

The Weekly Observer

March 18-22, 2024

The 112th edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on the G7 digital and tech ministerial meeting, the Third Summit for Democracy, ruling coalition approval of relaxed defense export rules, the LDP party convention, the ruling and opposition party battle over scandal-related testimony, by-election related updates, the BOJ's historic decision to end negative interest rate policy, the Nikkei Stock Average rebound, record-high household financial assets, and more.

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I. News of the Week

1. G7 Ministerial Meeting on Industry, Technology, and Digital

- On March 14-15, the G7 ministers in charge of industry, technology, and digital policy [met](#) in Verona and Trento for the first ministerial meeting hosted by Italy, which took on the G7 Presidency from Japan this year.
- The declaration [issued](#) after the meeting focused on following up with the agreements laid out during Japan's G7 Presidency and laying out new priorities in digital transformation of the public sector.
- The ministers agreed to develop a Toolkit for AI in the public sector and pledged to advance the outcomes of the Hiroshima AI Process to develop appropriate mechanisms for monitoring the voluntary adoption of the international code of conduct for AI developers.
- The ministers also noted the concept of Digital Public Infrastructure (DPI) posited by the 2023 Indian G20 Presidency as an approach that could foster resilience, catalyze sustainable growth, and promote inclusive and equitable access to digital services. To that end, the G7 countries will compile the Compendium of Digital Public Services to share information and best practices for deploying digital services.
- The ministers agreed to establish a semiconductors Point of Contact (PoC) Group dedicated to sharing information and best practices for supply chain resilience and crisis coordination in the face of potential economic coercion and other disruptions.

2. Foreign Policy Developments

- On Friday, MOFA [announced](#) that the Cabinet approved hosting the Ninth Tokyo International Conference on African Development (TICAD 9) in Yokohama from August 20-22, 2025. TICAD 8 was [held](#) from August 27-28, 2022, in Tunis, Tunisia.
- *Asahi* [reported](#) Thursday that the 2024 Diplomatic Bluebook to be presented to the Cabinet next month will revive the language “mutually beneficial relationship based on common strategic interests” to characterize Japan-China relations for the first time in five years, while still positioning China as the greatest strategic challenge.
- Vice-Minister for Foreign Affairs Okano Masataka [met](#) with U.S. Deputy Secretary of State Kurt Campbell and Philippines' Undersecretary of Bilateral Relations and ASEAN Affairs Maria Theresa P. Lazaro and agreed to reinforce and flesh out trilateral cooperation in maritime security, cybersecurity, and economic security, ahead of the Kishida-Biden-Marcos summit [confirmed](#) to be on April 11.

- On Wednesday, Prime Minister Kishida Fumio [virtually participated](#) in the Third Summit for Democracy, which was hosted by the Republic of Korea. Kishida [emphasized](#) Japan's efforts in promoting democracy and [called on](#) the international community to cooperate in combating AI-generated disinformation.
- Director-General Namazu Hiroyuki of the Asian and Oceanian Affairs Bureau [met](#) with Director-General Liu Jinsong of the Department of Asian Affairs of the Chinese Foreign Ministry in Guangzhou to discuss bilateral relations and issues of concern like the release of ALPS-treated wastewater from the Fukushima Daiichi power plant.
- On Monday, Minister for Foreign Affairs Kamikawa Yoko [chaired](#) the UN Security Council ministerial on nuclear disarmament and non-proliferation and emphasized the need to carry out the "Hiroshima Action Plan" and announced the establishment of the "FMCT Friends," a twelve-country [grouping](#) that aims to promote the treaty banning the production of fissile material for use in nuclear-related devices.

