

The Weekly Observer

February 19-23, 2024

The 108th edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on the Japan-Ukraine Conference for Promotion of Economic Growth and Reconstruction, the G20 Foreign Ministers' Meeting, the G7 virtual summit marking the second year since the onset of the Ukraine war, LDP-Komeito talks on relaxing defense export rules, agreement on convening the Lower House Political Ethics Hearing Committee next week, the failed no-confidence motion against the education minister, progress on the LDP's political reform plan, the record-high Nikkei stock average, more subsidies for TSMC, the inaugural Japan-U.S.-ROK trilateral export control dialogue, the Monthly Economic Report, and more.

By Content

I. News of the Week

Foreign Policy/Security

1. Japan Pledges New Support for Ukraine's Recovery and Reconstruction
2. Kamikawa Attends the G20 Foreign Ministers' Meeting
3. Foreign Policy Developments
4. Defense/Security Developments

Domestic Politics

5. Lower House Political Ethics Hearing Committee to Convene Next Week
6. No-Confidence Motion Against Education Minister Defeated
7. Political Developments

Economics/Finance

8. Nikkei 225 Reaches Record High Off Semiconductor Stock Rally
9. Economic Security Developments
10. Key Developments
11. State of the Economy

II. Public Opinion Polls

1. Asahi Shimbun (2/19)

I. News of the Week

1. Japan Pledges New Support for Ukraine's Recovery and Reconstruction

- On Monday, the GOJ [hosted](#) the Japan-Ukraine Conference for Promotion of Economic Growth and Reconstruction in Tokyo. Japan has been leading efforts to support Ukraine since last year as G7 President.
- Prime Minister Kishida Fumio stated that Japan is making a “unique contribution” based on inclusiveness, partnership, and knowledge and technology, by taking five actions like reviewing a bilateral investment treaty and opening a JETRO office, as well as signing fifty cooperation outcome documents for public-private partnerships.
- Among major agreements are the [initiation](#) of Phase 3 grant aid amounting to ¥15.8 billion, the [relaxation](#) of short-term visa requirements for Ukrainians in Japan (civilian and business), and the [signing](#) of a memorandum of cooperation establishing a joint credit mechanism to help both sides implement decarbonization technologies.
- Areas of cooperation will be [focused](#) on demining/debris removal, improving the humanitarian and livelihood situation (medical service, etc.), agriculture, developing new industries like bio, digital, electricity and transportation infrastructure, and anti-corruption. Companies like IHI and Kubota signed MOCs with Ukrainian counterparts for individual projects.
- Kishida [held](#) a meeting with Ukrainian Prime Minister Denys Shmyhal, who was in attendance at the conference. The two exchanged views on efforts toward peace and welcomed the start of negotiations on an Information Protection Agreement.

2. Kamikawa Attends the G20 Foreign Ministers' Meeting

- On Wednesday and Thursday, Minister for Foreign Affairs Kamikawa Yoko [attended](#) the G20 Foreign Ministers' Meeting in Rio de Janeiro, Brazil.
- Kamikawa emphasized the importance of upholding and strengthening the free and open international order based on the rule of law, amid wars in Ukraine and the Middle East. She also stressed the importance of strengthening UN functions.
- The ministers [failed](#) to agree on a joint statement, especially on the wars in Ukraine and the Middle East. Brazilian Foreign Minister Mauro Vieira issued a Chair's statement instead, which emphasized the importance of reinforcing UN functions.
- On the sidelines, Kamikawa [held](#) a trilateral foreign ministers' meeting with U.S. Secretary of State Antony Blinken and South Korean Foreign Minister Cho Tae-yul,

in which the three reiterated the need to continue coordination on North Korea. Kamikawa [said](#) that the path toward dialogue is opening on the abduction issue.

- Kamikawa also held bilateral meetings with the foreign ministers of [Brazil](#), [Bolivia](#), [France](#), the [United Kingdom](#), and [Mexico](#).

