

The Weekly Observer

March 25-29, 2024

The 113th edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on the GOJ's Cabinet decision and revision of defense export guidelines, UN-related developments, the GOJ's plans to refurbish public infrastructure for defense, the PM's press conference on the FY 2024 budget, the LDP's consideration of removing Diet members over the political scandal, Nikai's decision to not seek reelection, speculation of government intervention in the foreign exchange market, the GOJ's Space Technology Strategy, the BOJ's meeting minutes from the January monetary policy meeting, the state of Japan's SMEs, and more.

By Content

I. News of the Week

Foreign Policy/Security

1. GOJ Approves Limited GCAP Exports to Third Countries
2. Foreign Policy Developments
3. Defense/Security Developments

Domestic Politics

4. PM Sets Policy Direction for FY 2024
5. LDP to Consider Removing Lawmakers From Party for Political Scandal
6. Political Developments

Economics/Finance

7. Financial Authorities Signal Possible Intervention as Yen Depreciates
8. Economic Security Developments
9. Key Developments
10. State of the Economy

II. Public Opinion Polls

1. Yomiuri Shimbun (3/25)

I. News of the Week

1. GOJ Approves Limited GCAP Exports to Third Countries

- On Tuesday, the GOJ [approved](#) a Cabinet decision on the export of the next-generation fighter jet to be co-developed with the United Kingdom and Italy and [issued](#) revised implementation guidelines for the defense equipment export rules.
- The Cabinet decision stated that the GOJ approves the export of the Global Combat Air Programme (GCAP) fighter jet to third countries and revised the operational guidelines for the transfer of defense equipment. The export of the fighter jet will be determined based on the three principles and on a case-by-case basis by the Cabinet.
- The implementation guidelines for the Three Principles on Transfer of Defense Equipment and Technology now includes a new provision approving exports of parts and finished equipment to countries involved in international development projects, specifically (and only) GCAP.
- Exports of the GCAP fighter will be limited to fifteen countries that have so far signed international agreements with Japan requiring the use of the exported equipment in adherence to the UN Charter's aims and principles and countries that are not determined to be in active combat as part of an armed conflict.
- Minister of Defense Kihara Minoru [reiterated](#) that the stringent process for approval clearly indicates that Japan will uphold the basic principles of the UN Charter. Meanwhile, Komeito [remains skeptical](#) about further exports beyond GCAP.

2. Foreign Policy Developments

- On Friday, the GOJ [decided](#) to extend the removal of Russia from Japan's "most-favored nation" trade status by one year due to the war in Ukraine. This will raise tariffs on Russian fisheries and wood.
- Chief Cabinet Secretary Hayashi Yoshimasa [criticized](#) Russia for exercising its veto power on the mandate of the Panel of Experts for the UNSC 1718 Sanctions Committee, which [provided](#) information on sanctions evasion activities by North Korea. He said that this violates the great responsibility Russia holds as a permanent member of the UNSC.
- On Thursday, Minister for Foreign Affairs Kamikawa Yoko [held](#) a meeting with Commissioner General Phillipe Lazzarini of the UN Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) to discuss necessary reform efforts to restart Japan's contributions to the UNRWA after staff members [allegedly](#) took part in the terror attack against Israel on October 7, 2023.

- On Wednesday, MOFA [issued](#) a statement welcoming the adoption of the UNSC Resolution 2728 on the situation in Gaza, which demands an immediate ceasefire for the month of Ramadan and unconditional release of all hostages immediately. The United States [abstained](#) from the vote, paving the way for the resolution to pass.
- On Tuesday, Japanese Ambassador to China Kanasugi Kenji [met](#) with the detained Astellas Pharma employee accused of espionage for the second time since his appointment in December. He explained the GOJ's efforts toward his swift release.
- On Monday, Deputy Assistant Administrator Anka Lee of USAID [said](#) in Tokyo that the first trilateral development assistance project with Japan and South Korea will be undertaken in Ghana to provide medical supplies.

