

The Weekly Observer

April 1-5, 2024

The 114th edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on plans for the Japan-China-ROK trilateral summit, intensified cooperation between Japan and the Philippines, the LDP's punishments for Diet members over the political scandal, the LDP's default defeat in two of three April by-elections, METI's cybersecurity classifications, the multi-national CBDC pilot, the Sakura Report, and more.

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I. News of the Week

1. Foreign Policy Developments

- *Jiji* [reported](#) Friday that the South Korean government is coordinating to host the first Japan-China-South Korea leaders' summit since 2019 at the end of this month. The annual summit had been postponed due to the pandemic and poor Japan-ROK ties.
- On Wednesday, Prime Minister Kishida Fumio [received](#) a courtesy call from Indonesian Defense Minister and President-elect Prabowo Subianto. He told Prabowo that Japan will continue to cooperate with Indonesia on economic development and security cooperation with the new government.
- Kishida [held](#) a summit telephone talk with Ukrainian President Volodymyr Zelenskyy, in which he promised to carry out the deliverables from February's Japan-Ukraine Conference for the Promotion of Economic Growth and Reconstruction.
- Minister for Foreign Affairs Kamikawa Yoko informed both her [Israeli](#) and [Palestinian](#) counterparts on the decision by the government to restart funding for the UN Relief and Works Agency for Palestine Refugees in the Near East. The government has [appropriated](#) around \$35 million for the UNRWA last fiscal year.
- On Saturday, MOFA [announced](#) for the [first time](#) that Japanese and Chinese experts held a technical dialogue on the discharge of treated wastewater from the Fukushima Daiichi nuclear power plant.
- *Sankei* [reported](#) that the White House plans to invite Kishida to the NATO leaders' summit in Washington, D.C., from July 9-11. This would be the third consecutive year Kishida attends the summit, where the focus will be on the war in Ukraine.

2. Defense/Security Developments

- On Wednesday, Minister of Defense Kihara Minoru [held](#) a meeting with Prabowo, in which the two sides agreed to deepen bilateral and multilateral defense cooperation and exchanged views on the increasing tensions in the South China Sea.
- Philippines Ambassador to the United States Jose Manuel Romualdez [indicated](#) that the Reciprocal Access Agreement (RAA) between Japan and his country will likely be signed by the end of the year. He also stated that the two countries may hold regular maritime exercises with the United States going forward.
- On Tuesday, the Ministry of Defense (MOD) [announced](#) that North Korea launched at least one ballistic missile northeastward, which flew at a maximum altitude of 100

kilometers and a distance of 650 kilometers before falling outside Japan's exclusive economic zone (EEZ). This is the [third](#) missile launch this year.

- The MOD [announced](#) that the U.S. Missile Defense Agency and Lockheed Martin successfully conducted a “First Track Test” on March 29 of the SPY-7 long range discrimination radar to be deployed on the JSDF's Aegis-equipped vessel.
- *Yomiuri* [reported](#) Saturday that the GOJ's “Marine Development Strategy” will include the goal of operationalizing underwater autonomous unmanned vehicles (AUV) by FY 2030 to reinforce underwater surveillance amid increasing Chinese assertiveness in the marine domain.
- Last Friday, the GOJ [decided](#) to designate 184 locations — including areas around MCAS Futenma in Okinawa — in twenty-eight prefectures as land important to national security, which requires stringent background checks for land purchases.

3. LDP Announces Punishments for Diet Members Over Political Scandal

- On Thursday, LDP Secretary-General Motegi Toshimitsu [announced](#) the results of the Party Ethics Committee's decisions for disciplinary action against Diet members involved in the political fundraising scandal.
- Punishments were [categorized](#) by order of involvement and amount of money received — ranging from the order to leave party levied against Abe faction executives Shionoya Ryu and Seko Hiroshige to a “[stern warning](#)” to forty-five members who received less than ¥5 million in kickbacks from their factions.

