

## ***The Weekly Observer***

December 26-30, 2022

*The 55<sup>th</sup> edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on the scheduled Kishida-Biden summit in January, the MSDF state secrets leak case, Kishida's travel plans in January, the missile unit deployment in Yonaguni, another Cabinet minister replacement, the GOJ's decision to test travelers from China, the GOJ's food security guidelines, the tax hike and next HoR election, the BOJ's monetary policy meeting minutes from December, Japan's LNG contract with Oman, the BOJ's long-term bond purchasing operation, the jobs-to-applicants ratio and unemployment statistics, and more.*

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## **I. News of the Week**

### 1. Kishida-Biden Summit to Be Held on January 13

- *Yomiuri* [reported](#) Wednesday that Prime Minister Kishida Fumio and U.S. President Joe Biden are scheduled to meet on Jan. 13 in Washington. This will be Kishida's first trip to Washington since he became prime minister.
- Foreign Minister Hayashi Yoshimasa and Defense Minister Hamada Yasukazu are [expected](#) to hold a "2+2" with Secretary of State Antony Blinken and Secretary of Defense Lloyd Austin on Jan. 11..
- The two leaders are [expected to discuss](#) the strategic documents and Japan's decision to increase defense spending.
- The foreign and defense ministers are [likely to discuss](#) the joint use of public infrastructure, including bases, ports, and airports. Current law provides local authorities the power to control public infrastructure use.
- Other topics include developing a joint action plan on counterstrike capabilities, a joint strategy for cyber, space, and other new areas of combat, and discussing responses to China and North Korea, as well as a Taiwan contingency.

### 2. MSDF Captain Fired Over State Secret Leak

- On Monday, four current and ex-MSDF officials were [penalized](#) for violating the SDF Act. One of the two current officials was [fired](#) for leaking "designated secrets" to his superior, who has since left the MSDF.
- The MOD [issued](#) a press release, stating that it is "extremely regrettable" there was a case of leaking from the MOD/SDF. This is the first punishable case of state secrets being leaked.
- According to *Nikkei*, Captain Inoue Takashi, Commander of the Information Services Group handling confidential information, [leaked](#) state secrets to his former superior during a situation briefing.
- Specifically, Inoue leaked confidential information regarding SDF operations and exercises. The former superior requested information from several officials for a speech he was going to deliver. Inoue mistakenly believed that the request had been an official request through the MSDF, as HQ had informed him about it.

- There are no other confirmed leaks aside from the one to the ex-superior. MOD states that the ex-superior had an intimidating air to him and that this may have been another reason why Inoue leaked the information.

### 3. Foreign Policy Developments

- On Thursday, Komeito leader Yamaguchi Natsuo [met](#) with South Korean President Yoon Suk-yeol in Seoul and agreed on the need to improve Japan-ROK relations. Yamaguchi informed Yoon that the ruling coalition intends to make efforts to accelerate government-to-government talks to resolve the forced wartime labor issue.
- Reports [suggest](#) that Kishida will visit France, Italy, the United Kingdom, and Canada starting Jan. 8 before the Jan. 13 summit with Biden. He [plans](#) to request for their cooperation on resolving global issues ahead of Japan's chairmanship of the G7.
- On Tuesday, Foreign Minister Hayashi [reiterated](#) the importance of the rule of law, tying it to UNSC reform and Japan's commitment to this as chair of the SC on Jan. 12 (rule of law Cabinet-level meeting at the UN).
- The Japan Fisheries Agency [announced](#) Tuesday that Japan and Russia concluded negotiations to determine the operating conditions for "offshore fishing" in each other's EEZ by fishing vessels next year. Both sides [agreed](#) on a fishing quota of 50,000 tons, down 25,000 from last year.
- On Monday, MOFA Director General for Asian and Oceanic Affairs Bureau Funakoshi Takehiro [met](#) with his counterpart from the South Korean Foreign Ministry. The two agreed to continue communications in order to resolve outstanding issues, as well as to restore and further bilateral relations.

