

The Weekly Observer

April 22-26, 2024

The 117th edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on the PM's expected announcement on an AI framework at the OECD Ministerial, the Aso-Trump meeting, Defense Minister Kihara's visit to Hawaii for a new "quad" defense ministers' meeting, the Lower House by-election results, the LDP and Komeito talks on political fundraising reform, shocking estimates on Japan's population decline, the yen's record-breaking depreciation against the dollar, the GOJ's proposed tightening of export control measures, the draft revision of the Economic Security Action Plan, the mobile ecosystem bill, the GOJ's Monthly Economic Report, and more.

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I. News of the Week

1. PM Heads to Paris for OECD Ministerial

- On Friday, the Ministry of Foreign Affairs (MOFA) [announced](#) that Prime Minister Kishida Fumio will be traveling to France, Brazil, and Paraguay from May 1-6.
- Kishida plans to attend the OECD Ministerial in Paris on May 2-3 as the chair of the meeting marking the sixtieth anniversary of Japan's accession to the OECD.
- The prime minister [plans](#) to announce the establishment of an international framework to both regulate and promote the use of generative AI. Japan aims to lead international discussions through the framework including more than forty countries.
- The "Hiroshima AI Process Friends Group" aims to promote the use of AI in fields like public health and climate change, while dealing with disinformation through measures like the originator profile.
- Kishida will also [visit](#) Latin America for the first time since he assumed office and will deliver a foreign policy speech on policy towards Latin America and the Caribbean for the first time in ten years as prime minister.

2. Foreign Policy Developments

- Fourteen members of the Kishida Cabinet will be [traveling abroad](#) during the Golden Week holidays, including the prime minister, foreign minister, internal affairs and communications minister, trade minister, digital minister, and economic revitalization minister to the OECD Ministerial in Paris, France.
- On Thursday, Chief Cabinet Secretary Hayashi Yoshimasa [said](#) it was "regrettable" that the UN Security Council resolution urging countries to not deploy nuclear weapons in the space domain was [vetoed](#) by Russia. Russia is reportedly developing nuclear weapons to destroy artificial satellites.
- On Wednesday (Japan time), LDP Vice President and former Prime Minister Aso Taro [met](#) with former U.S. President Donald J. Trump at the Trump Tower in New York, in anticipation of his possible return to the White House in November.
- *Nikkei* [reported](#) that Kishida and Brazilian President Luiz Inácio Lula da Silva will agree on a comprehensive partnership package in the green technology sector when he visits in early May. The agreement will include biofuels, zero emissions in the Amazon, and agriculture and forestry reform toward sustainable agriculture.

- On Tuesday, the export authorities of the Quad countries [signed](#) a memorandum of cooperation to exchange information and mutually support private sector investment and trade activities in areas like supply chain resilience and clean energy.

3. Defense/Security Developments

- On Friday, Minister of Defense Kihara Minoru [announced](#) that he will visit Hawaii from May 2-4 for a Japan-U.S.-Australia-Philippines quadrilateral defense ministers' meeting on May 2, likely to discuss China's aggression in the maritime domain.
- The Ministry of Defense (MOD) [announced](#) disciplinary measures against five JMSDF/JGSDF officers for leaking specially designated secrets critical to national security to non-JSDF personnel. This is the first case [since](#) December 2022.
- On Thursday, the Lower House [began](#) deliberations on the treaty establishing the GCAP International Government Organisation (GIGO), with plans to pass the bill this year and create a prototype of the next-generation fighter jet as early as 2026.
- On Monday, Kishida [expressed](#) condolences to the families of the JSDF officers who passed away after a JMSDF patrol helicopter SH60K crashed at sea on Saturday. The head of the JMSDF [announced](#) that two helicopters went off the grid late night on Saturday. The helicopters are assumed to have crashed into each other.
- The MOD [announced](#) that North Korea launched at least one ballistic missile northeastward in the afternoon, which flew a maximum altitude of fifty kilometers and a distance of approximately 250 kilometers and fell outside Japan's EEZ.
- Kishida [received](#) a courtesy call from Admiral John C. Aquilino, Commander of the U.S. Indo-Pacific Command, in which the two sides discussed the strength of the Japan-U.S. alliance ahead of Aquilino's departure from his current position. Admiral Samuel J. Paparo, Commander of the U.S. Pacific Fleet, will [replace](#) him.