3. Foreign Policy Developments

- On Sunday, Kishida [participated](#) in the virtual G7 summit hosted by Italy marking the second year since the onset of the Russian invasion of Ukraine. The leaders [condemned](#) Russia for the invasion and the uncertainty surrounding Alexei Navalny's death, as well as recommitted to full support for Ukraine amid reports of "fatigue."
- MOFA [announced](#) Thursday that Indian Foreign Minister S. Jaishankar will be visiting Japan from March 6-8 to hold the Sixteenth Japan-India Foreign Ministers' Meeting with Kamikawa.
- Kamikawa [met](#) with South Korean Foreign Minister Cho Tae-yul on the sidelines of the G20 Foreign Ministers' Meeting on Wednesday and reiterated the importance of sustained cooperation between the countries. She also expressed strong regret regarding the Supreme Court's [decision](#) to require Hitachi Zosen to compensate the families of individuals forced into wartime labor.
- Chief Cabinet Secretary Hayashi Yoshimasa [expressed](#) disappointment at the UN Security Council's failure to adopt a resolution calling for an immediate ceasefire in the Gaza Strip. The United States [vetoed](#) the resolution on grounds that it would threaten to derail U.S. efforts toward a ceasefire and release of hostages.
- On Tuesday, MLIT Minister Saito Tetsuo [participated](#) in an extraordinary G7 Transport Ministers' Meeting. In the joint declaration, they [strongly condemned](#) Houthi attacks against commercial vessels in the Red Sea and Gulf of Aden.
- On Sunday, the G7 Foreign Ministers' Meeting was [held](#) in Munich, Germany. Senior Deputy Minister Funakoshi attended on behalf of Kamikawa. The members reaffirmed their unwavering support for Ukraine and restated the importance of humanitarian assistance and a ceasefire in the Gaza Strip.

4. Defense/Security Developments

- *Nikkei* [reported](#) Friday that Belarusian-owned companies in China are helping Russian firms evade sanctions and acquire precision machinery from Japan and Taiwan to manufacture military tanks.

- *Nikkei* [reported](#) that MOD plans to designate NTT's Innovative Optical and Wireless Network (IOWN) as the first of a series of next-generation civilian telecommunications technologies to be used for national security. The MOD will begin crafting a plan for use in things like missile warning data in the spring.
- On Thursday, Komeito [began](#) internal discussions on relaxing rules for exporting defense equipment to third countries. Ruling coalition talks were [elevated](#) to the policy chief level on Wednesday, with no conclusion in sight as Komeito resists a blanket relaxation without any brakes on progressively lethal weapons exports.
- On Monday, the MOD's expert panel exploring ways to fundamentally reinforce defense capabilities [met](#) for the first time and agreed to discuss whether there is a need to increase spending from ¥43 trillion in the next five years due to the weak yen eroding purchasing power. Some in the LDP [echoed](#) this point on Tuesday.
- *Jiji* [reported](#) Sunday that the LDP plans to compromise on the defense export rules and propose to Komeito that the two sides agree on relaxing rules only for the next-generation fighter jet (GCAP) with the United Kingdom and Italy, in order to ensure smooth progress on the project moving forward.
- On Saturday, Minister of Defense Kihara Minoru [met](#) with Okinawa Governor Tamaki Denny in Okinawa. The two could not reconcile their differences on the MCAS Futenma relocation issue but agreed to continue dialogue on the matter.

5. Lower House Political Ethics Hearing Committee to Convene Next Week

- *Yomiuri* [reported](#) Thursday that the LDP and CDP agreed in principle to convene the Lower House Political Ethics Hearing Committee on Feb. 28-29.
- The executive board of the Committee will hold a meeting on Feb. 26 to discuss whether or not the hearing should be opened or closed to the public. Sessions are usually closed but can be opened to the public if the witnesses consent and a majority of participating committee members agree to it. The opposition wants it in public.
- Kishida [said](#) on Thursday that he would leave it up to the Diet as to whether the hearing should be public or closed off to the public. He said that the decision to participate would be left up to the individual members being called in for testimony.
- So far, former Abe faction executive board chief Shionoya Ryu, as well as former secretary-generals ex-Chief Cabinet Secretary Matsuno Hirokazu and ex-METI Minister Nishimura Yasutoshi have [announced](#) that they will be participating in the hearing. Former Abe and Nikai faction secretary-generals Takagi Tsuyoshi and Takeda Ryota are also expected to explain their involvement in the scandal.

