

The Weekly Observer

June 6-10, 2022

The 35th edition of the weekly newsletter aggregating news on Japanese politics! This week focuses on the North Korea's latest missile launch, the Japan-U.S.-ROK trilateral vice ministers meeting, the scheduled Shangri-La Dialogue, Japan's election to a non-permanent seat on the UNSC, the planned Japan-U.S.-ROK trilateral defense ministers meeting next week, the GOJ's Basic Policy 2022, the PM's vision for "new capitalism," the vote of no confidence against the Kishida Cabinet, the Upper House election day, the BOJ governor's insensitive statement, the impact of a sliding yen, the impacts of the war in Ukraine, inflation and sliding yen on the economy, Japan's limited reopening of borders, and more.

By Content

I. News of the Week

Foreign Policy/Security

1. North Korea Launches Eight SRBMs
2. Japan, U.S. and South Korean Vice Foreign Ministers Meet
3. Japan and China to Hold Defense Minister Talks in Singapore
4. Foreign Policy Developments
5. Defense/Security Developments

Domestic Politics

6. Cabinet OKs FY 2022 Basic Policy (Honebuto)
7. Cabinet Finalizes Action Plan to Realize "New Capitalism"
8. Ruling Coalition Defeats Vote of No Confidence
9. Upper House Election to Be Held on July 10
10. Other Political Developments

Economics/Finance

11. BOJ Governor Forced to Apologize for Claim Consumers Tolerant of Price Rises
12. Key Economic/Finance Developments
13. State of the Economy

Deep Dive

14. Japan's Limited Opening of Borders to Tourists

II. Public Opinion Polls

1. Yomiuri (6/6)

I. News of the Week

1. North Korea Launches Eight SRBMs

- South Korea's Joint Chiefs of Staff [said](#) Sunday that North Korea had fired eight short-range ballistic missiles into waters off its east coast. Minister of Defense Kishi Nobuo initially said six missiles but on Friday [revised](#) it to eight missiles.
- Kishi [said](#) Tuesday that North Korea's repeated launching of missiles from different sites is "unprecedented." He confirmed that the DPRK has launched over 26 missiles from more than three sites since January.
- [According](#) to the ministry, at least one of the missiles had an "irregular trajectory," which is much more difficult to defend against compared to regular trajectory.
- On Sunday, Prime Minister Kishida Fumio [condemned](#) North Korea's actions as a violation of international law and threatening the peace and stability of the region as well as the international community.
- On Tuesday, the Joint Staff Office [announced](#) that four JSDF and two U.S. military aircraft had conducted a joint exercise over the Sea of Japan. Kishi [explained](#) that the exercise would showcase close cooperation and the readiness of the alliance to those both inside and outside the country.

2. Japan, U.S. and South Korean Vice Foreign Ministers Meet

- On Wednesday, Vice Foreign Minister Mori Takeo traveled to South Korea for a vice ministerial meeting with Deputy Secretary of State Wendy Sherman and First Vice Foreign Minister Cho Hyundong. It was the [first time](#) in four-and-a-half years that a vice minister level official traveled South Korea.
- In the [joint statement](#), the ministers and deputy secretary "strongly condemned the repeated unlawful ballistic missile launches by the DPRK." They committed to advancing trilateral security cooperation on the matter.
- In a bilateral meeting, Mori and Sherman [reaffirmed](#) their intention to swiftly strengthen deterrence and response capabilities of the alliance. The two also agreed to cooperate on issues related to China and Russia.
- In a bilateral meeting, Mori and Cho [agreed](#) on the need to improve relations given the current security environment. Mori added that historical issues such as wartime labor would have to be resolved swiftly in line with the 1965 agreement. Mori also [paid](#) a courtesy call on Foreign Minister Park Jin.
- On Sunday, MOFA Director General for Asian and Oceanian Affairs Funakoshi Takehiro [participated](#) in a trilateral meeting with Special Representative for the DPRK Ambassador Sung Kim and Special Representative for Korean Peninsula Peace and Security Affairs Kim Gunn in Seoul to discuss cooperation on the

DPRK. They reaffirmed the importance of a robust trilateral relationship as the three work to achieve the complete denuclearization of the Korean Peninsula.