3. Defense/Security Developments

- On Friday, the LDP General Council [approved](#) a draft Cabinet decision and revised operational guidelines for the Three Principles on Transfer of Defense Equipment and Technology to permit the export of next-generation fighter jets to be co-developed with the United Kingdom and Italy to third countries. Komeito [approved](#) on Thursday, paving the way for NSC approval of the guidelines on March 26.
- On Thursday, the JGSDF [resumed](#) Osprey aircraft flights in Chiba, following the suspension of all flights after the accident in November 2023. Minister of Defense Kihara Minoru [said](#) the JGSDF will take gradual steps toward resuming all flights.
- SKY Perfect JSAT President Yonekura Eiichi [revealed](#) during his trip to Washington, D.C., that the company is working on a collaborative effort with the U.S. Military to enable them to utilize its seventeen geostationary satellites for the establishment of a Space Situational Awareness (SSA) system.
- On March 19-20, Kihara [hosted](#) the Second Japan-Pacific Islands Defense Dialogue, in which he [called](#) on the nations to cooperate toward realizing a "free and open Indo-Pacific" for regional peace and prosperity. The two sides look for mutually beneficial relations, in collaboration with ASEAN, while respecting PI unity.
- On Monday, the MOD [announced](#) that North Korea launched three ballistic missiles, which landed outside Japan's exclusive economic zone (EEZ). The second launch of the year — the first since January 14 — was [seen](#) as a response to U.S. Secretary of State Antony Blinken's visit to South Korea for the Summit for Democracy.

- METI [announced](#) in its annual report on foreign transfers of defense equipment that its minister approved 1,179 cases of exports in FY 2022, up ninety-three cases from FY 2021. Of these, around 90 percent are [tied](#) to repairs of foreign equipment purchased by the JSDF.

4. LDP Holds Party Convention in Aftermath of Political Scandal

- On Sunday, the LDP [held](#) its ninety-first party convention, where Kishida indicated that the party would work toward revising the Political Funds Control Act during this Diet session and hold fireside chats across the country to promote political reform.
- Following the outbreak of the political scandal, the LDP [approved](#) the revised code of conduct and governance code, which tightens accountability measures to introduce guilty-by-association rules for Diet members when accounting staff are indicted/arrested, as well as bans the existence of political factions.
- Kishida also [indicated](#) that the party would impose disciplinary measures against eighty-two Diet members who underreported kickbacks in expense reports, which he subsequently [said](#) would be done by the end of the Diet session in June. He added that he would also be disciplined as president of a faction involved in the scandal.
- Secretary-General Motegi Toshimitsu [hinted](#) that punishments would be more severe for faction executives, saying the party cannot “go easy on the higher-ups and be tough on other members.”
- Komeito leader Yamaguchi Natsuo [said](#) that the coalition is facing “its toughest moment” since returning to power in 2012. He stated that the coalition must revise the Political Funds Control Act to regain the confidence of voters.

5. Underwhelming Faction Executive Remarks Spark Demand for Further Testimony

- On Monday, former Abe faction executive and party policy chief Shimomura Hakubun [appeared](#) before the Lower House Political Ethics Hearing Committee to testify on his involvement in the political funding scandal.
- Shimomura echoed past testimony by other faction executives that he was not directly involved in the operation of the kickback scheme. He also reiterated that he did not know who made the decision to restart the scheme after then-President Abe Shinzo instructed it to end in April 2022.
- Shimomura was [expected to reveal](#) much more than other faction executives given his public spat with ex-Prime Minister and faction president Mori Yoshiro, who allegedly started the kickback scheme. However, Shimomura did not mention Mori once.

- In response to this, the opposition on Thursday [demanded](#) that ten Abe faction executives in both Houses testify in the Diet with penalty for perjury, which requires the full approval of the Budget Committees. The opposition also demanded that the remaining forty-five Abe faction members who underreported kickbacks appear before the Lower House Political Ethics Hearing Committee to testify.
- On Friday, Komeito [rejected](#) the CDP's invitation to help push through the request to have the forty-five members testify, pointing out that this would require the consent of the individuals in question. The opposition would need a third of the Committee's members to vote in favor of requesting their appearance before the Committee.

6. Political Developments

- On Friday, the Tokyo District Court [sentenced](#) ex-State Minister of Justice Kakizawa Mito to two years in prison with parole of five years for his involvement in a bribery case during the April 2023 Koto Ward mayoral race in his home district.
- Komeito Secretary-General Ishii Keiichi [said](#) that the LDP and Komeito would first form a consensus around a draft of the revised Political Funds Control Act before entering discussions with the opposition toward revising the bill this Diet session.
- On Tuesday, the GOJ [revised](#) its basic policy on reconstruction related to the Great East Japan earthquake of 2011. The mid-year review of the FY 2021-2025 plan [indicates](#) that the GOJ will take full responsibility in carrying out the release of treated wastewater from the Fukushima Daiichi nuclear power plant.
- The GOJ [approved](#) legislation to establish a Japanese version of the United Kingdom's Disclosure and Barring Service (DBS) to bar people with sex crime records from jobs involving contact with children. The bill, to be enacted two-and-a-half years after it is passed, will also require current teachers to be removed from jobs involving contact with children should they have a record.
- Ex-LDP lawmaker Akimoto Tsukasa, who was sentenced to four years in prison in 2021 for a bribery case linked to the GOJ's project to build casino resorts, [announced](#) his candidacy for the Tokyo-15 district vacated by him and Kakizawa after him, which will be held on April 28. Akimoto still faces a ruling in the Tokyo High Court.
- On Sunday, Tokyo Electric Power Co. (TEPCO) [announced](#) that it has completed all four rounds of treated water release from the Fukushima Daiichi nuclear power plant scheduled for FY 2023. Since August 2023, TEPCO has released 31,145 tons.