- While the CDP has been [demanding](#) the attendance of all fifty-one Abe and Nikai faction members who admitted to underreporting kickbacks in their expense reports, Ishin said the opposition should narrow down its targets to extract the truth from them more effectively.
- On Wednesday, the CDP, Ishin, JCP, and DPFP [jointly requested](#) that the ruling coalition agree to convening the Upper House Political Ethics Hearing Committee. They want the thirty-one Abe and Nikai faction members to attend.

6. No-Confidence Motion Against Education Minister Defeated

- On Tuesday, the LDP, Komeito, and Ishin [defeated](#) the no-confidence motion submitted against Minister of Education, Culture, Sports, Science and Technology Moriyama Masahito.
- Moriyama was accused of having alleged ties to the Unification Church and receiving its support during the 2021 Lower House election in exchange for promoting its priority policies like the Japan-South Korea tunnel. He denied the existence of any policy agreement and any election support from the Church.
- Ishin leader Baba Nobuyuki [explained](#) that the CDP, JCP, and DPFP's justification for the motion was "weak," saying that there was no evidence that Moriyama's judgment was in any way compromised on the dissolution of the Church (MEXT minister's purview) because of his alleged ties to them.
- On Wednesday, the ruling coalition [proposed](#) resuming FY 2024 budget talks — on pause due to the no-confidence motion and talks on the hearing committee — on Feb. 27-28 with working group discussions on specific budget items and the public central hearing prior to a vote on Feb. 29 to ensure passage by March 2, the deadline for "natural passage" by the end of the fiscal year without an Upper House vote.
- It is unprecedented to hold the working group meetings before the central public hearing (last time in 1958). The opposition parties stalled on a decision to ensure the hearing committee is convened. They did [agree](#) to an intense deliberation on the Noto Peninsula earthquake response on Feb. 26 in the Lower House Budget Committee.

7. Political Developments

- *Yomiuri* [reported](#) Friday that the GOJ will introduce a new financial assistance program for low-income and affected families in the Noto Peninsula to renovate homes, pay for leases, and assist purchases of homes and vehicles. Combined with existing programs, households can receive up to ¥6 million in assistance.

- On Thursday, the GOJ [indicated](#) that it will add four industries — motor transport, rail transport, forestry, and timber — to the list of twelve categories under the Specified Skilled Worker (SSW) residence status to have high-skilled foreign workers join industries with severe labor shortages.
- The LDP [amended](#) language in the revised NTT Act to be submitted to the Diet, changing “consideration” of changes to the NTT Act to “consideration (of changes) including the scrapping of the NTT Act.” It softened language on abolishing the NTT Act by 2025 to revising regulations on NTT like the Telecom Business Act.
- Minister in charge of Children’s Policies Kato Ayuko [indicated](#) that the average cost for citizens to finance the financial assistance program for childcare policies could be higher than ¥1,000 depending on the person, stressing that the ¥500 estimate was an average and not the expected cost for every individual enrolled in medical insurance.
- On Monday, the LDP Political Reform HQ’s working group exploring the revision of the LDP Governance Code [agreed](#) to expedite the revision of the Code to include mention of a “guilty-by-association” rule implicating Diet members if their respective staff in charge of accounting are indicted/arrested.
- *Asahi* [reported](#) that the GOJ plans to designate the Unification Church as a religious corporation pending dissolution to be monitored for asset transfers (prior notification), based on the law passed in December 2023 to prevent the Church from transferring assets instead of compensating victims for its fraudulent activities.

