

## ***The Weekly Observer***

April 15-19, 2024

*The 116<sup>th</sup> edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on the G7 foreign and finance ministers' meetings, the 2024 Diplomatic Bluebook, the G7 leaders' summit on the Gaza situation, Defense Minister Kihara's planned visit to Hawaii, the end of the Motegi faction, the inaugural Japan-ROK-U.S. trilateral finance ministers' meeting, Sakura Internet's plan to acquire Nvidia chips, the domestic AI developer guidelines, the trade deficit, and more.*

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

### 1. G7 Foreign and Finance Ministers Meet

- Minister for Foreign Affairs Kamikawa Yoko [attended](#) the G7 Foreign Ministers' Meeting from April 16-20 in Italy, where the ministers held sessions on "reaching out to global partners," the "Middle East," the "situation in the Red Sea," and the "Indo-Pacific" and "global connectivity."
- In the [communiqué](#) on the Middle East, the ministers condemned Iran's direct and unprecedented attack against Israel and indicated readiness to impose further sanctions. The document covers Gaza, the Red Sea, Yemen, and Syria.
- In the [communiqué](#) on Ukraine, the ministers strongly condemned Russia's ongoing war of aggression against Ukraine and reaffirmed unwavering determination to support democratic Ukraine.
- In the [communiqué](#) addressing global challenges, the ministers renewed their commitment to the rule of law, humanitarian principles and international law, and to protecting human rights. The document covers fostering partnership with the Mediterranean and Africa, addressing irregular migration, and promoting FOIP.
- Meanwhile, Minister of Finance Suzuki Shunichi and Bank of Japan Governor Ueda Kazuo attended the G7 Finance Ministers and Central Bank Governors' meeting on Wednesday in Washington, D.C. The central banks [committed](#) to achieving price stability and calibrating policies based on data, while the ministers condemned Russia's war of aggression and Iran's attack on Israel, hinting at possible sanctions.
- Suzuki and Ueda also attended the G20 meeting from April 17-18, which [ended](#) without a joint statement again. Brazil, the G20 chair, has placed redressing inequality as a key theme and voiced concern about the dollar's appreciation affecting emerging economies and low-income countries.

### 2. Diplomatic Bluebook Revives Language on China for First Time in Five Years

- On Tuesday, Foreign Minister Kamikawa [presented](#) the 2024 Diplomatic Bluebook to the Cabinet.
- The document expresses "serious concern" for Chinese foreign policy and military activities, while [reviving](#) for the first time in five years the terminology, "mutually beneficial relationship based on common strategic interests."

- It [states](#) that Japan is in the most severe and complex situation in the post-war period in the face of multiple security challenges and that the international community faces a “historic turning point” amid two regional wars.
- The document [points out](#) that this year will be critical for international affairs given multiple national elections and that the wars in Europe and the Middle East are hindering international cooperation.
- It emphasizes the growing importance of the G7, Quad, Japan-U.S.-ROK partnership, and other arrangements with allies and like-minded countries. It positions South Korea as a “partner” for the first time in fourteen years.

### 3. Foreign Policy Developments

- On Friday, Prime Minister Kishida Fumio [received](#) a courtesy call from Linda Thomas-Greenfield, the U.S. Ambassador to the United Nations. The two sides agreed to coordinate on a wide range of issues from the Middle East to UN reform.
- Reports [surfaced](#) that LDP Vice President and former Prime Minister Aso Taro is planning to visit New York from April 22-25 to meet with members of Trump’s camp ahead of the presidential election. Aso attempted to meet such members in January.
- *Asahi* [reported](#) Thursday that Kamikawa plans to visit France, Madagascar, Côte d'Ivoire, Nigeria, Sri Lanka, and Nepal from April 27-May 6 for the OECD Ministerial in Paris and to engage with the so-called Global South to counter growing Chinese influence among the countries.
- On Wednesday, Kishida [had](#) a telephone call with South Korean President Yoon Suk-yeol, in which Kishida briefed Yoon on his recent visit to the United States and a desire to continue deepening bilateral and trilateral cooperation.
- On Tuesday, Kishida [attended](#) a virtual G7 Leaders’ Conference on Iran’s attack against Israel. Kishida explained that Japan is deeply concerned about the attack and strongly condemns escalation. He also stressed that steps must be taken to calm things down. The leaders agreed to strengthen cooperation to end the crisis in Gaza.
- On Monday, Kishida [indicated](#) that the GOJ will take every step to protect Japanese nationals in Israel. Kamikawa [issued](#) a statement strongly condemning Iran’s escalatory act. Kamikawa spoke with both [Israeli](#) and [Iranian](#) foreign ministers and urged both sides to exercise restraint and avoid further escalation.

