil a new defense strategy and outline cuts in defense spending but sustain its emphasis on Asia. Bilateral diplomacy will proceed apace and the two governments may plan a series of events to commemorate the 100th anniversary of Japan's gift of cherry blossoms in appreciation for the US role in helping negotiate the end of the Russo-Japanese War. Should Noda emerge from his legislative session unscathed, he could visit Washington in the spring to take stock of the bilateral relationship.

Chronology of US-Japan Relations September – December 2011

Sept. 2, 2011: Prime Minister (PM) Yoshihiko Noda officially announces his Cabinet after a ceremony at the Imperial Palace.

Sept. 4, 2011: Several media outlets publish surveys on the approval rating for the Noda Cabinet including *Nikkei Shimbun* (67 percent), *Yomiuri Shimbun* (65 percent), *Mainichi Shimbun* (56 percent) and *Asahi Shimbun* (53 percent).

Sept. 5, 2011: The Democratic Party of Japan (DPJ) announces party executive posts including Koshiishi Azuma as secretary general and Maehara Seiji as chair of the Policy Research Council.

Sept. 7, 2011: The Bank of Japan leaves the overnight call rate unchanged at between 0 and 0.1 percent; notes that supply-side constraints caused by the March 11 disasters have mostly been resolved and states that production and exports have almost recovered to pre-quake levels.

Sept. 8-9, 2011: Japanese media reports quote Trade Minister Hachiro Yoshio as having referred to the evacuation zone around the Fukushima Daiichi nuclear power plant as a “town of death.” Some reports also suggest he joked with members of the press about radiation on his clothing being contagious.

Sept. 10, 2011: Hachiro resigns as trade minister.

Sept. 12, 2011: PM Noda appoints Edano Yukio to succeed Hachiro as Trade Minister.

Sept. 13, 2011: PM Noda addresses the Diet and refers to the US-Japan alliance as the cornerstone of Japanese diplomacy and national security.

Sept. 13, 2011: A *Yomiuri Shimbun* survey finds 43 percent of the public supports revising the constitution while 39 percent disapprove.

Sept. 19, 2011: Foreign Minister Gamba Koichiro and Secretary of State Hillary Clinton meet on the margins of the UN General Assembly (UNGA) to discuss bilateral issues including the realignment plan for Marine Corps Air Station (MCAS) Futenma on Okinawa.

Sept. 19, 2011: Mitsubishi Heavy Industries announces it was the victim of a cyber-attack.

Sept. 21, 2011: PM Noda and President Obama meet on the sidelines of the UNGA and discuss the bilateral alliance, trade, continued US support for Japan’s recovery from the March 11 disasters, and their respective plans to boost economic growth.

Sept. 26, 2011: Three former aides to DPJ member Ozawa Ichiro are found guilty of falsifying political funding reports for the former party leader’s fund management organization.

Sept. 27, 2011: PM Noda and DPJ leaders agree on a plan proposed by the government tax commission to generate approximately \$145 billion in revenue by raising taxes over a 10-year period beginning as early as fiscal year 2012.

Sept. 30, 2011: Japan’s Defense Ministry announces that its budget request for fiscal year 2012 is essentially unchanged from the actual budget for the current year with a proposed increase of 0.6 percent.

Oct. 3, 2011: The Noda Cabinet posts a 54 percent approval rating in a poll conducted by *Kyodo News*. Fifty percent of respondents oppose Noda’s plans to increase taxes with 46 percent in favor. The support rate for the ruling DPJ is 27 percent compared to 23 percent for the opposition Liberal Democratic Party (LDP).

Oct. 5, 2011: Japan's Ministry of Finance announces that fiscal year 2012 budget requests from government ministries totaled ¥98.47 trillion, a record high due mainly to projected costs associated with reconstruction efforts in the Tohoku region.

Oct. 6, 2011: Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell visits Tokyo to confer with Japanese officials on a range of issues including Afghanistan and Pakistan, the Middle East, North Korea, China, and the relocation of MCAS Futenma.

Oct. 6, 2011: Japan's Minister for National Policy Furukawa Motoshisa meets US Federal Reserve Board Chairman Ben Bernanke in Washington.

Oct. 6, 2011: Former DPJ President Ozawa Ichiro pleads not guilty to charges of violating fundraising laws during an appearance in Tokyo district court.

Oct. 7, 2011: The Bank of Japan leaves the overnight lending rate unchanged and extends for six months loan program to support financial institutions in areas affected by the March 11 disasters.

Oct. 7, 2011: The Noda Cabinet approves an outline for a third supplementary budget totaling \$156 billion to support reconstruction efforts and help revive the economy.

Oct. 19, 2011: Foreign Minister Gamba Koichiro visits Okinawa to discuss the realignment plan for MCAS Futenma with Gov. Nakaima Hirokazu and other officials.