4. Lower House By-Election Defeat Spells Trouble for Kishida

- On Sunday, April 28, the LDP [suffered](#) three by-election defeats in Shimane, Tokyo, and Nagasaki in what could spell the end of Kishida's time as prime minister.
- The by-elections were held for seats vacated by indicted lawmakers (Tokyo and Nagasaki) and the deceased-Speaker of the House with troubling ties to political scandals like the Unification Church and the political fundraising scandal.
- The LDP [failed to field](#) candidates in Tokyo and Nagasaki, as no contender was deemed viable enough to win seats vacated by indicted incumbents. The CDP

captured these two seats, in what will likely embolden the main opposition to pressure the prime minister to call for an early general election while the momentum lasts.

- The LDP [fielded](#) ex-MOF bureaucrat Nishikori Norimasa in conservative stronghold Shimane (no opposition victory ever), but was soundly defeated by CDP-backed Kamei Akiko, who [captured](#) votes across the political spectrum due to her status as former LDP member and daughter of party heavyweight Kamei Shizuka.
- Though the results will [not immediately call](#) into question Kishida's viability as leader, it will no doubt lead to growing calls for the general election to be called by a new leader in the fall. For now, Kishida may opt to reshuffle his Cabinet and party leadership — perhaps pinning the blame on Secretary-General Motegi Toshimitsu, who is no longer a credible rival candidate given internal conflict in his faction.

5. LDP and Komeito to Agree on Revised Political Funds Control Act

- The LDP and Komeito's working groups held discussions on [Thursday](#) and [Friday](#) toward amending the Political Funds Control Act, in which the two sides agreed to work toward digitizing political expense reports and expanding the external audit of reports from just "expenses" to include "income." The two sides plan to finalize a draft bill after the Golden Week holiday.
- On Tuesday, the LDP [presented](#) its draft bill, which strengthens penalties against Diet members for neglecting their responsibilities to oversee their political funds and requires lawmakers to return unreported funds to national coffers.
- Meanwhile, the Lower House Special Committee on Political Reform [met](#) on Friday for the first time to begin discussions toward amending the bill. The main focus will be on whether to introduce "guilty-by-association" rules to punish Diet members. The Upper House Special Committee on Political Reform [plans](#) to meet on May 10.
- On Friday, the Moriyama faction became the first LDP political faction to [officially disband](#), after it closed its office and submitted a notice of disbandment of its political fundraising arm to the Ministry of Internal Affairs and Communications.
- On Tuesday, LDP Secretary-General Motegi Toshimitsu [said](#) that the LDP accepted ex-Abe faction executive board chief Shionoya Ryu's notice to leave the party for his central involvement in the scandal. Ex-State Minister of Defense Miyazawa Hiroyuki of the Abe faction also [decided](#) to leave the party due to an alleged extramarital affair.

6. Political Developments

- On Friday, LDP Vice President Aso [submitted](#) “findings” from internal LDP discussions regarding stable succession in the Imperial Family to the Speakers of both Houses, with plans to begin Diet discussions after the Golden Week holiday. The LDP will accept female members retaining Imperial Family status after marriage and adoption to bring former Imperial Family males back into the Imperial Family.
- On Thursday, the Lower House Commission on the Constitution [held](#) the third session of free discussion, in which the LDP proposed accelerating talks on priority provisions like extending Diet member terms during emergencies. The opposition is wary of rushing discussions. The Upper House will [begin](#) talks on May 8.
- On Wednesday, the GOJ [convened](#) the first meeting of the Project Team Promoting Women’s Activities in Professional Lives (chaired by Special Advisor on Labor Yata Wakako) and agreed to work toward narrowing the gender pay gap to that equivalent of Europe and the United States. An interim report will be [compiled](#) as early as June.
- The civilian expert group “Population Strategy Council” [released](#) a report that suggested over 40 percent of the 744 municipalities in Japan are at risk of possibly disappearing, as the population of child-rearing women (20s/30s) halves by 2050.
- On Tuesday, the Cabinet [approved](#) an additional ¥138.9 billion appropriation from the FY 2024 reserve funds for recovery and reconstruction from the Noto Peninsula earthquake. The GOJ [aims](#) to resume traffic on the largest road by the end of July.
- On Monday, the Cabinet Office [released](#) an interim expert report on generative AI and intellectual property (IP) rights. The report [encourages](#) developers to utilize technologies preventing output of content infringing on IP rights, service providers to create user guidelines including consideration for IP rights, business users to provide preventive measures and responses to breaches, IP holders to utilize technologies to reject AI machine learning, and users to check whether AI is protecting IP rights.