Punishment	Name	District (Terms)	Kickback (JPY)
Order to leave	Rep. Ryu Shionoya	PR Tokai (10)	2.34 million
	C. Hiroshige Seko	Wakayama (5)	15.42 million
Suspension of membership (One year)	Rep. Hakubun Shimomura	Tokyo-11 (9)	4.76 million
	Rep. Yasutoshi Nishimura	Hyogo-9 (7)	1 million
(6 months)	Rep. Tsuyoshi Takagi	Fukui-2 (8)	10.19 million
Ban from leadership (One year)	Rep. Ryota Takeda	Fukuoka-11 (7)	19.26 million
	Rep. Hirokazu Matsuno	Chiba-3 (8)	10.51 million
	Rep. Koichi Hagiuda	Tokyo-24 (6)	27.28 million
	Rep. Mikio Hayashi	Chiba-10 (10)	16.08 million
	Rep. Katsuei Hirasawa	Tokyo-17 (9)	18.17 million
	Rep. Hiromi Mitsubayashi	Saitama-14 (4)	29.54 million
	Rep. Manabu Horii	PR Hokkaido (4)	21.96 million
	C. Seiko Hashimoto	PR (5)	20.57 million
(6 months)	C. Eriko Yamatani	PR (4)	24.03 million
	Rep. Seishiro Eto	Oita-2 (13)	10.7 million
	Rep. Kiyoshi Odawara	Tokyo 21 (4)	12.4 million
	Rep. Ichiro Kanke	PR Tohoku (4)	12.89 million
	Rep. Mio Sugita	PR Chugoku (3)	15.64 million
	Rep. Kazuyuki Nakane	PR North Kanto (5)	18.60 million
	Rep. Koichi Munekiyo	PR Kinki (3)	14.08 million
	Rep. Kazuo Yana	Tochigi-3 (4)	17.46 million
Reprimand	C. Shuji Miyamoto	Ishikawa (3)	14.82 million
	Rep. Taku Otsuka	Saitama-9 (5)	9.94 million
	Rep. Asako Omi	PR South Kanto (3)	6.23 million
	Rep. Masahiko Shibayama	Saitama-8 (7)	8.96 million
	Rep. Yoshihiro Seki	Hyogo-3 (5)	8.36 million
	Rep. Shuichi Takatori	PR Hokuriku (5)	5.44 million
	Rep. Akihiro Nishimura	Miyagi-3 (6)	5.54 million
	Rep. Kenichi Hosoda	Niigata-2 (4)	5.64 million
	Rep. Masayoshi Yoshino	Fukuoka-5 (8)	6.60 million
	Rep. Yoshiaki Wada	Hokkaido-5 (3)	9.90 million
	C. Naoki Okada	Ishikawa (4)	7.74 million
	C. Hiroyuki Kada	Hyogo (1)	6.48 million
	C. Shinsuke Suematsu	Hyogo (4)	5.84 million
	C. Takashi Hanyuda	PR (2)	8.18 million
	C. Iwao Horii	Nara (2)	8.76 million
	C. Tamayo Marukawa	Tokyo (3)	8.22 million
C. Hiroshi Yamada	PR (2)	5.60 million	
Yasuhide Nakayama	Ex-Osaka-4 (5)	9.08 million	

- Prime Minister Kishida [said](#) following the decision that he will leave the final judgment of the party's announcement up to the public. He defended the criteria, saying the LDP decided the severity of punishments [based](#) on whether the Diet members were in positions to overturn the kickback scheme or not.

- The LDP's party constitution [lists](#) eight disciplinary measures ranging from removal from the party to a stern warning. Being ordered to leave the party (second most severe punishment) hinders the ability of Diet members to run elections using party resources, while a suspension of party membership denies them a vote in the upcoming LDP presidential election.
- Following the decision, former Upper House Secretary General and Abe faction Upper House president Seko [announced](#) that he would be leaving the party. Meanwhile, Shionoya, the other executive who was ordered to leave the party, [announced](#) Friday that he intends to appeal the “dictatorial” decision by the leadership to make some faction members the “scapegoats” of this incident.
- Meanwhile, ruling and opposition party members [signaled](#) their displeasure, stating that the criteria for punishment was ambiguous and pointing to the fact that the prime minister was left out despite his faction's involvement in the scandal.