3. Japan and China to Hold Defense Minister Talks in Singapore

- Defense Minister Kishi will [travel](#) to Singapore between June 10-12 for the [IISS Shangri-La Dialogue](#) and is arranging to meet with General Wei Fenghe, head of the Chinese Ministry of National Defense on the 12th.
- It will be the first face-to-face meeting between the two ministers. Among other things, Kishi is expected to request restraint from the Chinese side regarding its activities in the East China Sea.
- The ministers will likely discuss the opening of a defense hotline between ministry officials to prevent accidents between the JSDF and the PLA.
- Prime Minister Kishida will [deliver](#) the keynote speech at the Shangri-La Dialogue. He is [expected](#) to announce that the GOJ will release by next spring a detailed plan on how it will promote a free and open Indo-Pacific.
- On Tuesday, National Security Secretariat Secretary General Akiba Takeo [held](#) his first meeting with China's top diplomat Yang Jiechi. The two confirmed the need for both sides to make efforts toward "constructive and stable relations," and agreed on the importance of creating a method of communication.

4. Foreign Policy Developments

- On Thursday, Japan was [elected](#) to serve as a non-permanent member of the UN Security Council for the twelfth time (more than any member state). Japan will serve starting January 1, 2023 for two years.
- *NHK* [reported](#) Thursday that Japan and the U.S. plan to hold the first economic "2+2" meeting in Washington, D.C., on July 29.
- Former LDP Secretary General Nikai Toshihiro [indicated](#) on Thursday that he plans to lead a delegation of lawmakers to South Korea in the summer after the Upper House election. Meanwhile, South Korea [plans to send](#) Foreign Minister Park Jin to Japan sometime this month to begin improving bilateral relations.
- *Nikkei* [reported](#) on Saturday that the prime minister is arranging to travel to Spain for the NATO summit on June 29-30 [after](#) the G7 summit in Germany on June 26-28. He would be the first prime minister to attend a NATO summit meeting.
- On Tuesday, the GOJ [signed](#) and exchanged notes with Ukraine concerning additional financial support of ¥65 billion for "emergency economic reconstruction development policy loan."

- The GOJ also [announced](#) additional sanctions on Russia and Belarus, specifically freezing financial assets of two Russian banks and one Belarusian bank, as well as a ban on exports that could strengthen Russia's industrial base.¹

5. Defense/Security Developments

- At a press conference on Friday, Defense Minister Kishi [revealed](#) that the MSDF spotted five Russian vessels in the Pacific Ocean to the east of Hokkaido. He said it was part of the Russian's large-scale military exercise in the Pacific Ocean.
- On Tuesday, General Yamazaki Koji, chief of staff of the Joint Staff, [received](#) a courtesy call from Admiral Rob Bauer, chair of the NATO Military Committee. The two discussed cooperation to preserve a rules-based international order.
- *Kyodo* [reported](#) Monday that the MOD plans to establish a new position "Integrated Commander" that centralizes operational command of SDF units. It suggests concerns about a Taiwan contingency may have played a role.
- *Nikkei* [reported](#) Sunday that the GOJ plans to dispatch a civilian MOD officer to the Taipei office of the Japan-Taiwan Exchange Association as early as this summer to bolster intelligence gathering capabilities. Today, one former SDF officer serves as defense attache.
- *NHK* [reported](#) Saturday that the defense chiefs of Japan, the U.S. and South Korea are planning to meet on the sidelines of the Shangri-La Dialogue next week to bolster trilateral cooperation amid North Korea's repeated missile tests.

6. Cabinet OKs FY 2022 Basic Policy (Honebuto)

- The Cabinet on Tuesday approved the [FY 2022 Basic Policy](#), a set of policy guidelines used to draft policy on economic and fiscal management.
- The Basic Policy [includes](#) a range of policies from subsidizing childcare to promote child rearing to establishing an office to head economic security policy to creating energy supply chains reducing dependence on Russia.
- The Basic Policy for the first time mentions Taiwan, stating in the annotations that "at the Japan-U.S. summit meeting, the two leaders emphasized the importance of peace and stability in the Taiwan Strait and urged a peaceful resolution to the cross-strait issue."
- It mentions that the GOJ aims to fundamentally bolster defense within the next five years, but avoids a specific target amount. It does, however, refer to NATO's goal of spending more than 2 percent of GDP on defense.

