

## ***The Weekly Observer***

March 28-April 1, 2022

*The 30<sup>th</sup> edition of the weekly newsletter aggregating news on Japanese politics! This week focuses on Omicron variant taking over Japan, a new vaccine minister, the TICAD ministerial meeting, PM Kishida and U.S. Ambassador Emanuel's visit to Hiroshima, the 2022 Diplomatic Bluebook's contents, the scheduled "2+2" meeting with the Philippines and India, new MOD units, the proposed economic stimulus package, legislation passed this week, HoC election updates, the ruling coalition-DPP discussion on responses to rising oil prices, the BOJ Tankan survey, new systems in place in the new FY, the BOJ's maneuverings to manage the long-term interest rate, Bain Capital's bid to privatize Toshiba, and more.*

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

### **1. Omicron BA.2 to Completely Replace Other Strains in April**

- The health ministry's expert panel [reported](#) on Wednesday that Japan is experiencing a rebound in cases, especially among those in their 20s most likely due to an increase in activities after the pre-emergency measures were lifted.
- According to a *Sankei Shimbun* article [published](#) on March 26, close to 100 percent of confirmed cases in April are likely to be the Omicron BA.2 strain.
- According to an estimate by the National Institute of Infectious Diseases, 72 percent of cases in the first week of April, and 97 percent of cases in the first week of May are likely to be of this strain. It is likely to [reach](#) 60 percent this week.
- Data also shows that the BA.2 strain is 26 percent more transmissible than the original BA.1 strain. In Tokyo alone, the [rate](#) at which BA.2 was detected in screening tests increased from 18 percent to 39 percent between the weeks of Feb. 28 and March 7.
- In a move to further relax restrictions, the GOJ [announced](#) Friday that it will raise the daily entry cap from 7,000 to 10,000 starting April 10.

### **2. Minister in Charge of Promoting Vaccinations to Resign**

- On Tuesday, Chief Cabinet Secretary Matsuno Hirokazu [announced](#) that Horiuchi Noriko, minister in charge of promoting vaccinations, would be resigning on March 31.
- Matsuno explained that the Cabinet was abiding by the Olympic and Paralympic Games law that states the ministerial position in charge of this event would be retired upon the closing of the headquarters for the games.
- Starting April, Matsuno will take on the role as minister promoting vaccinations, while Minister of Education, Culture, Sports, Science and Technology Suematsu Shinsuke will take over as minister for the Olympic and Paralympic Games.
- At a Diet session on Monday, Prime Minister Kishida Fumio [stated](#) that the GOJ is making every effort to prepare for a fourth vaccination, including acquiring sufficient vaccine supply.

### **3. TICAD Ministerial Meeting**

- On Saturday, Foreign Minister Hayashi [chaired](#) a ministerial meeting of the Tokyo International Conference on African Development ahead of TICAD 8 in August.

- The participants (50 African countries, the UN, UNDP, World Bank, Africa Union Commission, and Japanese private sector) discussed priority issues on African development based on three pillars: economy, society, and peace and stability.
- Hayashi explained that while COVID-19 has had a considerable socio-economic impact on Africa, Japan supports the realization of Agenda 2063 and the SDGs, with an emphasis on “people” and “quality growth” based on human security.
- State Minister Suzuki Takako (acting chair) mentioned that “protection” and “empowerment” as well as “solidarity” are required to realize human security.
- She stated that Japan will continue to support Africa to overcome the pandemic and invest in “people” and to provide support in the area of environment. She also expressed commitment to support African-led efforts toward the consolidation of democracy and the promotion of the rule of law.
- In response, African countries expressed their appreciation for Japan’s commitments to support African development through TICAD and for Japan’s support including contributing to vaccine donation efforts.