7. [BOJ Ends Negative Interest Rate Policy](#)

- On Tuesday, the Bank of Japan (BOJ) [decided](#) at its monetary policy meeting to end the negative interest rate policy and raise it to 0-0.1 percent. It also decided to end yield curve control and purchase of exchange-traded funds (ETFs) designed to suppress long-term interest rates.
- The BOJ has [implemented](#) negative interest rates since February 2016 and yield curve control since September 2016 to suppress interest rates by maintaining short-term interest rates at -0.1 percent and long-term rates at around zero percent.
- The BOJ moved to reverse policy for the first time in seventeen years after determining that the path toward achieving the 2 percent inflation rate in a sustainable and stable manner had been completed. Members [voted](#) 7-2 for the policy revision.
- Governor Ueda Kazuo [stated](#) that the policy has “fulfilled its role” and that the unprecedented measure was “no longer necessary.” The governor’s hints to the market throughout the last few months made for a smooth transition.
- Following the decision, Kishida met with Ueda and [told](#) reporters that he believes the BOJ’s decision was “appropriate.” Meanwhile, some within the LDP [criticized](#) the Bank for making the decision “too early” amid signs of economic uncertainty.
- *Nikkei* [reported](#) that market actors speculate that the BOJ could raise interest rates further in July or October, depending on whether the yen’s depreciation accelerates and results in inflation. The yen [reached](#) ¥150 to the dollar at one point on Tuesday.

8. Key Economic/Financial Developments

- On Thursday, the Nikkei Stock Average (Nikkei 225) [rebounded](#) to ¥40,815.66, up ¥812.06 from the previous business day as all three major U.S. stock indices rose and no major problems occurred after the BOJ and FRB’s monetary policy meetings.
- The Cabinet Office’s working group exploring intellectual property rights in the age of artificial intelligence (AI) [presented](#) a draft interim report, which reaffirmed that machine learning using non-copyrighted IP would not violate property rights. The draft, to be finalized in June, excludes the learning stage from regulatory measures.
- *Nikkei* [reported](#) that METI will craft a five-year schedule toward digitizing trade by the summer and consider customs benefits for firms implementing software digitizing trade-related data. It aims to streamline procedure and reinforce supply chains.
- On Tuesday, METI [announced](#) that the maximum amount of subsidies in FY 2024 for different EV types will be ¥850,000, a ¥730,000 difference between the Nissan Leaf and Toyota bZ4X versus Jaguar’s I-PACE, the most and least subsidized EVs. METI will require firms to take carbon emissions reduction and cybersecurity measures.

- On Monday, the LDP [approved](#) the GOJ's plan to expand the Specified Skilled Worker visa program from twelve to sixteen fields — including road transportation, railway, forestry, and timber sectors — and accept a maximum of 820,000 by FY 2028 to cover labor shortages. The GOJ is likely to approve by the end of the month.
- *Nikkei* [reported](#) that the GOJ plans to revise the NEDO Act this Diet session to empower the New Energy and Industrial Technology Development Organization to utilize ¥200 billion over five years to provide financial assistance to startups in the green energy field from the R&D stage (only this now) to capital investment.