¹ At a [press conference](#) on Friday, Minister of Economy, Trade and Industry Hagiuda Koichi said Japan will ban top exports to Russia such as trucks, dump trucks, bulldozers, freight locomotives, as well as wood, steel storage tanks and mechanical knives. Measures begin on June 17.

- On fiscal spending, it [balances](#) pro-spending and pro-reconstruction views, stating the GOJ will continue efforts to reform expenditure while also stating reform should not narrow necessary policy options (e.g. defense spending).
- The prime minister [reportedly](#) pushed back against pro-spending lawmakers demanding the GOJ remove mention of a limit on expenditures. This led to the compromised wording that spending concerns should not narrow policy options.

7. Cabinet Finalizes Action Plan to Realize "New Capitalism"

- On Monday, the Cabinet [finalized](#) its action plan to realize “new capitalism.” Kishida stated that social issues with large externalities that cannot be solved by the market will be considered energy sources for “new growth.”
- The prime minister added that the GOJ will formulate and implement by the end of the year a multi-year concrete plan for startups, green transformation and asset income doubling.
- The [pillars](#) of the prime minister’s plan are “people,” “science and technology/innovation,” “startups,” and “green/digital.”
- The first pillar includes raising wages, supporting capacity building and reemployment of around a million people, and rerouting savings to investments. The second pillar includes crafting a national strategy for AI and other technologies, as well as a fundamental expansion of investment into S&T.
- The third pillar includes crafting a plan to increase investment into startups by ten times in the next five years and creating new funding mechanisms. The fourth pillar includes crafting a roadmap to realize public-private investment of ¥150 trillion over the next ten years, as well as establishing a new HQ promoting the digitization of medical services.

8. Ruling Coalition Defeats Vote of No Confidence

- The Lower House on Thursday [struck down](#) the vote of no confidence against the Cabinet submitted by the Constitutional Democratic Party. The ruling coalition was joined by the Japan Innovation Party and the Democratic Party for the People.
- CDP leader Izumi Kenta [explained](#) on Wednesday that his party was submitting the motion because the “government’s inaction against rising good prices cannot be overlooked.”
- The vote showed discord amongst opposition parties ahead of the Upper House election, as two parties decided to vote against the motion. Both parties [argued](#) that the motion was a “farce” submitted “just for the sake of it.”

- The Lower House also [struck down](#) a vote of no confidence against Speaker Hosoda Hiroyuki. Hosoda was recently accused of sexual harassment toward female reporters and criticized for overstepping his authority and [voicing concern](#) over the Diet's decision to "increase ten, reduce ten" seats in the Lower House.
- LDP President Kishida [emphasized](#) Monday that while the opposition is saying things focusing on politics (and the election), he plans to respond appropriately to pass the remaining bills on the docket before the end of the Diet session.
- Meanwhile, the Diet is [expected](#) to pass every bill submitted by the GOJ during a regular session for the first time in twenty-six years.

9. Upper House Election to Be Held on July 10

- LDP Secretary General Motegi Toshimitsu [revealed](#) Saturday that the election will be held on July 10, with the campaign period set to begin June 22.
- The LDP [finalized](#) its policy pledges on Thursday. It includes aiming to reach "necessary funding" for defense within five years from FY 2023; acquiring counterattack capabilities; amending the COJ; and maximizing use of safe nuclear power plants.
- The ruling coalition and the DPFP [confirmed](#) on Thursday that the parties will continue policy deliberations after the Upper House election. The deliberations began in the spring over responses to rising energy prices.
- CDP leader Izumi [stressed](#) Saturday that he plans to make the response to rising prices for goods and services the biggest issue in the upcoming election. He said that his party will focus on bringing back "politics from the people's perspective."
- The DPFP [issued](#) its policy pledges on Monday, including a ¥100,000 "inflation allowance" and temporarily lowering the consumption tax to 5 percent.
- The JCP [announced](#) its policy pledges on Wednesday, including the temporary lowering of the consumption tax to 5 percent and promoting "peace diplomacy" making use of Article 9 (i.e. opposing increase in defense spending).