#### 4. Japan-U.S. Developments

- Gen. Yamazaki Kōji, the Chief of Staff of the Joint Staff, is in Hawaii [between](#) April 30-May 1 to participate in the Japan-U.S.-ROK chief of staff meeting. The three leaders discussed North Korea’s missile tests and the importance of a regional order based on the rule of law.
- On Tuesday, Vice Minister of Finance for International Affairs Kanda Masato [met](#) with Acting U.S. Undersecretary of the Treasury Andy Baukol in Tokyo and agreed that monetary authorities would communicate closely on currency issues.
- The meeting happened after the yen weakened further to ¥125 against the dollar for the first time in about six-and-a-half years on Monday.
- *Yomiuri* [reported](#) Tuesday that the defense ministry is prepared to brief Okinawa and Naha City regarding the Japan-U.S. governments’ plan to relocate Naha Port Facility to an area off the coast of Urasoe City, north of Naha (landfill). It would be the first significant development since the Japan-U.S. agreement in 1974.
- On Saturday, Prime Minister Kishida and U.S. Ambassador to Japan Rahm Emanuel [visited](#) the Peace Memorial Park in Hiroshima City to offer flowers to the Atomic Bomb memorial.
- The prime minister also received a courtesy call from the ambassador. The two [shared](#) their concerns about Russia’s threat to use nuclear weapons. Kishida added that Japan cannot tolerate another nuclear atrocity as the only country to have experienced a nuclear attack.

5. 2022 Diplomatic Bluebook to Criticize Russia

- *Nikkei* [revealed](#) Thursday that this year's Diplomatic Bluebook will state that Russia's invasion of Ukraine is a "challenge to the foundation of international order, such as the prohibition of the use of force and the rule of law, that humankind has built up over the years."
- It will also criticize Russia for its grave violation of international law, stating that its actions can never be forgiven.
- The bluebook will emphasize the deteriorating security environment surrounding Japan in light of the ever-increasing military presence of China and Russia.
- This year's bluebook will revive language that the Northern Territories are the "sovereign territory of Japan" for the first time since 2011. It will also [mention](#) Russia's "illegal occupation" of the territory for the first time since 2003.
- On China, the bluebook [continues to express](#) strong concerns regarding its actions, while calling the bilateral relationship one of the most important relationships for Japan. South Korea will continue to be referred to as an "important neighbor."

6. Foreign Policy Developments

- The Kishida Cabinet [approved](#) additional sanctions on four organizations and nine individuals (asset freezes) in relation to the March 24 DPRK missile launch. The sanctions list now includes 129 organizations and 120 individuals.
- *Nikkei* [reported](#) Wednesday that the GOJ is arranging to convene "2+2" meetings with the Philippines (first time, on [April 9](#) in Japan) and India in April. China's growing maritime presence is expected to be on the agenda.
- Foreign Minister Hayashi Yoshimasa is [expected](#) to become the first foreign minister to participate in a NATO foreign ministers' meeting to be held in Brussels in April. The ministers will discuss sanctions on Russia and means of supporting Ukrainian evacuees.
- On Monday, Ambassador to South Korea Aiboshi Koichi [met](#) with Yoon Suk-yeol, president-elect of South Korea. Yoon stated that both sides will need to make efforts to speedily return to a good relationship. Yoon added that trilateral cooperation with the U.S. will be necessary to respond to North Korea.
- On Monday, MOFA Asian and Oceanic Bureau Director-General Funakoshi Takehiro [spoke on the phone](#) with U.S. Special Representative to the DPRK Sung Kim and Special Representative for Korean Peninsula Peace and Security Affairs Noh-Kyu-duk. The three shared their concerns about the new missile threat and agreed to continue working together on the matter.

- On Saturday, the G7 foreign ministers [issued](#) a statement condemning the ICBM launch on March 24 by North Korea. The ministers “strongly condemn” the blatant violation of its obligations under numerous UN Security Council resolutions, which threaten regional and international peace and security.