Oct. 21, 2011: Noda Cabinet announces establishment of a national strategy council composed of government officials and private citizens to focus on energy strategy and economic revival.

Oct. 21, 2011: In an interview with public broadcaster *NHK*, PM Noda says that the government will spend at least \$13 billion to decontaminate areas affected by the Fukushima nuclear disaster.

Oct. 21, 2011: Over 100 lawmakers from the ruling and opposition parties hold a rally at the Diet and pass a resolution against Japan's participation in the Trans-Pacific Partnership (TPP) trade negotiations.

Oct. 25, 2011: Defense Secretary Leon Panetta meets PM Noda, Foreign Minister Gamba and Defense Minister Ichikawa Yasuo in Tokyo.

Oct. 26, 2011: Thousands of Japanese farmers rally in Tokyo to encourage the government not to participate in TPP negotiations.

Oct. 26, 2011: Deputy Secretary of State William Burns visits Japan to consult with Japanese officials on a range of bilateral and regional issues.

Oct. 27, 2011: The Bank of Japan leaves the overnight interest rate unchanged and expands its asset purchase program from 50 to 55 trillion yen.

Oct. 31, 2011: Japan conducts an intervention in foreign exchange markets to weaken the yen estimated at \$127 billion.

Oct. 31, 2011: Noda Cabinet garners a 58 percent approval rating in a *Nikkei Shimbun* survey. Forty-five percent of respondents support Japan's participation in TPP with 32 percent opposed. Fifty-eight percent support tax increases to support reconstruction from the March 11 earthquake but only 47 percent favor an increase in the consumption tax from 5 to 10 percent by 2015.

Nov. 8, 2011: The leaders of the US House of Representatives Ways and Means Committee and the Senate Finance Committee send a letter to US Trade Representative Ron Kirk expressing concerns about Japan's reported interest in joining TPP negotiations and urging the Obama administration to consult closely with Congress and stakeholders about whether to conduct trade talks with Japan should it apply.

Nov. 10, 2011: The Lower House of the Diet approves a \$158 billion supplementary budget, the third of the fiscal year.

Nov. 11, 2011: PM Noda announces Japan's intent to enter discussions with the countries concerned toward Japan's participation in TPP negotiations.

Nov. 12, 2011: PM Noda and President Obama meet on the margins of the Asia-Pacific Economic Cooperation (APEC) forum in Hawaii.

Nov. 15, 2011: A *Yomiuri Shimbun* survey finds 51 percent of the public supports PM Noda's decision to express interest in joining TPP negotiations. The Noda Cabinet posts a 49 percent approval rating and 86 percent of respondents believe Noda has not explained his policies adequately to the public.

Nov. 21, 2011: Upper House of the Diet approves the third supplementary budget for FY 2011.

Nov. 28, 2011: Japanese media reports allege that in a private session with reporters during a visit to Okinawa, Tanaka Satoshi, director general for Okinawa in the Ministry of Defense, compared the relocation of MCAS Futenma to a rape.

Nov. 29, 2011: Defense Minister Ichikawa apologizes for Tanaka's remarks and announces his dismissal as director general of the Okinawa bureau.

Nov. 30, 2011: PM Noda apologizes for Tanaka's remarks.

Dec. 1, 2011: Defense Minister Ichikawa confesses to being unaware of the details surrounding the 1995 rape of a school girl by US servicemen stationed in Okinawa.

Dec. 2, 2011: Defense Minister Ichikawa visits Okinawa and apologizes to Gov. Nakaima Hirokazu.

Dec. 7, 2011: Diet passes bill establishing special economic zones in the Tohoku region to support reconstruction.

Dec. 9, 2011: Diet passes bill establishing a reconstruction agency to organize earthquake recovery efforts.

Dec. 9, 2011: Upper House passes nonbinding censure motions against Defense Minister Ichikawa and Consumer Affairs Minister Yamaoka Kenji.

Dec. 9, 2011: Derek Mitchell, US special representative and policy coordinator for Burma, visits Tokyo to brief Japanese officials on the relationship with Burma.

Dec. 11, 2011: US Special Representative for North Korea Policy Glyn Davies and Clifford Hart, US special envoy for the Six-Party Talks, visit Japan to exchange views with Japanese officials and pledge support for Japanese citizens abducted by North Korea in a meeting with an association of families of abductees.

Dec. 12, 2011: A poll by *Asahi Shimbun* reveals a 31 percent approval rating for the Noda Cabinet and a disapproval rating of 43 percent. Fifty-nine percent of respondents disagreed with Noda's decision to retain Defense Minister Ichikawa and Consumer Affairs Minister Yamaoka despite the passage of a censure motion against them in the Upper House.

Dec. 12, 2011: According to a *Yomiuri Shimbun* survey, the Noda Cabinet's approval rating stands at 42 percent with a disapproval rating of 44 percent.