10. Other Political Developments

- On a TV show [aired](#) Monday, Minister of State for Measures for Declining Birthrate Noda Seiko said the declining birthrate is a security issue since it impacts the number of police officers, firefighters and SDF officers.
- *Nikkei* [reported](#) Monday that the GOJ established a new office within the Cabinet Office of around thirty members, headed by the a director-general level official, to investigate and regulate transactions of land important for Japan's security.

- The office will formulate general guidelines in the summer indicating which facilities are subject to regulation. Following enactment in September, more than 600 facilities related to defense will be subject to regulation ([more on law](#)).
- The prime minister [announced](#) on Sunday in Fukushima that the GOJ plans in the future to lift all evacuation orders in areas where it is still difficult to return to. An area of Katsurao Village will be [opened](#) for residence for the first time since the 3.11 triple disaster on June 12.
- In August 2021, the GOJ indicated that it plans to lift all evacuation orders by the end of the decade. So far, only five areas have/have plans to open for habitation.

11. BOJ Governor Forced to Apologize for Claim Consumers Tolerant of Price Rises

- At a meeting held on Monday, BOJ Governor Kuroda Haruhiko [stated](#) that households are becoming more tolerant of price rises due to “forced savings” accumulated during the pandemic.
- His statement immediately drew criticism online and from opposition lawmakers for being insensitive to what everyday consumers feel.
- He also [said](#) on Monday that the economy is not in a state that requires tightening of monetary policy, stating that the economy is recovering from the pandemic and that there is downward pressure on income due to rising resource prices.
- On Wednesday, Kuroda [retracted](#) his statement, saying that it was “not appropriate at all.” He explained that he meant households had no choice but to accept higher prices, not that they were welcoming higher prices.
- Kuroda [emphasized](#) that the BOJ aims to continue the current policy of strong monetart easing to form a positive cycle of improving employment and wages.

12. Key Economic/Finance Developments

- On Wednesday, the yen [fell](#) to ¥134 against the dollar, the lowest exchange rate in the last two decades since February 2002. The widening gap between Japan and U.S. interest rates accelerated the movement to sell yen and buy the dollar.
- The finance ministry, the Financial Services Agency and BOJ will [hold a meeting](#) on Friday to discuss ways to respond to the rapidly depreciating yen.
- The finance ministry [announced](#) Wednesday that it will establish a new expert council on managing government bonds. The group will meet for the first time on June 13 to discuss the risk of increasing issuance of bonds during the pandemic.
- The GOJ on Tuesday [held](#) the “Review Meeting Regarding Electricity Supply” for the first time in five years to prepare for shortages in the summer. It decided to request families and firms to save electricity between July and September.

- This is the first time in seven years that the GOJ is requesting power conservation across the entire country. The GOJ also requested that power companies restart dormant thermal power plants and acquire additional fuel.
- The GOJ will also begin utilizing a new alert system in which it alerts power shortages a day before they are expected. This comes after [reported delays](#) in alerting the public during the March power shortage.

13. State of the Economy

- The BOJ [released](#) on Friday the corporate goods price index (CGPI) for May, which [rose](#) for a fifteenth consecutive month to 112.8 (9.1 percent up from the same month last year). Around 80 percent of the 515 goods rose in price due to the war in Ukraine, soaring energy prices and the depreciating yen.
- The May Economy Watchers Survey [released](#) on Wednesday showed the index up for the third straight month, exactly 3.6 points up from April at 54, topping the 50 point mark viewed as the break between a good and bad economy. It seems the service sector expects consumption to recover as people begin moving around.
- The composite index for business conditions in April [remained](#) the same at 96.8. While retail sales went up [due](#) to the lifting of pre-emergency measures, the lockdown in China impacted exports and manufacturing.
- According to the finance ministry's April [balance of payments statistics](#), the current account balance was a ¥501.1 billion surplus. This is down 55.6 percent from the same month last year, [mostly due](#) to higher energy costs. The trade balance was a ¥688.4 billion deficit.
- According to the Cabinet Office's data [released](#) Wednesday, the revised real GDP growth rate on an annual basis between Jan.-March was down 0.5 percent. It was [revised upward](#) from the provisional rate, which was minus 1 percent, due to a recovery in individual consumption.
- According to the labor ministry's data [released](#) Tuesday, the real wage rate in April was down 1.2 percent from the same month last year, [declining](#) for the first time in four months. The actual amount paid out went up 1.7 percent but inflation has canceled out any real wage increases.
- The Cabinet Office [announced](#) Monday that the output gap between Jan.-March was negative 3.7 percent or a ¥21 trillion demand shortage. It was [worse](#) than the Oct.-Dec. Period's 3.3 percent, continuing a ten quarter streak of demand deficits.