4. Political Developments

- On Friday, the Lower House Cabinet Committee [passed](#) the bill establishing a security clearance system after adding supplementary provisions requiring an annual report to the Diet on changes to the designation of “information important to economic security,” similar to the Designated State Secrets Act. The bill is expected to be put to a vote in the plenary session on April 9.
- On Wednesday, Kishida [promised](#) to continue making progress toward improving corporate governance, including mandating English-language disclosure of important information for Prime market firms and updating the action plan to deepen firm-investor dialogue in the spring.
- Kishida [instructed](#) the LDP Political Reform HQ's working group on legislative reform to accelerate the write-up of draft amendments to the Political Funds Control Act. The ruling and opposition parties are [expected to discuss](#) the proposed bill in the Special Committee on Political Reform to be established in both Houses this month.
- On Tuesday, the LDP [decided](#) to forgo fielding a candidate in two of the three by-elections to be held on April 28. With Tokyo-15 and Nagasaki-3 gone, the party has essentially accepted “defeat” and will hope to win in Shimane-1, a traditionally conservative district that is currently projected for the ex-LDP opposition candidate.
- On Monday, the Ministry of Internal Affairs and Communications [announced](#) that the LDP will receive ¥16.05 billion in political party grants, the most of any political party given its vote tally in the last two Lower and Upper House elections.

5. Economic Security Developments

- *Nikkei* [reported](#) Thursday that METI plans to establish a five-level system in FY 2025 to assess corporate cybersecurity measures to ensure defensive measures are in place in firms and across subcontractors. Level five requires third-party certification given the tighter cybersecurity requirements for critical infrastructure.
- *Nikkei* [reported](#) Wednesday that the Japanese and U.S. governments plan to establish new rules for subsidies related to strategic commodities like semiconductor and storage batteries at the Kishida-Biden summit to level the playing field among firms and reduce competition among like-minded countries toward the common goal of reducing overdependence on China.
- On Tuesday, Japan and the European Union [established](#) a new framework for R&D cooperation on advanced materials related to EVs and clean energy technologies. The framework could be expanded to include safety evaluation standards in the future.
- METI [announced](#) that it will provide an additional ¥590 billion in subsidies to chip foundry Rapidus in FY 2024, raising the total amount to ¥920 billion. This includes ¥53.5 billion for the post-processing process (assembly) for the first time.
- *Sankei* [reported](#) on Sunday that Japan, the United States, and the Philippines are expected to include the reinforcement of critical minerals supply chains like nickel (critical to EV manufacturing) in the trilateral joint statement for the April 11 summit.
- Last Friday, Rohm Semiconductor [announced](#) that it plans to begin dialogue with Toshiba over a potential partnership in the semiconductor business around June. The two sides would cooperate from development to marketing of power semiconductors.

6. Key Economic/Financial Developments

- On Friday, Minister of Finance Suzuki Shunichi [said](#) that the government will “consider every option” to respond to the yen’s depreciation to ¥151. Some experts [suggest](#) that the government could intervene if the yen falls below ¥152.
- *Nikkei* [reported](#) that the Japanese and U.S. governments are coordinating to jointly support businesses to promote the use of hydrogen, including by combining subsidies toward supporting the proliferation of clean hydrogen.
- *Nikkei* [reported](#) Thursday that the GOJ aims to test hydrogen manufacturing using nuclear power as early as FY 2028, after it successfully conducted a safety test for running a small modular reactor in late March.