3. Defense/Security Developments

- On Thursday, Kihara [stated](#) that the JMSDF has been receiving training on the use of the long-range Tomahawk missiles from the U.S. Navy starting from March 25. The MOD aims to complete training before missile acquisition from FY 2025.
- *Yomiuri* [reported](#) that the GOJ plans to refurbish sixteen airports and seaports across the country starting FY 2024 to turn public infrastructure into dual-use facilities that can be utilized by the JSDF and Japan Coast Guard to bolster defense. The move aims to allow the JSDF to operate at civilian facilities during times of crisis.
- MOD [announced](#) that it completed the transport of 101 JSDF vehicles to Ukraine, which is part of efforts to continue supporting Ukraine amid the war with Russia.
- On Tuesday, the MOD [announced](#) that the JSDF had spotted the W27 unmanned reconnaissance aircraft used by the Chinese PLA for the first time in the airspace above the Sea of Japan. This suggests an expanded flight area of the drone.
- The *Financial Times* [reported](#) Monday that the United States and Japan are planning the “biggest upgrade” to the alliance since 1960, including plans to restructure the U.S. military command in Japan to strengthen operational planning and exercises amid increasing assertiveness in the region by China.
- On Sunday, Kihara [attended](#) the opening ceremony for the six hundred-strong Third Amphibious Task Force assembled at JGSDF Camp Ainoura in Sasebo City, Nagasaki, and said that the new unit signals Japan's commitment to defending remote islands and rejecting unilateral attempts to change the status quo by force.

4. PM Sets Policy Direction for FY 2024

- On Thursday, Prime Minister Kishida Fumio [held](#) a press conference following the [enactment](#) of the FY 2024 budget, which amounted to ¥112 trillion.
- Kishida [emphasized](#) the focus of the budget was disaster relief for the victims of the Noto Peninsula earthquake and transitioning toward a positive cycle of income and economic growth.
- He pointed out that this was the moment to completely leave behind deflation. He noted that the ¥60,000 income tax cut would help increase disposable income toward this end of leaving behind deflation.
- Kishida also outlined four measures: appropriate price pass-through to raise wages, financial support for wage hikes, addressing the labor shortage through targeted investment and automation, and support for workers through income support.
- The prime minister pledged to realize higher wage hikes than inflation this year and to maintain this in the coming years.

5. LDP to Consider Removing Lawmakers From Party for Political Scandal

- Reports on Friday [suggested](#) that the LDP will consider the second and third most severe punishments — request to leave the party and suspension of party membership — for former Abe faction executives who contributed to the political scandal.
- The party seemed to have shifted toward tougher punishments after Kishida interviewed four faction executives this week and determined that they were not feeling responsible for the scandal.
- Former faction secretary generals Nishimura Yasutoshi and Seko Hiroshige [admitted](#) that they took part in an executive meeting with then-President Abe Shinzo and former President Hosoda Hiroyuki in March 2022, a month prior to Abe's decision to instruct the faction to end the kickback scheme.
- Questions still [remain](#) about who instructed the resumption of the scheme. All four executives interviewed this week said they did not take part in the decision making.
- The party will also [consider](#) disciplinary action against other executives like ex-Chief Secretary Matsuno Hirokazu, ex-policy chief Hagiuda Koichi, and ex-Diet Affairs Chair Takagi Tsuyoshi — but more lenient compared to the four executives, likely non-endorsement in the next election or a ban from taking leadership positions.
- The LDP [plans](#) to impose disciplinary measures as early as the first week of April. Kishida [said](#) on Wednesday that interviews with faction executives will continue into next week ahead of the disciplinary measures.

6. Political Developments

- On Thursday, the Diet [enacted](#) the bills related to the FY 2024 tax system reform, which includes the ¥40,000 fixed tax cut to be implemented after June. The tax cut includes dependents and excludes those with over ¥20 million in income.
- On Tuesday, the LDP and Komeito secretary generals and Diet affairs chairs [agreed](#) to establish a Special Committee on Political Reform in both Houses after the FY 2024 budget is enacted. The Committees will likely discuss the revision of the Political Funds Control Act.
- Komeito [finalized](#) recommendations to the GOJ urging for the consideration of an adoption rule for male members of the former Imperial Family to secure members of the Imperial Family toward the stable succession of the throne. The proposals also include possible introduction of a system to allow former female Imperial Family members to retain their Imperial Family status after marrying a civilian.
- On Monday, thirteen time Diet member and ex-Secretary General Nikai Toshihiro [announced](#) that he would take responsibility for his faction's involvement in the scandal and not seek reelection. The decision came after reports [surfaced](#) that the LDP would consider tough disciplinary measures against the faction president.
- On Sunday, the Japan Innovation Party (*Ishin*) [held](#) its party convention in Kyoto, where it adopted the FY 2024 action plan toward taking the main opposition status and cutting into the LDP-Komeito coalition's majority in the Lower House.
- *Jiji* [reported](#) that the GOJ will rebrand the My Number Card in 2026 as it updates the personal information card, notably removing mention of gender and switching date of birth from Japan's era name to the Western calendar system.