14. Japan's Limited Opening of Borders to Tourists

- On Monday, the GOJ [released](#) COVID-19 prevention guidelines for the tourism industry ahead of the "reopening" of borders on Friday.

- They include use of masks, having tourists apply for medical insurance, having guides record tourist activity, as well as the use of multilingual leaflets to encourage tourists to adhere by the guidelines.
- Japan is the only major developed country limiting entry of foreign individuals to 20,000. The new policy only allows group tours, restricting entry of individuals.
- At a press conference on Thursday, Chief Cabinet Secretary Matsuno Hirokazu [said](#) he expects inbound tourism will lead to the revitalization of local economies. He added that the GOJ plans to gradually raise the current cap to normal levels.
- [According](#) to *Nikkei*, there are ideas within the GOJ to raise the cap to 30,000-50,000, as well as an idea to completely remove the cap. Some believe tourism will help the ruling coalition in the election, while others are concerned about the risks of new variants entering the country.

II. Public Opinion Polls

- A *Yomiuri* [poll](#) released Monday showed the Kishida Cabinet's approval rating was 64 percent, up 1 percent from May, while disapproval was 26 percent, up 3 percent.
 - 47 percent of respondents said they supported the Cabinet because there are no other options; 16 percent said because it is centered around the LDP; and 14 percent said they trusted the prime minister.
 - 34 percent of respondents said they did not support the Cabinet because they did not have high expectations for its policies; 22 percent said because it is an LDP-centered government; and 17 percent said because the prime minister lacks leadership.
 - 64 percent of respondents said they approve of the government's coronavirus response, while 30 percent said they do not approve.
 - 63 percent of respondents said they approve of the government's decision to loosen travel restrictions for foreign tourists, while 31 percent said they do not approve.
 - 49 percent of respondents said they plan to wear a mask when necessary; 41 percent said they will try their best to wear a mask; and 9 percent said they did not want to wear a mask when possible.
 - 72 percent of respondents said they support bolstering defense, while 21 percent oppose bolstering defense.
 - 35 percent of respondents said they believe defense spending should remain at around 1 percent of GDP; 34 percent said it should be increased to around 1-2 percent; 19 percent said more than 2 percent; and 6 percent said it should be reduced.
 - 62 percent of respondents said they believe Prime Minister Kishida has responded appropriately to Russia's military invasion of Ukraine, while 26 percent said they do not believe he has responded appropriately.

- 74 percent of respondents said they approve of the prime minister's decision during the recent summit to join the U.S. in countering China and Russia, while 18 percent said they do not approve.
 - 45 percent of respondents said they would vote for the LDP in the proportional representation portion of the House of Councillors election in July; 17 percent said undecided; 9 percent said the Japan Innovation Party; 7 percent said the CDP; 4 percent each said Komeito and the JCP; 3 percent said the DPFP; 2 percent said Reiwa Shinsengumi; and 1 percent said the SDP.
 - 83 percent of respondents said they will prioritize the economy and employment when deciding who to vote for in the election; 78 percent said pensions and social welfare; 75 percent said foreign policy and security; 72 percent said the inflation response; and 67 percent said the environment and energy.
- The survey also collected data on the latest approval ratings of political parties.

Political Party	Approval Rating (%)
Liberal Democratic Party	43 (+1)
Constitutional Democratic Party	4 (± 0)
Japan Innovation Party	5 (+2)
Komeito	3 (± 0)
Democratic People's Party	1 (± 0)
Japan Communist Party	2 (± 0)
Reiwa Shinsengumi	1 (+1)
Social Democratic Party	0 (± 0)
Independent	38 (+1)