### 4. Defense/Security Developments

- On Thursday, a JCG patrol ship [confirmed](#) four CCG vessels navigating in Japan's contiguous zone near the Senkaku Islands. Chinese vessels navigated these waters for the 334th time this year, a record high. A CCG vessel also [entered](#) Japanese territorial waters for a record-long 72 hours on Monday.
- MOD [revealed](#) Tuesday that it plans to expand the Yonaguni Garrison and deploy a surface-to-air missile unit there to bolster southwestern island defenses. Yonaguni Island is approximately 110 km away from Taiwan.
- *Nikkei* [reported](#) that the GOJ plans to finalize policy relaxing defense equipment export rules after the April 2023 unified local elections. It will consider permitting sales, not just free transfers, of defense equipment to allies and friendly nations.

- MOD [announced](#) that it agreed with the U.S. Department of Defense to establish a new system to reduce FMS purchase costs. By eliminating the “quality control fee” (+0.45 percent to unit price) on procured fighter jets and missiles, there will be an estimated ¥2 billion reduction in procurement costs.
- The GOJ [made public](#) the fifty-eight areas it has designated as important to Japan’s security. They include SDF garrisons and remote islands in Hokkaido, Aomori, Tokyo, Shimane, and Nagasaki. It takes effect Feb. 1. The GOJ will identify around 600 areas by fall 2024.

#### 5. Fourth Cabinet Minister Replaced

- On Tuesday, Prime Minister Kishida [replaced](#) Minister for Reconstruction Akiba Kenya with former Reconstruction Minister Watanabe Hiromichi.
- Kishida [explained](#) to reporters that he made the personnel change to ensure smooth sailing in the upcoming ordinary session of the Diet, which will deliberate the FY 2024 budget among other critical legislation.
- Akiba becomes the fourth minister to be replaced since October. The prime minister [could not afford](#) having Akiba in during the ordinary session given expected opposition attacks on him.
- Akiba came under scrutiny first for allegedly giving political funds to family members, then for allegedly giving campaign funds to his secretary during an election. He then came under fire for ties to the Unification Church.
- Kishida also [announced](#) that he would be replacing Parliamentary Vice-Minister for Internal Affairs and Communications Sugita Mio with former MIC official Hasegawa Junji. Sugita [came under fire](#) for inappropriately calling LGBT persons “inefficient”.

#### 6. Japan to Test Travelers from China

- On Tuesday, Prime Minister Kishida [announced](#) that Japan would implement emergency measures to prevent the spread of COVID-19 from China, which is experiencing an explosion of cases.
- Kishida said that Japan would be taking precautionary measures given uncertainty about the situation in China.
- Starting Dec. 30, Japan will test travelers from the Chinese mainland or those who have visited China within seven days upon arrival to the country.

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- Those who test positive upon arrival will be subjected to seven-day quarantine. Kishida also stated that the country will be restricting flights from China.
- He emphasized that this does not mean a reversal of policy opening the country to foreign travelers. A Chinese foreign ministry spokesperson [said](#) there was no scientific evidence for the precautionary measures.

### 7. GOJ Releases Food Security Guidelines

- On Tuesday, the GOJ released [guidelines](#) to bolster food security. The [guidelines](#) include policies taking into account the revision of the Basic Act on Food, Agriculture and Rural Areas next Diet session.
- Food security has become a serious issue for Japan given the pandemic and the war in Ukraine, which has resulted in higher commodity and goods prices.
- The first pillar is realizing structural change to bolster food security. This includes domestic production of fertilizer, substituting imported wheat with domestic rice flour, and promoting domestic product use for food manufacturers.
- The second pillar is mitigating the impact of high commodity prices. This includes financial assistance for industry producers and promoting appropriate prices for products sold on the market.
- Other policies include promoting smart agriculture, promoting ag exports, and the “greenification” of agriculture, forestry, and fisheries.