7. Yen Depreciates Further as BOJ Maintains Interest Rates

- On Friday, the yen [depreciated](#) to a thirty-four year low of ¥156 to the dollar after the Bank of Japan (BOJ) decided to maintain monetary policy at its meeting that day.
- Investors sold the yen as many were surprised that the BOJ made no policy tweaks like cutting back on JGB purchases as the yen continued to depreciate.
- BOJ Governor Ueda Kazuo [explained](#) after the meeting that the Bank felt no need to change monetary policy until it had further evidence of sustained hikes in inflation and wages.

- The BOJ [indicated](#) in its “Outlook for Economic Activity and Prices” that the consumer price index (CPI) excluding volatile fresh food items in FY 2026 is projected at 1.9 percent, while it raised the outlook for FY 2024 and FY 2025 from 2.4 to 2.8 and 1.8 to 1.9 percent, respectively.
- Minister of Finance Suzuki Shunichi [indicated](#) the same day that he is “concerned” about the negative aspects of inflation. He added that the ministry is monitoring exchange rate fluctuations and is prepared to respond when necessary.

8. GOJ to Tighten Export Control Measures on Dual-Use Technologies

- On Friday, the Ministry of Economy, Trade and Industry [announced](#) that it will subject four items related to semiconductors and quantum to export control measures, requiring approval prior to export to all destinations.
- METI aims to revise the Foreign Exchange and Foreign Trade Act (FEFTA) this year, with plans to add the new items ahead of discussions within the Wassenaar Arrangement towards an international consensus on restricting the technologies.
- Meanwhile, METI also [released](#) an interim report on Wednesday outlining its position towards revising the existing export control regime on dual-use technologies.
- The proposed changes [include](#) requiring prior approval of technology transfers related to technologies that other countries may be interested in acquiring that Japan has a large market share of, and that can be manufactured abroad without input from Japan. The scope of covered technologies will be discussed with firms and industry.
- The changes also include expanding oversight over technologies with security implications from arms exporters like North Korea and Iran to “general countries” like the United States, Russia, and China.

9. Economic Security Developments

- On Friday, the GOJ [approved](#) the “Key Strategies of Ocean Policy,” which [indicated](#) developing production capacity for rare earth mining around Minamitorishima as early as FY 2028. This includes developing undersea drones by FY 2027.
- On Wednesday, METI [finalized](#) a draft of the revised Economic Security Action Plan, which [emphasizes](#) the importance of analyzing threats and risks to economic security, as well as the need for an early warning system to identify supply chain risks.
- METI and MOF [announced](#) that they decided to initiate a new anti-dumping investigation in accordance with WTO agreements of graphite electrodes originating

- in China. The one-year investigation will [request](#) evidence from both Japanese and Chinese firms on how cheap Chinese exports are crowding out Japanese exports.
- Sumitomo Heavy Industries [announced](#) that it plans to invest ¥89 billion by December 2026 in its division working on semiconductor equipment. The company plans to invest heavily in R&D and capital investment into industrial machinery.
 - *Nikkei* [reported](#) Sunday that the National Institute of Advanced Industrial Science and Technology (AIST), housed under METI, will begin a brokerage service for outsourcing chip manufacturing for firms and institutions that want to design and utilize semiconductors. It will become a subsidiary of U.S.-based Efabless.
 - *Nikkei* [reported](#) Saturday that AIST also plans to partner with NVIDIA to develop a quantum computing system that it aims to lease to firms and researchers after FY 2025. The computing system “ABCI-Q” would improve drug discovery research and logistics dramatically.