### 4. Defense/Security Developments

- On Friday, the Cabinet [approved](#) two additional deployments of JSDF officers to the UN Mission in South Sudan and extended their terms by a month to June 30. One of the two officers joining the four existing members is a colonel, the highest ranking officer to be deployed to the mission.
- The Ministry of Defense (MOD) [announced](#) that JSDF jets scrambled against foreign aircraft 669 times in FY 2023, down 109 times from FY 2022. While the number of scrambled jets against Chinese aircraft fell ninety-six times, the number against Russian aircraft increased slightly by twenty-four times to 174.
- *Jiji* [reported](#) Thursday that Minister of Defense Kihara Minoru plans to visit Hawaii from May 2-5 to meet U.S. Secretary of Defense Lloyd Austin, while plans for a “2+2” will likely be postponed from the end of May. *Asahi* [reports](#) that Kihara will also attend a Japan-U.S.-Australia-Philippines defense ministers’ meeting.
- *Yomiuri* [reported](#) Wednesday that the GOJ plans to commence in June pilot tests toward utilizing autonomous unmanned vehicles in the water for marine resource excavation, maintenance of offshore wind power plants, and surveillance by 2030.
- The Chinese Ministry of National Defense [announced](#) that it will host the “Western Pacific Naval Symposium 2024” in Qingdao from April 21-24, which will be attended by twenty-nine countries’ naval officers including the JMSDF. The biennial symposium was established in 1988 and will be hosted in China for the first time since 2014. The symposium will focus on preventing accidental collisions at sea.
- *Yomiuri* [reported](#) Sunday that Kagoshima Prefecture informed the GOJ in mid-February that it can likely accept as many as 500,000 evacuees from Okinawa and the Sakishima Islands in the event of a Taiwan contingency.

#### 5. Diet Pursues Political Fundraising Reform

- On Friday, the ruling and opposition parties [agreed](#) to hold the first session of the Lower House Special Committee on Political Reform on April 26.
- Though the LDP [initially did not plan](#) to present its own draft amendments, pressure from Komeito and opposition parties have pushed it to pursue reforms including stricter punishments for Diet members, third-party screening of political income, and transparency through the digitization of political funds.
- On Tuesday, the LDP and Komeito [held](#) working level talks to discuss revising the Political Funds Control Act. The two sides aim to jointly submit legislation toward enacting the amended legislation by the end of the Diet session.

- Meanwhile, the LDP's Motegi faction (*Heisei Kenkyukai*) [decided](#) on Wednesday to dissolve, leaving the Aso faction as the only faction holding regular meetings since Kishida announced the disbandment of his own faction.
- Separately, the LDP General Council [decided](#) to reject on Tuesday the request by ex-Abe faction executive board chief Shionoya Ryu to re-examine the decision to order him to leave the party over his involvement in the faction's kickback scheme.

## 6. Political Developments

- On Friday, the Lower House plenary session [passed](#) legislation related to increasing childcare support, which centers around raising health care insurance premiums to fund a “children and childcare support fund.”
- The LDP's conference to secure a stable line of Imperial succession (chaired by LDP Vice President Aso) [approved](#) the GOJ's proposed measures including enabling female members to retain their status after marriage and male members from former Imperial households to become members of the Imperial Family through adoption. The Diet plans to [discuss](#) the matter before or after the Golden Week holidays.
- The Cabinet [approved](#) a government ordinance to establish the “National Institute of Health Crisis Management,” a Japanese version of the U.S. Center for Disease Control and Prevention (CDC) merging the National Institute of Infectious Diseases and the National Center for Global Health and Medicine, on April 1, 2025.
- *Nikkei* [reported](#) that a survey it conducted found that the CDP leads in both the Shimane-1 and Tokyo-15 by-elections slated for April 28, a critical election that may determine the fate of the Kishida Cabinet. This comes despite the Japanese Trade Union Confederation (RENGO) — the CDP's primary voting machine — [denying](#) the CDP-backed candidate support in Tokyo due to the JCP's support for her.
- On Thursday, the GOJ [finalized](#) a decision to scrap fifteen projects funded by national funds, returning ¥540 billion to national coffers. This comes after the GOJ assessed the necessity of over two hundred projects, including financial aid for capital investments during a period of yen appreciation.
- On Wednesday, the Diet [enacted](#) the revised NTT Act to enhance the national telecommunications company's global competitiveness. The revised Act scraps the mandatory disclosure of R&D, raises the ratio of foreign board members to less than a third of the board, and permits after-the-fact notification of board changes.