Dec. 12, 2011: The Senate Armed Services Committee completes its conference on the National Defense Authorization Act (NDAA) for fiscal year 2012, electing to cut approximately \$150 million for projects associated with the relocation of US Marines from Okinawa to Guam.

Dec. 12, 2011: LDP Secretary General Ishihara Nobuteru suggests in an address in Washington that Japan's Self-Defense Forces should be deployed to the Senkaku Islands.

Dec. 14, 2011: Undersecretary of Defense Michele Flournoy issues a statement encouraging the Japanese government to submit an environmental impact statement on Futenma relocation to the Okinawa prefectural government by the end of the year and reiterating a commitment to work closely with Congress on the realignment plan.

Dec. 14, 2011: Assistant US Trade Representative Wendy Cutler visits Japan for consultations regarding Japan's interest in the TPP negotiations.

Dec. 15, 2011: Deputy Secretary of State Thomas Nides visits Japan to discuss Japan's post-earthquake recovery plans with officials including Foreign Minister Gamba, Reconstruction Minister Hirano Tatsuo and Environment/Nuclear Minister Hosono Goshi.

Dec. 16, 2011: PM Noda announces that the Fukushima Daiichi nuclear power plant has achieved "cold shutdown conditions."

Dec. 19, 2011: Secretary Clinton and Foreign Minister Gamba meet in Washington to discuss the evolving situation on the Korean Peninsula with the death of Kim Jong-il and other issues.

Dec. 19, 2011: Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell and Assistant Secretary of State for South and Central Asia Robert Blake co-chair the first-ever trilateral dialogue between the US, Japan, and India at the State Department in Washington.

Dec. 19, 2011: President Obama and PM Noda discuss the evolving situation on the Korea Peninsula in a telephone call.

Dec. 19, 2011: Government of Japan selects the *F-35* as its next-generation fighter and announces plans to purchase four of the planes in fiscal year 2012.

Dec. 20, 2011: Noda Cabinet approves plans to dispatch Ground Self-Defense Force personnel to South Sudan for peacekeeping activities under the United Nations Mission in the Republic of South Sudan (UNMISS).

Dec. 20, 2011: US Nuclear Regulatory Commission Chairman Gregory Jaczko visits Japan to consult with Japanese officials on efforts to stabilize the Fukushima Daiichi nuclear power plant.

Dec. 20, 2011: The Japanese government approves a draft supplementary budget totaling \$32 billion to support economic recovery, the fourth of the fiscal year.

Dec. 21, 2011: The Bank of Japan leaves the overnight interest rate unchanged and notes that the economic recovery has stalled due to the global economic downturn and appreciation of the yen.

Dec. 21, 2011: Secretary Clinton issues statement congratulating the Emperor of Japan on his 78th birthday and reiterating US support for Japan and its global leadership in recognition of Japan's National Day holiday.

Dec. 22, 2011: Japanese government downgrades its growth forecast for FY 2011, suggesting the economy will shrink 0.1 percent compared to 0.5 percent growth predicted previously. The government also lowers its economic growth forecast for 2012 to 2.2 percent from the 2.7-2.9 percent range estimated earlier in the year due to the strong yen and the euro zone debt crisis.

Dec. 24, 2011: Noda Cabinet approves draft budget for FY 2012, down 2.2 percent from 2011 (excluding a special account for post-March 11 reconstruction and basic pension benefits).

Dec. 24, 2011: The government decides to decrease funding for the relocation of US Marines from Okinawa to Guam by 85 percent in the draft budget for fiscal year 2012.

Dec. 25, 2011: PM Noda apologizes to Okinawa Gov. Nakaima for Tanaka Satoshi's remarks about Futenma.

Dec. 26, 2011: Committee established by the Japanese government to investigate the Fukushima Daiichi nuclear power plant accident issues an interim report critical of the initial response.

Dec. 27, 2011: US Treasury Department in its semiannual currency report urges Japan to increase the dynamism of the domestic economy and criticizes a recent foreign exchange market intervention to stem the appreciation of the yen.

Dec. 27, 2011: Japan's Chief Cabinet Secretary Fujimura Osamu announces revision of the three principles on arms exports.

Dec. 28, 2011: Japanese government submits an environmental impact statement for the Futenma relocation plan to the Okinawa prefectural government.

Dec. 28, 2011: Pentagon issues statement welcoming the submission of the environmental impact statement on Futenma relocation and cites it as an example of progress on the realignment plan.

Dec. 29, 2011: Noda government reaches a compromise with the ruling DPJ on a proposal for tax increases, including language suggesting the possibility of a delay based on a review of economic conditions and promising to submit separate legislation to the Diet to reduce the size of the legislature and cut civil servant salaries.

Dec. 31, 2011: President Obama signs the National Defense Authorization Act into law.