9. State of the Economy

- On Friday, the MIC [announced](#) that the consumer price index (CPI) in February excluding volatile fresh food items was 106.5, [up](#) 2.8 percent from the same month last year and the first hike in the rate of increase in four months. The comprehensive index excluding fresh food and energy was also up 3.2 percent.
- On Thursday, the MOF [announced](#) that Japan ran a ¥379.3 billion trade deficit in February, the second consecutive deficit month but a 59.2 percent smaller deficit compared to the same month last year [due](#) to an increase in automobile sales. Imports rose for the first time in eleven months due to energy, computers, and clothing.
- The BOJ [announced](#) that the financial assets owned by Japanese households at the end of 2023 rose 5.1 percent from the same period last year to ¥2.14 quadrillion, breaking the all-time record for the fifth consecutive quarter [owing](#) to unrealized gains on stocks and mutual funds resulting from higher stock prices.
- On Tuesday, the Japan National Tourism Organization (JNTO) [announced](#) that the number of foreign tourists in Japan in February was 2.78 million, which is 7.1 percent [higher](#) than pre-pandemic levels in February 2019. The number of tourists increased significantly as countries entered the Chinese New Year holiday season.
- On Monday, CAO [announced](#) that seasonally adjusted private sector machinery orders in January, a leading indicator of capital investment, fell 1.7 percent to ¥823.8 billion, the first decrease in two months, especially [due](#) to the manufacturing sector. CAO downgraded its assessment to “weakening” for the first time since Nov. 2022.

II. Public Opinion Poll

- A *Sankei*/FNN poll [released](#) on Monday showed Cabinet approval at 23 percent, down one point from February, while disapproval was at 72 percent, down one point.

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- 48 percent of respondents said that they approve of the Cabinet because there are no alternatives; 18 percent said because it is centered around the LDP; and 15 percent said because they trust the prime minister.
- 36 percent of respondents said that they disapprove because they have no expectations for its executive ability; 25 percent said because it is centered around the LDP; and 21 percent said because its policies are not good.
- 59 percent of respondents said that they do not believe the Abe and Nikai faction members adequately took accountability for the scandal; 30 percent said they did not really; 8 percent said they somewhat did; and 1 percent said they did.
- 35 percent of respondents said that they believe the LDP's revised and tightened rules will not really prevent the recurrence of similar cases; 33 percent said it will somewhat prevent; 26 percent said it will not at all; and 4 percent said it will greatly improve the situation.
- 61 percent of respondents said that the LDP should impose disciplinary measures against all Diet members who underreported kickbacks; 31 percent said only the executives should be disciplined; and 6 percent said there is no need for disciplinary measures.
- 87 percent of respondents said that the LDP Youth Division's local party with scantily clad dancers was inappropriate, while 8 percent said it was appropriate.
- 89 percent of respondents said that they do not feel the economy is on an upward trend despite the Nikkei 225 hitting record highs, while 9 percent said they feel that the economy is on an upward trend.
- 80 percent of respondents said that they do not believe Kishida's goal of realizing higher wage hikes than inflation by the summer will be achieved, while 16 percent said they do believe it will be achieved.
- 63 percent of respondents said that they do not believe the ¥500 per month fee for child care policy packages are acceptable, while 31 percent said it is acceptable.
- 85 percent of respondents are dissatisfied with Kishida's explanation that budget cuts and wage hikes will effectively cancel out the ¥500 per month fee, while 9 percent said they are satisfied with the explanation.
- 38 percent of respondents said that they believe the LDP-Komeito agreement on exporting defense equipment to third countries with certain preconditions is acceptable; 28 percent said there should be further constraints; 15 percent said there should be no exports whatsoever; and 13 percent said the GOJ should permit exports outside of the next-gen fighter.
- 22 percent of respondents said that they have no preference for the next prime minister; 20 percent said Ishiba Shigeru; 15 percent said Koizumi Shinjiro; 8 percent each said Kamikawa Yoko, Kono Taro, and Takaichi Sanae; 6 percent said Suga Yoshihide; 4 percent said Kishida Fumio; 2 percent said Hayashi Yoshimasa; and 1 percent said said Motegi Toshimitsu and Noda Seiko.

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- The survey also collected data on the latest approval ratings of political parties.

Political Party	Approval Rating (%)
Liberal Democratic Party	24 (-1)
Constitutional Democratic Party	7 (± 0)
Japan Innovation Party	4 (-1)
Komeito	3 (± 0)
Japan Communist Party	2 (-2)
Democratic Party for the People	2 (± 0)
Reiwa Shinsengumi	4 (+1)
Party to Realize Free Education	0 (± 0)
Social Democratic Party	1 (+1)
Suffrage Party (Sanseitō)	1 (± 0)
The Collaborative Party (NHK Party)	0 (± 0)
Independent (No Party)	50 (+3)