- *Nikkei* [reported](#) that the Bank of Japan (BOJ) will participate in a seven-central bank pilot test examining the efficacy of central bank digital currencies (CBDC), which is expected to lower the costs of cross-border transactions. Private sector financial institutions like Mitsubishi UFJ Financial Group are expected to join as well.
- On Wednesday, the MIC [finalized](#) policies to support the private sector develop space telecommunications technology, including ¥300 billion through the “Space Strategy Fund” overseen by the Japan Aerospace Exploration Agency (JAXA) toward developing satellite communications systems utilizing quantum cryptography.
- *Nikkei* [reported](#) Tuesday that the BOJ’s bond purchase amount in FY 2023 was ¥87.58 trillion, down 36 percent from a record-high in FY 2022. This indicates that the BOJ has entered a period of quantitative tightening as it revises monetary policy.

7. State of the Economy

- On Friday, MIC [announced](#) that household consumption in February fell 0.5 percent from the previous month to ¥279,868, the twelfth consecutive month in decline as electricity consumption [declined](#) due to the warmer winter season.
- On Thursday, the BOJ [released](#) its Sakura Report (Regional Economic Report) for April, which temporarily downgraded seven of the nine regions’ assessments [due](#) to the suspension of manufacturing at Daihatsu and the warm winter season.
- On Wednesday, the BOJ [announced](#) that the “demand-supply gap” in the Oct.-Dec. 2023 period was 0.02 percent, the first positive value [since](#) Jan.-Mar. 2020, likely due to improvements in the labor shortage and automobile manufacturing situation.
- On Tuesday, the Cabinet Office [presented](#) economic projections at the Council on Economic and Fiscal Policy, which [suggests](#) that medical and long-term care benefit expenditure will increase as much as 16.1 percent as a ratio of GDP by FY 2060. The assessment sheds light on a worrying trend of increasing burden if growth is weak.
- The BOJ’s TANKAN (Short-Term Economic Survey of Enterprises) for March [released](#) on Monday found that business sentiment for large manufacturing fell two points from December to +11, the [first fall](#) in four quarters. It also found that the labor supply diffusion index fell to -36, a low point last seen in 1991, signaling shortages.

II. Public Opinion Poll

- A JNN poll [released](#) on Monday showed Cabinet approval at 23 percent, the same as March while disapproval was at 75 percent, up one point.

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- 61 percent of respondents said that they believe the four Abe faction executives who testified before the Diet’s Political Ethics Hearing Committees should receive “severe punishment,” while 26 percent said they do not believe so.
 - 83 percent of respondents said that the Abe and Nikai faction executives who testified before the Committees have not fulfilled their responsibilities to explain their involvement in the scandal to the public.
 - 62 percent of respondents said that Kishida himself should face disciplinary action for his faction’s involvement in the scandal, while 23 percent said he does not need to face punishment.
 - 77 percent of respondents said that they believe ex-Prime Minister and Abe faction president Mori Yoshiro should be questioned for his alleged involvement in the origins of the kickback scheme.
 - 42 percent of respondents said that they want a change in government, while 32 percent said they want the LDP-Komeito coalition to continue governing.
 - 37 percent of respondents said that Kishida should hold a summit with Kim Jong Un regardless of the resolution of the abductions issue, while 29 percent said he should proceed with arranging a summit if a resolution is in sight.
 - 42 percent of respondents said that they support the GOJ’s decision to selectively approve defense equipment exports, while 40 percent said they oppose it.
- The survey also collected data on the latest approval ratings of political parties.

Political Party	Approval Rating (%)
Liberal Democratic Party	25 (±0)
Constitutional Democratic Party	6 (-1)
Japan Innovation Party	4 (±0)
Komeito	2 (±0)
Japan Communist Party	3 (+1)
Democratic Party for the People	1 (-1)
Reiwa Shinsengumi	1 (-1)
Party to Realize Free Education	0 (±0)
Social Democratic Party	0 (±0)
Suffrage Party (Sanseitō)	1 (+1)
Independent (No Party)	53 (+1)