## 7. Defense/Security Developments

- The defense ministry [established](#) a new position called “global strategic intelligence officer,” effective April 1. The officer will be tasked with identifying “fake news” on social media in an effort to respond to hybrid warfare combining military action with information warfare and/or cyber attacks.
- The Acquisition, Technology & Logistics Agency [announced](#) Friday that it had established new cyber security standards for all companies with MOD contracts (2023-) that handle information that needs protection from cyber attacks.
- The ASDF [revealed](#) Thursday that it formally deployed a mobile warning and control radar that was provisionally placed on Yonaguni Island, Okinawa. Mobile radars are better equipped to monitor intrusions into Japanese airspace.
- *Sankei* [reported](#) Wednesday that MOD will begin seriously considering next year the operation of combat drones. This comes after Ukraine’s Turkish-made TB2 drones successfully attacked Russian surface-to-air missiles. But first, Japan must reconcile drone attacks with its “exclusively defense-oriented” policy.
- On Tuesday, Defense Minister Kishi Nobuo [reiterated](#) that the ministry believes North Korea launched a new ICBM on March 24. The South Korean Ministry of National Defense [said](#) Tuesday that North Korea had staged the launch, and that it was Hwasong-15, not a new ICBM.
- *Sankei* [reported](#) Monday that the GSDF had established a new electronic operations unit on March 17. The roughly 180-personnel team is tasked with collecting, analyzing and evaluating electromagnetic wave information, as well as neutralizing an adversary’s activities using radio waves in times of crisis.

## 8. Government to Craft Economic Package by the End of April

- Prime Minister Kishida on Tuesday [instructed](#) ministers to begin work on developing a new stimulus package by late April to soften the blow from rising energy, commodity and grain prices to households due to the situation in Ukraine.
- The package will focus on four areas: higher crude oil prices, stable food supplies, funding support for small and mid-sized firms and assistance to people in need.
- Kishida instructed the ministers to use the ¥5 trillion set aside in the FY 2022 budget for the pandemic response, as well as the ¥500 billion in reserve funds allocated for other emergency spending needs.

- Kishida [envisions](#) a two-phased approach—the new stimulus package and a second round after the House of Councillors election focusing on a positive cycle of growth and distribution and structural change to Japan’s economy.
- The GOJ is [floating](#) ¥2 trillion as an appropriate budget for the stimulus package. Some within the LDP, [including](#) Vice President Aso Taro, want the GOJ to swiftly respond by using reserve funds.
- Meanwhile, junior coalition partner Komeito [believes](#) the reserve funds will be insufficient. It is [calling](#) on the GOJ to prepare a supplementary budget to submit this Diet session.

#### 9. Diet Proceedings

- The amended Police Act was [enacted](#) on Friday. It establishes a new “Cyber Police Division” within the National Police Agency to respond to an uptick in cyber attacks against Japanese companies by foreign actors.
- The amended Employment Insurance Act [passed](#) on Wednesday. It raises the premium from 0.9 percent to 0.95 percent between April-Sept. 2022, and 1.35 percent between Oct. 2020-March 2023.
- The CDP [submits](#) legislation to the Diet establishing new visa status for all evacuees from war and other atrocities. Evacuees from all wars and civil wars would be permitted work immediately and stay in Japan for up to a year.

#### 10. House of Councillors Election Updates

- DPP leader Tamaki Yuichiro and Japanese Trade Union Confederation (RENGO) President Yoshino Tomoko [met](#) on Thursday to discuss electoral cooperation.
- While Rengo requested that the DPP proceed with candidate arrangements with the CDP, Tamaki did not give a clear response and said after the meeting that the party will make a comprehensive decision.
- Instead, the DPP [announced](#) Friday that it agreed to reciprocally endorse candidates with the Tomin First Party, Tokyo Governor Koike’s former party.
- The [four leaders](#) of the LDP—Secretary General Motegi Toshimitsu, General Affairs Chair Fukuda Tatsuo, Policy Research Council Chair Takaichi Sanae and Election Strategy HQ Chair Endo Toshiaki—met to discuss election strategy on Wednesday. They will meet regularly going forward.
- The LDP is [arranging](#) to pass up on an opportunity to field a candidate in Yamaguchi’s SMD to give the seat to the incumbent DPP candidate. It is viewed as a way to curry favor with the DPP, which voted in favor of the FY 2022 budget.

- DPP leader Tamaki had [aired](#) his frustrations on Tuesday regarding the CDP's decision to field a rival candidate in Kagawa's SMD to set up an opposition battle.