7. Financial Authorities Signal Possible Intervention as Yen Depreciates

- On Wednesday, the yen [depreciated](#) against the dollar to ¥151, the first time since 1990 that the yen has depreciated to this level.
- Market actors welcomed the Bank of Japan's (BOJ) decision to end the negative interest rate policy, but now speculate that additional interest rate hikes will not come soon. This resulted in confidence to sell the yen, further depreciating the yen.
- The yen's depreciation followed hawkish BOJ policy board member Tamura Naoki's [statement](#) that normalization of monetary policy would be "slow and steady," leading to speculation that the BOJ would be cautious about additional rate hikes.

- Vice Minister of Finance for International Affairs Kanda Masato [said](#) after the [trilateral meeting](#) between the Ministry of Finance, the Financial Services Agency, and the BOJ that depreciation is a result of “speculative movement” and that the GOJ is prepared to take “appropriate measures” to respond to excessive movement.
- Kanda’s statement and Minister of Finance Suzuki Shunichi’s remarks on Friday closely [resembled](#) their statements before the GOJ’s last intervention in the foreign exchange market in September 2022 (first time in twenty-four years).

8. Economic Security Developments

- On Friday, the Ministry of Economy, Trade and Industry (METI) [announced](#) that it would subsidize ¥1 billion for R&D into automotive semiconductors by Toyota Motor, Nissan, and other automakers.
- METI will provide financial support from the “Post-5G Fund” to the Advanced SoC Research for Automotive (ASRA), a fourteen automaker coalition which aims for “system on chip,” which entails designing and developing advanced chips.
- On Thursday, the GOJ’s Space Policy Committee [compiled](#) a “Space Technology Strategy,” which envisions public sector support for private sector research into exploration, transportation, and satellites.
- The GOJ will [establish](#) a fund within the Japan Aerospace Exploration Agency (JAXA) to support firms and research universities, amid intensifying global competition in the space domain.
- On Tuesday, Minister in charge of Economic Security Takaichi Sanae [indicated](#) that the GOJ would terminate contracts with firms that mistreat employees who fail to pass security clearance background checks.

9. Key Economic/Financial Developments

- On Friday, the Cabinet [approved](#) the addition of four industries — motor transportation, railroad, forestry, and timber — to the twelve industries covered under the Specified Skilled Worker (SSW) residency program. The additions are expected to yield as many as 820,000 foreign workers within the next five years.
- On Wednesday, METI Minister Saito Ken [participated](#) in a meeting hosted by the Japan Electronics and Information Technology Industries Association (JEITA) and urged the electronic industry to oblige subcontractors' request for negotiations over price pass-through, which the GOJ has [identified](#) as a priority for wage hikes.

- *Nikkei* [reported](#) that the GOJ plans to loosen conditions for foreign entrepreneurs to obtain visas this month, which entails allowing funds obtained from paid-in subscription rights to be combined in meeting the ¥5 million capital requirement.
- On Tuesday, METI Vice Minister for International Affairs Hosaka Shin [held](#) the twenty-first director level meeting with Deputy Director Li Fei of the Chinese Ministry of Commerce. Hosaka explained Japan's position on China's business environment, export control measures, and the seafood import ban.
- On Monday, the BOJ [released](#) a summary of opinions from its January monetary policy held from January 22-23. It [showed](#) that board members agreed that the prospect of achieving 2 percent inflation sustainably is getting closer, while some members voiced caution over further rate hikes amid uncertainty in the economy.
- The Digital Agency [convened](#) the first "International Data Governance Advisory Committee" meeting, a public-private grouping designed to discuss the creation of domestic data-sharing infrastructure in the fall for cross-border data flows.