8. Nikkei 225 Reaches Record High Off Semiconductor Stock Rally

- On Thursday, the Nikkei Stock Average (Nikkei 225) [broke](#) a thirty-four year record, reaching ¥39,098 off the back of the weak yen and exceedingly good performance by U.S. chip stocks led by Nvidia, which led to a rally by Japanese chip-related stocks. Value has gone [up](#) 5.4 times since the 2008 Great Recession.
- Nvidia [exceeded](#) market expectations, announcing a record-high profit in the November 2023-January 2024 period at \$221 billion (3.7 times last year) off the back of increasing AI-related demand.
- Market analysts pointed out that investors have great expectations for Japan following improvement in firms’ earning power and improvement in corporate governance, as well as a transition into an inflation-style economy.
- Analysts also [pointed out](#) that though some warn of the abrupt swing in chip-related stocks, chip demand is expected to continue for the second half of the year, leading to speculation that the index could rise even further.

- Kishida [commented](#) that he believes the Japanese economy is starting to move along as it increasingly is viewed as an attractive investment destination by market actors.

9. Economic Security Developments

- *Nikkei* [reported](#) Friday that METI plans to announce an additional ¥730 billion subsidy for Taiwan Semiconductor Manufacturing Company's (TSMC) second chip manufacturing plant in Kumamoto Prefecture (in operation by the end of 2027).
- Renesas Electronics [announced](#) Thursday that it developed a new technology that raises the processing performance of AI-related chips as much as sixteen times and reduces electricity consumption to an eighth of original capacity.
- On Tuesday, Kishida [revealed](#) that the GOJ will craft a new innovation strategy outlining concrete measures toward securing and guiding international rulemaking for critical technologies like AI and quantum computing.
- Sakura Internet [announced](#) that it will receive ¥600 million from METI in subsidies from FY 2024–2025 to cover human capital costs toward the development of a domestic cloud service from the standpoint of economic security. The company was also [selected](#) as the provider of the government cloud system.
- METI [indicated](#) that it will require firms receiving subsidies for manufacturing critical commodities like EVs and semiconductors to fulfill an additional condition to take measures to secure sustainable supply chains, such as cyber defense and reducing carbon dioxide emissions in the manufacturing process.
- *Nikkei* [reported](#) that METI will consider preferential treatment for certain like-minded countries such as streamlining processes when it revises its “catch-all” export control regime for dual-use technologies. METI will expand the target of high-quality dual-use general use products with reporting requirements.

10. Key Economic/Financial Developments

- On Thursday, METI [participated](#) in the inaugural trilateral export control dialogue with the U.S. Commerce Department and South Korea's Ministry of Trade, Industry and Energy. The three countries agreed to cooperate on export controls targeting Russia, outreach to Southeast Asia, and coordination on the latest technologies.
- On Wednesday, Kishida [instructed](#) Minister of Economy, Trade and Industry Saito Ken to dish out an administrative guidance to TEPCO for the recent leak of radioactive water at Fukushima Daiichi nuclear power plant. The Nuclear Regulation

Authority [indicated](#) earlier in the week that TEPCO could have violated the legally mandated decommissioning implementation plan.

- On Monday, KDDI, SoftBank, and Rakuten Mobile [reiterated](#) their opposition to the scrapping of the NTT Act at a working group meeting of the Ministry of Internal Affairs and Communications, on grounds that it would go against fair competition if NTT is able to use its own infrastructure and deny others access to it (Act allowed other companies to use the infrastructure).
- *Bloomberg* [reported](#) that SoftBank founder Son Masayoshi plans to establish a new company with investments of up to \$100 billion for AI-related semiconductors as a way to support the activities of chip software design subsidiary Arm Holdings.
- On Saturday, the Japan Aerospace Exploration Agency (JAXA) [announced](#) the first successful launch of the “H3,” the next-generation heavy-lift launch vehicle. This is the first successful launch of a domestic rocket since the “H2” in 1994.