#### 11. Ruling Coalition and DPP to Conclude Talks on Rising Oil Prices Next Month

- Prime Minister Kishida [said](#) Monday that he informed the working group discussing measures to combat rising oil prices to conclude talks in April.
- Komeito Secretary General Ishii Keiichi [submitted](#) on Monday his party's proposal calling on the GOJ to unfreeze the "trigger clause" on the gas tax and to secure funds through a new supplementary budget.
- The LDP-Komeito-DPP working group [met](#) Wednesday and agreed to continue providing subsidies to oil suppliers regardless of the GOJ's decision whether or not to unfreeze the trigger clause.
- The trigger clause only lifts taxes on gasoline and light oil. The subsidy covers four oil types, including kerosene and heavy oil.
- The [average](#) over-the-counter gas prices across the country on Wednesday was ¥174/liter. Subsidy amounts will return to ¥25/liter starting Thursday after crude oil rebounded and the yen depreciated.

#### 12. State of the Economy

- [According](#) to the BOJ's March Tankan survey (short-term economic survey of enterprises) issued Friday, business sentiment among large manufacturers has receded for the first time in seven quarters.
- The diffusion index of sentiment (DI) [among](#) large manufacturers was plus 14, down 3 points from February. [According](#) to experts, while the war in Ukraine and sluggish growth in China lowered sentiment, the U.S. economy's strong recovery has kept sentiment higher than expected.
- Prime Minister Kishida [met](#) with BOJ Governor Kuroda Haruhiko on Wednesday. Kuroda informed the prime minister that it is desirable for the exchange rate to remain stable. Speculation that the two actors would respond to the yen's sharp depreciation in recent weeks pushed the currency up to the ¥121 level.
- [According](#) to data released by METI on Wednesday, Feb.'s retail sales decreased for the first time in five months, down 0.8 percent from the same month last year at ¥11.54 trillion. Consumption declined due to COVID-19 and cold weather.
- [According](#) to labor statistics released by the labor ministry on Tuesday, February's monthly unemployment rate was 2.7 percent, down 0.1 percent from January.

#### 13. Other Political Developments



- Starting April 1, there are [several new systems](#) in place in Japan. Most importantly, the age of legal adulthood will be lowered to 18. “New adults” can get loans, create credit cards, lease rooms, but cannot drink alcohol (still 20).
- Other measures include an expansion of medical insurance to cover more infertility treatment; paternity leave; lower pension amounts; and mandating the reduction of plastic waste (e.g. forks/spoons/straws) for businesses.
- Pension amounts [starting](#) the April-May period will be 0.4 percent less than before. Senior citizens now have a choice to begin receiving benefits between 60-75, not 60-70 years old.
- The ten largest electricity providers in the nation [announced](#) Wednesday that all companies would be raising electricity prices in May due to higher energy prices and the additional cost on bills mandated by law to promote renewable energy use.
- The internal affairs and communications ministry [announced](#) Tuesday that the GOJ aims to increase the 5G “population coverage rate” from 35 percent to 95 percent by the end of 2023.

#### 14. Other Noteworthy News

- **BOJ Attempts to Combat Rising Long-Term Interest Rates:** On Wednesday, the Bank of Japan made the unprecedented move to buy an unlimited amount of government bonds for a second consecutive day in an attempt to push down the yield on the benchmark 10-year GOJ bond. The BOJ [initiated](#) the policy of buying an unlimited amount of government bonds in March 2021 to maintain yields around 0 percent (0.25 being the implicit ceiling). The central bank continues to aim for low rates despite other central banks, including the Federal Reserve, moving toward hiking rates. On Tuesday, the BOJ [made](#) the rare move of offering to buy bonds twice, as the initial offer in the morning failed to push down yields. The yield on the 10-year GOJ bond reached 0.25 percent. Experts say the yield has been rising as investors believe the U.S. long-term interest rates will increase. The difference in interest rates between Japan and the U.S. also impacted the exchange rate, as investors sold the yen and purchased the dollar. At one point, the yen [crashed](#) to ¥124 against the dollar for the first time in six years and seven months. On Wednesday, the BOJ [announced](#) the traditional bond purchasing operation in tandem with the extraordinary measure. It entailed increasing purchases of five- to ten-year bonds by ¥300 billion to ¥725 billion. The traditional policy can be defined as purchasing bonds of a fixed amount in descending order of yield offered by financial institutions. As a result, yields on the 10-year GOJ bond at one point fell to 0.225 percent. [Concerns](#) remain about the feasibility of continuing to defend the yield target of 0.25 percent, as making offers to buy bonds weakens the yen and inflates already surging import costs.
- **Bain to Attempt Privatization of Toshiba:** On Thursday, news [surfaced](#) that Bain Capital is preparing a bid to acquire Toshiba and privatize it. This is the [latest of](#)