## 7. Inaugural Japan-ROK-U.S. Trilateral Finance Ministers' Meeting

## *The Weekly Observer (4/15-4/19)*

- On Wednesday, Finance Minister Suzuki [attended](#) the inaugural finance ministers' meeting with U.S. Treasury Secretary Janet Yellen and South Korean Deputy Prime Minister and Minister of Economy and Finance Choi Sang Mok in Washington, D.C.
- The trilateral meeting was [agreed upon](#) at the Camp David Summit between Kishida, U.S. President Joe Biden, and South Korean President Yoon in August 2023.
- The joint statement [issued](#) after the meeting included an unprecedented message acknowledging the “serious concerns” of Japan and South Korea about the recent sharp depreciation of the yen and won.
- Vice Minister of Finance for International Affairs Kanda Masato [noted](#) after the meeting that there had not been recent remarks indicating shared concern about the depreciation of the yen and won. Since the beginning of this month, the yen has depreciated to a thirty-four year low of ¥154 to the dollar, while the won has depreciated to ₩1,400 to the dollar, close to Great Recession-era levels.
- The statement did not go beyond “existing G20 commitments” to consult. Given the dollar is the international standard, any moves to sell the dollar would affect other currencies, making this an unlikely solution to yen and won’s depreciation.

### 8. Economic Security Developments

- On Friday, Japanese cloud developer Sakura Internet [announced](#) that it plans to acquire an additional eight thousand graphics processing units (GPUs) from Nvidia for its supercomputers used in AI development. The company will acquire ten thousand GPUs by the end of 2027 — a fivefold increase from its 2023 plan.
- On Thursday, Fujitsu [announced](#) that it will partner with U.S. computer software company Oracle for its domestic cloud project (to begin operation in 2025) utilizing the latter’s technology. Oracle [plans to invest](#) \$8 billion in Japan in the next ten years.
- On Wednesday, chipmaking materials producer JSR [announced](#) that the ¥1 trillion takeover bid by state-backed Japan Investment Corporation (JIC) was completed. The state-backed acquisition has received mixed reviews, as some believe this will enhance Japan’s competitiveness, while others say it will crowd out other suppliers.
- Last Friday, U.S. Steel [approved](#) the acquisition bid by Nippon Steel, which has been opposed by the United Steelworkers union and both presidential candidates. Nippon Steel aims to wrap up negotiations and complete the buyout by September.
- Last Thursday, Japanese chipmaking foundry Rapidus [announced](#) that it established a subsidiary, Rapidus Design Solutions, in the city of Santa Clara, home of Silicon Valley, in collaboration with IBM to draw AI companies like OpenAI as customers.

## 9. Key Economic/Financial Developments

- On Friday, the GOJ's AI Strategy Council [revealed](#) the “AI Developer Guidelines,” which targets developers, service providers, and business users toward [enhancing](#) industrial competitiveness through voluntary adherence to ten principles including safety, privacy protection, and promotion of innovation.
- The Ministry of Economy, Trade and Industry [announced](#) that it established the Institute for GX Promotion based on the bill promoting a smooth transition to a decarbonized growth-oriented economy. It will be [headed](#) by Japan Business Federation Vice Chair and Nippon Life Insurance Co. Chairman Tsutsui Yoshinobu.
- METI [announced](#) that it will subsidize a total of ¥72.5 billion to five companies — KDDI, Sakura Internet, GMO Internet Group, RUTILEA, and Highreso — to create domestic supercomputers for AI development. Each supercomputer project will be [required](#) to permit loans to AI developers for at least three years.
- *Nikkei* [reported](#) Tuesday that the Japan Fair Trade Commission's (JFTC) bill to regulate Apple and Google's duopoly over the smartphone app market will ban monopolistic behavior and mandate a 20 percent surcharge on violators. The GOJ aims to submit the bill this month and enact it by the end of FY 2025.
- The Ministry of Internal Affairs and Communications [announced](#) that it dished out its second administrative guidance to LY Corporation for its repeated leakage of personal information, determining that the company has not taken adequate measures to redress issues pointed out in the report submitted in April after the first guidance.
- On Monday, U.S. AI developer OpenAI [announced](#) that it will establish OpenAI Japan to identify a Japanese partner for AI learning and the securing of chips. The company [views](#) Japan as a potential market to enhance its own competitiveness as rivals like Google and Microsoft develop chips on their own.