11. State of the Economy

- The Cabinet Office’s Monthly Economic Report [released](#) on Wednesday downgraded its assessment to “recovering at a moderate pace, although it recently appears to be pausing,” likely [due](#) to inflation outpacing wages and fewer consumption.
- The finance ministry [announced](#) that Japan ran a ¥1.76 trillion trade deficit in January, the second consecutive month in the red and a smaller deficit by 49.9 percent compared to the same month last year.
- The amount of imports [fell](#) 9.6 percent to ¥9.10 trillion, down for the tenth consecutive month, while exports grew 11.9 percent to ¥7.33 trillion, up for the second consecutive month due to an increase in chip equipment exports.
- The Japan National Tourism Organization (JNTO) [announced](#) that the number of foreign tourists stood at 2.68 million in January, [close](#) to the number of tourists prior to the pandemic in January 2019.
- CAO [announced](#) on Monday that machinery orders, an indicator of capital investments, in October-December 2023 fell 1 percent to ¥2.51 trillion, the third consecutive quarter in decline [due](#) to a reduction in manufacturing industry sales.

II. Public Opinion Poll

- An *Asahi* poll [released](#) on Monday showed that the Cabinet approval rating was 21 percent, down two points from January, while disapproval was 65 percent, down one point. Approval has [hit](#) a record-low since the LDP returned to power in 2012.

- 55 percent of respondents said that they approved of the Kishida Cabinet because there are no better alternatives; 19 percent said because it is centered around the LDP; and 12 percent said because Kishida is the prime minister.
 - 47 percent of respondents said that they disapproved because of its policies; 29 percent said because it is centered around the LDP; and 13 percent said because other Cabinets seem better.
 - 83 percent of respondents said that they disapprove of Kishida's response to the political fundraising scandal so far, while 10 percent said they approve.
 - 81 percent of respondents said that they do not believe the LDP can change its nature of getting involved in politics and money scandals, while 14 percent said they believe that it can.
 - 90 percent of respondents said that they find explanations by the implicated faction heavyweights as inadequate, while 3 percent said it has been adequate.
 - 59 percent of respondents said that they believe lawmakers should disclose the use of "policy activity fees"; 32 percent said the system itself should be scrapped; and 7 percent said it can remain as is.
 - 76 percent of respondents said that they disapprove of Kishida's response to the Unification Church-related issues, while 13 percent said they approve.
 - 66 percent of respondents said that Education Minister Moriyama should resign over his alleged ties to the Unification Church (MEXT in charge of dissolution), while 21 percent said they do not believe he has to resign.
 - 50 percent of respondents said that they support restarting operations at suspended nuclear power plants, while 35 percent said they oppose it.
 - 45 percent of respondents said that they disapprove of the GOJ's response to the Noto Peninsula earthquake, while 42 percent said they approve.
 - 42 percent of respondents said that they are somewhat prepared for a disaster in their residential area; 38 percent said they are not really prepared; 11 percent said they are not prepared; and 4 percent said they are somewhat well prepared.
 - 46 percent of respondents said that they are somewhat interested in developments related to Ohtani Shohei; 30 percent said they are very interested; 18 percent said they are not really interested; and 6 percent said they are not interested at all.
 - 22 percent of respondents said that they are uncertain or did not respond to a question asking who they would vote for in the proportional block in the upcoming general election; 21 percent said the LDP; 14 percent each said the CDP and Ishin; 6 percent said Reiwa Shinsengumi; 5 percent each said Komeito, JCP, and DFPF; 4 percent said the Party to Realize Free Education; and 1 percent each said the SDP and Sanseitō.
- The survey also collected data on the latest approval ratings of political parties.

The Weekly Observer (2/19-2/23)

Political Party	Approval Rating (%)
Liberal Democratic Party	21 (-3)
Constitutional Democratic Party	7 (+3)
Japan Innovation Party	4 (-2)
Komeito	3 (± 0)
Japan Communist Party	3 (+1)
Democratic Party for the People	2 (+1)
Party to Realize Free Education	0 (± 0)
Reiwa Shinsengumi	3 (± 0)
Social Democratic Party	1 (± 0)
Suffrage Party (Sanseitō)	0 (-1)
Independent (No Party)	50 (+1)