### 8. Other Political Developments

- On Wednesday, the revised Public Offices Election Act [took effect](#). It redistributes ten Lower House seats from the least populated to most populated prefectures. It also redistricts 140 districts in 25 prefectures. It takes effect starting the next HoR race.
- The Tokyo Summary Court [sentenced](#) former lawmaker Sonoura Kentaro to a fine of ¥1 million and banned him from running for public office for three years. Sonoura was indicted for violating the Political Funds Control Act.
- Prime Minister Kishida [met](#) with Minister of Health, Labor, and Welfare Kato Katsunobu and Minister in charge of Economic Revitalization Goto Shigeyuki and decided that the GOJ will consider revising COVID-19’s legal classification under the Infectious Disease Act by March 2023. Moving it from “class 2” to “class 5” (flu-level) will result in less public funding for medical care and the loss of legal power to force hospitalization of COVID-19 patients.

- On Tuesday, Prime Minister Kishida [said](#) on a TV show that he plans to call a general election before the tax hike takes effect sometime after 2024. He denied rumors that he may reshuffle the Cabinet at the beginning of the year.
- On Sunday, LDP Policy Research Council Chairperson Hagiuda Koichi [said](#) that the ruling coalition should dissolve the Lower House and call a general election before the tax hike begins. He believes the election should be a referendum on the tax hike.

#### 9. BOJ Releases Meeting Minutes from December Monetary Talks

- On Wednesday, the Bank of Japan released [meeting notes](#) from its monetary policy meeting held on Dec. 19-20.
- On the inflation rate, members [expressed](#) the opinion that momentum for a wage hike is building, and that the situation is recovering close to the pre-deflation period.
- On market functions, members expressed the opinion that the spread of corporate bond interest rates are widening as bond market functions weaken, and that the fluctuation rate for the long-term interest rate must be widened to respond to weakening bond market functions.
- Other members [pointed out](#) that while stabilizing long-term interest rates low will be necessary for sustainable growth, there are concerns this may have a negative effect on market functions.
- Some members also stated that the BOJ should increase GOJ bond purchases and carry out flexible buying operations to ensure sustainable strengthening of monetary easing policy.

#### 10. Japan to Buy 2.35 Million Tons of LNG Annually from Oman

- *Nikkei* [reported](#) Tuesday that Mitsui & Co., ITOCHU Corporation, and JERA (TEPCO & Chubu Electric Power Company joint venture) are expected to sign a deal with Oman to purchase 2.35 million tons of LNG.
- Oman is putting 11 million tons of LNG up for bid; combined with other Japanese companies, Japan plans to purchase at least 3 million tons.
- According to METI, Minister Nishimura Yasutoshi met with his counterpart from Oman on Tuesday. The two agreed to oversee the contract signing between the three companies and Oman's LNG company.
- Japan currently imports 2.96 million tons annually from Oman. This new contract will be insufficient to cover this same amount beyond 2025.

- None of the procurement plans go beyond ten years. Oman's preference for short-term contracts has led to intense competition globally for its LNG. It also helps that Oman's LNG comes from a relatively conflict-free zone.

#### 11. Other Key Economic/Financial Developments

- *Nikkei* [reported](#) Friday that the BOJ's long-term GOJ bond purchases in December reached a month-base record of ¥17 trillion. The BOJ was forced to purchase GOJ bonds to relieve upward pressure on long-term interest rates caused by its decision to widen the interest rate fluctuation range from +/- 0.25 to +/- 0.5 percent.
- On Friday, Prime Minister Kishida became the [first prime minister](#) since Abe Shinzo in 2013 to attend the Tokyo Stock Exchange's last trading session. There, he expressed a desire to make 2023 the "first year of the asset income doubling plan."
- On Thursday, the BOJ [announced](#) that it would conduct a fixed-rate bond-buying operation for newly issued two- and five-year GOJ bonds for the second consecutive day to relieve upward pressure on long-term interest rates.
- On Tuesday, the Fair Trade Commission [released](#) the names of thirteen companies and organizations (to pressure them to discuss), including Sagawa Express, JA, and Denso, that refused to discuss with subcontractors and others ways to reflect production cost increases to transaction prices. There is a risk this falls under the "abuse of superior bargaining position" under the Antimonopoly Act (antitrust).
- On Sunday, METI Minister Nishimura [met](#) with Saudi Energy Minister Abdulaziz bin Salman Al Saud in Saudi Arabia for the first bilateral Cabinet-level energy talks. The two discussed the stability of the oil market amid the war in Ukraine, and signed two MoUs on decarbonization cooperation (e.g., importing hydrogen and ammonia).