## 10. State of the Economy

- On Friday, MIC [announced](#) that the consumer price index (CPI) in March excluding volatile fresh food items was 106.8, [up](#) 2.6 percent from the same month last year, and the second year in a row that the rate exceeded the 2 percent inflation target.
- On Thursday, the BOJ [released](#) its Financial System Report, which projected that a one percent rise in short-term interest rates would improve household interest rate balances due to an increase in interest on deposits and other assets. Households with mortgage debts could [see](#) balance down one percent as a ratio of disposable income.



- RENGO [announced](#) that its fourth survey following the spring wage negotiations found that the average increase in base salary was 1.46 points higher than last year at 3.57 percent, even exceeding 3 percent among small- and medium-sized businesses.
- On Wednesday, the Japan National Tourism Organization [announced](#) that the number of foreign tourists in March was 3.08 million, a 11.6 percent increase from pre-pandemic numbers in March 2019. This is the [first time](#) tourists exceeded 3 million since statistics became available in 1964.
- The MOF [announced](#) that Japan ran a ¥5.89 billion trade deficit in FY 2023, the third consecutive year in the red. While imports [fell](#) 10.3 percent to ¥108.79 trillion due to declining energy import prices, exports rose to a record-high of ¥102.89 trillion due to a significant increase in auto exports as chip shortages eased.
- On Monday, the Cabinet Office [announced](#) that machinery orders, a leading indicator of capital investments, rose 7.7 percent to ¥886.8 billion in February, [up](#) for the first time in two months due to an increase in manufacturer and non-manufacturer orders. It maintained the assessment that the economy is showing “weakness.”

## **II. Public Opinion Poll**

- An ANN poll [released](#) on Monday showed Cabinet approval at 26 percent, up five points from March, while disapproval was at 52 percent, down nine points.
  - 38 percent of respondents said that they support the Cabinet because it seems better than other ones; 21 percent said because it includes a party they support; and 16 percent said because they trust the prime minister.
  - 50 percent of respondents said that they do not support the Cabinet because they dislike its policies; 14 percent said because they do not trust the prime minister; and 8 percent said because it does not include a party they support.
  - 32 percent of respondents each said that they believe the next general election should be held as soon as possible or at the end of the Lower House members’ term next year; and 30 percent said after the LDP presidential election in September but before the end of the year.
  - 53 percent of respondents said that they believe the punishments for the LDP Diet members involved in the kickback scandal was “too lenient”; 32 percent said it was appropriate; and 5 percent said it was “too tough.”
  - 81 percent of respondents said that they were not convinced by the LDP’s criteria for dishing out punishments, while 11 percent said they were convinced.
  - 66 percent of respondents said that they were dissatisfied with the prime minister not facing punishment for his faction’s involvement in the scandal, while 24 percent said they were satisfied.

- 81 percent of respondents said that they were dissatisfied with the decision to forgo punishment for ex-LDP Secretary-General Nikai Toshihiro, while 11 percent said they were satisfied.
  - 55 percent of respondents said that they approve of the Bank of Japan’s decision to lift its negative interest rate policy, while 26 percent said they disapprove.
  - 79 percent of respondents said that they have no hope that wage hikes will exceed inflation this year, while 14 percent said they have hope that it will.
  - 66 percent of respondents said that they do not support the GOJ securing funding for childcare through medical insurance fee hikes, while 23 percent said they support it.
  - 54 percent of respondents said that they approve of the prime minister’s foreign policy approach, while 34 percent said they disapprove.
  - 24 percent of respondents said they did not know who the next prime minister should be; 21 percent said Ishiba Shigeru; 18 percent said Koizumi Shinjiro; 9 percent said Kamikawa Yoko; 8 percent said Kono Taro; 6 percent said Takaichi Sanae; 5 percent each said Kishida Fumio and Suga Yoshihide; 2 percent said Noda Seiko; 1 percent each said Motegi Toshimitsu or others; and 0 percent said Nishimura Yasutoshi.
- The survey also collected data on the latest approval ratings of political parties.

<b>Political Party</b>	<b>Approval Rating (%)</b>
Liberal Democratic Party	36 (+1)
Constitutional Democratic Party	9 (-2)
Japan Innovation Party	6 (-1)
Komeito	3 ( $\pm 0$ )
Japan Communist Party	5 (+1)
Democratic Party for the People	2 (+1)
Reiwa Shinsengumi	2 (-1)
Social Democratic Party	0 (-1)
Suffrage Party (Sanseitō)	0 ( $\pm 0$ )
Independent (No Party)	29 (+4)