10. Key Economic/Financial Developments

- On Friday, the GOJ [approved](#) legislation aiming to break up the duopoly of Apple and Google in the smartphone space through preemptive measures and introducing a penalty of up to 20 percent of profit for violators of the new rules.
- Minister of State for Science and Technology Policy Takaichi Sanae [announced](#) that Japan will roll out a ¥1 trillion “space strategy fund” under the Japan Aerospace Exploration Agency (JAXA) to fully subsidize space technology development.
- On Tuesday, Japan Post Bank [announced](#) that a system failure delayed approximately 1.18 million deposit transactions from other banks in the morning. The Bank emphasized that there was no cyber attack on its servers.
- *Nikkei* [reported](#) Monday that SoftBank will invest ¥150 billion by FY 2025 to set up computing facilities necessary for generative AI development. It has already invested ¥20 billion last year to develop a foundational computing model, with the goal of raising computing capacity to meet the standards of the most advanced models.
- Minister of Economy, Trade and Industry Saito Ken [held](#) a meeting with South Korean Minister for Trade, Industry and Energy Ahn Dukgeun and agreed to launch a series of dialogues for supply chain resilience and clean energy cooperation.
- *Nikkei* [reported](#) that Japan and the European Union plan to set up a framework by 2025 to share information on where critical minerals used in EV batteries are extracted from and where they are traded. The aim is to counter Chinese dominance.

11. State of the Economy

- On Tuesday, the GOJ [released](#) its Monthly Economic Report for April, which [maintained](#) the assessment for the third consecutive month that the “economy is recovering at a moderate pace, although it recently appears to be pausing.”
- The report noted that while the economy is expected to continue recovering at a moderate pace due to government policies, downside risks remain in the form of global economic slowdown.
- The MOF [finalized](#) its Economic Situation Report for April, which maintained the assessment for the third consecutive quarter that the economy is recovering at a moderate pace.
- The ministry [downgraded](#) its assessment of economic activity in Kanto, Hokuriku, and Tokai regions as inflation cuts back consumption and manufacturing activity diminished due to the quality control issue related to automobiles.
- *Nikkei* [reported](#) Saturday that India is expected to overtake Japan in terms of nominal GDP in 2025. According to the IMF, India will overtake Japan a year ahead of previous estimates due to the decrease in value of Japan’s GDP (weak yen).

II. Public Opinion Poll

- A *Mainichi* poll [released](#) on Monday showed Cabinet approval at 22 percent, up five points from March, while disapproval was at 74 percent, down three points.
 - 38 percent of respondents said that they believe the LDP’s disciplinary actions against Diet members involved in the fundraising scandal was “too lenient”; 17 percent said it was appropriate; and 3 percent said it was “too tough.”
 - 70 percent of respondents said that they are dissatisfied with the fact that Kishida was left out of disciplined members, while 18 percent said they were satisfied with the decision.
 - 80 percent of respondents said that the LDP faction executives should be called in to testify before the Diet, while 13 percent said there is no such need.
 - 84 percent of respondents said that they believe ex-Prime Minister and *Seiwakai* president Mori Yoshiro should testify in the Diet, while 10 percent said he should not be asked to testify.
 - 41 percent of respondents said that they disapprove of the Kishida-Biden summit results, while 37 percent said they approve.
 - 62 percent of respondents said that they believe there should be a change in government, while 24 percent said there is no need.
- The survey also collected data on the latest approval ratings of political parties.

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Political Party	Approval Rating (%)
Liberal Democratic Party	20 (+3)
Constitutional Democratic Party	15 (+2)
Japan Innovation Party	9 (-1)
Komeito	3 (± 0)
Japan Communist Party	6 (-1)
Democratic Party for the People	4 (± 0)
Reiwa Shinsengumi	6 (± 0)
Party to Realize Free Education	0 (-1)
Social Democratic Party	1 (± 0)
Suffrage Party (Sanseitō)	1 (± 0)
Independent (No Party)	28 (-6)