10. State of the Economy

- On Friday, METI [released](#) a survey on SMEs, which found that net sales of the 45,723 surveyed firms rose 16 percent to ¥210 million and that income rose 12 percent to ¥9.78 million. Value-added per firm also rose 10 percent to ¥96.71 million.
- The Ministry of Health, Labor and Welfare (MHLW) [announced](#) that the effective jobs-to-applicants ratio in February was 1.26 times, down 0.01 point from January. Meanwhile, unemployment [rose](#) by 0.2 point to 2.6 percent.
- METI [announced](#) that the industrial production index in February was 97.9, down 0.1 percent from January. Contrary to private sector projections, the index [fell](#) for the second consecutive month due to Daihatsu suspending production following its safety test scandal and snow-related delays.
- On March 22, the GOJ [released](#) its Monthly Economic Report, which maintained the assessment that the economy is "recovering at a moderate pace, although it recently appears to be pausing." The report [deleted](#) mention of Abenomics following the BOJ's decision to end the negative interest rate policy.
- Results from a Cabinet Office poll [released](#) on March 19 found that almost 70 percent of respondents believe that inflation is turning for the worst in Japan. The poll also found that 50 percent of respondents are satisfied with society today.

II. Public Opinion Poll

- A *Yomiuri* poll [released](#) on Monday showed Cabinet approval at 25 percent, up one point from February, while disapproval was at 62 percent, up one point.
 - 54 percent of respondents said that they approve of the Cabinet because there are no alternatives; 15 percent said because it is centered around the LDP; and 10 percent said because the prime minister has executive ability.
 - 32 percent of respondents said that they disapprove because they have no expectations for its executive ability; 21 percent said because the prime minister has no executive ability; and 19 percent said because they do not trust the prime minister.
 - 81 percent of respondents said that they are not satisfied with the Abe and Nikai faction executives' testimony in the Diet on the political scandal, while 5 percent said they are satisfied.
 - 61 percent of respondents said that they disapprove of the opposition's response to the political scandal in the Diet, while 27 percent said they approve.
 - 64 percent of respondents said that they do not believe the LDP revising its party constitution and governance code will lead to regaining public trust, while 28 percent said they believe it will.
 - 83 percent of respondents said that they believe the LDP should impose tough disciplinary measures against former Abe faction executives, while 8 percent said they do not believe it necessary.
 - 73 percent of respondents said that they believe the LDP Youth Division's party with scantily clad female dancers was problematic, while 18 percent said they do not believe it was a problem.
 - 78 percent of respondents said that they do not have expectations that the opposition will be a credible opposition force to the LDP, while 13 percent said that they do believe there is a credible opposition.
 - 61 percent of respondents said that they believe the opposition parties should unite in as many districts in the upcoming election to compete with the ruling coalition, while 25 percent said they do not believe it is necessary.
 - 43 percent said that they approve of the GOJ's decision to loosen rules for exporting the next-generation fighter jet to allies and partners, while 43 percent said they disapprove.
 - 75 percent of respondents said that they do not believe their livelihoods will improve, even after major corporations announced record-level wage hikes, while 17 percent said they do believe their lives will get better.
 - 60 percent of respondents said that they approve of the Bank of Japan's decision to end negative interest rate policy, while 24 percent said they disapprove.
 - 22 percent of respondents said that they believe Ishiba Shigeru is best fit to be the next prime minister; 15 percent each said no one and Koizumi Shinjiro; 9 percent said Kamikawa Yoko; 8 percent said Kono Taro; 7 percent said Kishida Fumio; 6

The Weekly Observer (3/25-3/29)

percent said Suga Yoshihide; 5 percent said Takaichi Sanae; 2 percent said Obuchi Yuko; and 1 percent each said Motegi Toshimitsu, Hayashi Yoshimasa, and Noda Seiko.

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

| Political Party | Approval Rating (%) |
|---------------------------------|----------------------------|
| Liberal Democratic Party | 23 (-1) |
| Constitutional Democratic Party | 8 (+3) |
| Japan Innovation Party | 5 (+1) |
| Komeito | 3 (-1) |
| Japan Communist Party | 2 (± 0) |
| Democratic Party for the People | 2 (± 0) |
| Reiwa Shinsengumi | 2 (± 0) |
| Party to Realize Free Education | 0 (-) |
| Social Democratic Party | - (± 0) |
| Suffrage Party (Sanseitō) | 0 (± 0) |
| Independent (No Party) | 51 (-1) |