[moves](#) to revive the company after a failed takeover attempt by CVC Capital Partners in April last year and unsuccessful proposals to split the company by business area (split into 3 proposed Nov. 2021; into 2 proposed in Feb. 2022). The merits of privatization includes less friction between activist shareholders and the company over M&As and overall management of the company. There is opposition within the company to privatize as this would essentially mean handing the reins of the company over to foreign-owned funds. Under the [reported agreement](#), Bain and Effissimo Capital Management, a Singapore-based fund and Toshiba's largest shareholder, agreed that the latter would sell its entire stake if the former launches a TOB. Effissimo also agreed not to accept a TOB bid launched by any other third party. Challenges are plentiful, as the Foreign Exchange and Foreign Trade Act allows the GOJ to scrutinize foreign takeovers of companies with national security interests. Toshiba is involved in nuclear power projects, which fall under "core sectors" to national security. Bain hopes to get around this hurdle by buying Toshiba in partnership with other Japanese companies. Minister of Economy, Trade and Industry Hagiuda [said](#) Friday that the ministry will continue to closely monitor the situation.

## II. Public Opinion Polls

- A *Nihon Keizai Shimbun* [poll](#) released Monday showed the Kishida Cabinet's approval rating was 61 percent, up 6 points from Feb., while disapproval was 27 percent, down 4 percent.
  - 33 percent of respondents said they support the Kishida Cabinet because they trust the prime minister's character; 25 percent said because it represents stability; and 24 percent said because the cabinet is centered around the LDP.
  - 34 percent of respondents said they don't support the Kishida Cabinet because the cabinet has no executive ability; 33 percent said because it is an LDP-centered government; and 30 percent said because of the way the cabinet and party is operated.
  - 38 percent of respondents each said they would like the prime minister to prioritize economic recovery and social welfare; 30 percent said the COVID-19 response; 29 percent said foreign policy and security; 24 percent said child care and countermeasures to the falling birthrate; and 20 percent said fiscal consolidation.
  - 64 percent of respondents said they approve of the government's coronavirus response so far, while 30 percent said they disapprove.
  - 67 percent of respondents said they approve of the Kishida Cabinet's response to Russia's military invasion of Ukraine, while 22 percent said they disapprove.
  - 44 percent of respondents said Japan's economic sanctions on Russia are appropriate; 41 percent said they should be stronger; and 7 percent said they are too strong.
  - 90 percent of respondents said they support the government's decision to accept Ukrainian evacuees, while 4 percent said they oppose it.

- 52 percent of respondents said Japan should withdraw its approach to negotiating a peace treaty with Russia and come up with a new policy, while 37 percent said Japan should stay on course and seek to resume negotiations.
  - 77 percent of respondents said they have concerns the Ukraine crisis will have an effect on Taiwan, while 12 percent said they have no such concerns.
  - 56 percent of respondents said they don't believe Japan should implement nuclear sharing but should discuss it; 23 percent said Japan should discuss it with an eye on nuclear sharing; 17 percent said it should not be discussed.
  - 53 percent of respondents said Japan should move toward restarting nuclear reactors, while 38 percent said Japan should not.
  - 56 percent of respondents said they approve of the Democratic People's Party's decision to vote in favor of the FY 2022 budget, while 28 percent said they disapprove.
- The survey also collected data on the latest approval ratings of political parties.

Political Party	Approval Rating (%)
Liberal Democratic Party	49 (+3)
Constitutional Democratic Party	6 (-1)
Japan Innovation Party	7 (-1)
Independent	24 (-)