#### 12. State of the Economy

- The *Nikkei* [business index](#) (BI) for November released on Wednesday showed a 0.5 point decline from the previous month at 99 (2015 as base year). The BI takes into account industrial production, job-to-applicants ratio, and commercial sales. Of the three indicators, two worsened while the job-to-applicants ratio remained the same.
- METI's [industrial production index](#) for November released on Wednesday showed a 0.1 percent decline from the previous month at 95.2. This was the third consecutive month in decline, mostly due to a decrease in demand both domestically and abroad.



- According to the Cabinet Office's statistics [released](#) on Wednesday, Japan's GDP gap (demand-supply gap) in July-September was -2 percent, or ¥11 trillion. Supply outstripped demand for the twelfth consecutive quarter.
- The [jobs-to-applicants ratio](#) in November released on Tuesday was 1.35 times, the [same as last month](#). The new job offer ratio was 2.42 times, 0.09 points higher and a high ratio seen only before the pandemic. The November [unemployment rate](#) was 2.5 percent, 0.1 points lower than the previous month.
- According to the METI's November [Current Survey of Commerce](#) released on Tuesday, retail sales increased for the ninth consecutive month, up 2.6 percent to ¥13.14 trillion. Experts [attribute](#) the increase to increased activity outdoors.

## **II. Public Opinion Poll**

- A *Nikkei* poll [released](#) Monday showed the Kishida Cabinet's approval rating was 35 percent, down 2 points from November, while disapproval was 57 percent, up 2 points.
  - 46 percent of respondents said they want the prime minister to focus on economic recovery; 42 percent said pensions, health care and senior care; 31 percent said childcare and addressing the declining birth rate; 28 percent said fiscal reconstruction; and 24 percent said foreign policy and security.
  - 64 percent of respondents said they approve of the GOJ's COVID-19 response so far, while 30 percent said they disapprove.
  - 54 percent of respondents said they believe the new legislation addressing malicious donations (in relation to the Unification Church issue) will be effective, while 41 percent said it will not.
  - 55 percent of respondents said they support the GOJ's five-year plan to bolster defense, while 36 percent said they do not support.
  - 60 percent of respondents said they support the GOJ's decision to acquire counterstrike capabilities, while 31 percent said they oppose.
  - 47 percent of respondents said they support the GOJ's decision to increase defense spending 1.5 times to ¥43 trillion, while 45 percent said they oppose.
  - 50 percent of respondents said they believe the GOJ's decision to postpone a decision on when to start the tax hike was not appropriate, while 39 percent said they believe it was appropriate.
  - 84 percent of respondents said they believe the prime minister's explanation to use a tax hike to finance defense spending was inadequate, while 9 percent said it was adequate.
  - 49 percent of respondents said they believe the BOJ's decision to raise the long-term interest rate from 0.25 to 0.5 percent was appropriate, while 34 percent said it was inappropriate.

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- 55 percent of respondents said they approve of the GOJ's decision to replace retiring nuclear power plants with next-generation plants, while 35 percent said they do not approve.
- 45 percent of respondents said they believe the GOJ's decision to extend nuclear power plant lifespan to sixty years maximum is not appropriate, while 44 percent said it is appropriate.
- The survey also collected data on the latest approval ratings of political parties.

<b>Political Party</b>	<b>Approval Rating (%)</b>
Liberal Democratic Party	40 (±0)
Constitutional Democratic Party	7 (-3)
Japan Innovation Party	9 (+1)
Komeito	2 (-1)
Japan Communist Party	4 (±0)
Democratic Party for the People	2 (±0)
Reiwa Shinsengumi	2 (±0)
Suffrage Party (Sanseitō)	1 (-1)
NHK Party	1 (±0)
Independent (No Party)	29 (+3)