

The Weekly Observer

September 5-9, 2022

The 42nd edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on the Japan-India “2+2”, G7 virtual meeting on Ukraine, Japan and the U.K.’s plan to jointly develop the next-gen fighter jet, updates on IPEF ministerial, MOFA’s ODA strategy, the first senior level defense talks between Japan and the ROK, further measures to relax COVID-19 restrictions, additional measures to combat inflation, the LDP report identifying 179 lawmakers’ ties to the Unification Church, the PM’s justification for holding former PM Abe’s state funeral, the proposed schedule for an extraordinary Diet session, GOJ-BOJ concerns over the historically weakening yen, another postponement of the Rokkasho reprocessing plant’s completion, key economic indicators, and more.

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I. News of the Week

1. Japan-India "2+2" Meeting

- On Thursday, Foreign Minister Hayashi Yoshimasa and Defense Minister Hamada Yasukazu [participated](#) in the second “2+2” meeting with their Indian counterparts.
- The ministers [reaffirmed](#) their commitment to a rules-based global order that respects sovereignty and territorial integrity of nations, and emphasized the need for all countries to seek peaceful resolution of disputes in accordance with international law.
- The ministers highlighted their commitment to a common strategic goal of achieving a free and open Indo-Pacific, that is inclusive and resilient, based on the rule of law and free from coercion.
- The ministers agreed to continue making efforts toward more complex and sophisticated bilateral exercises. They also acknowledged the vast potential to expand bilateral cooperation in the areas of defense equipment and technology cooperation.
- During a separate meeting, the foreign ministers [discussed](#) bilateral cooperation in economic security and energy security, among other issue areas. They also discussed cooperation in regional affairs and at multilateral fora.
- The defense ministers [discussed](#) further strengthening cooperation through the planned Japan-India joint fighter aircraft exercise, and affirmed that they would continue to promote cooperation and exchange to uphold and reinforce FOIP.

2. G7 Virtual Meeting on Ukraine

- On Thursday, Prime Minister Kishida Fumio [participated](#) in a virtual G7 meeting to discuss the situation in Ukraine. They were joined by Poland, Romania and NATO.
- They shared the view that they would continue to unite and continue strong sanctions against Russia and support for Ukraine. They also agreed to work together to ensure a stable supply of energy and food.
- Kishida informed the other leaders about Russia’s activities in the Indo-Pacific region, Japan’s efforts to secure energy and food security, and the importance of outreach to intermediate countries.
- Kishida said that he and African nations reaffirmed their “serious concern” regarding Russia’s invasion of Ukraine at TICAD 8, and stressed that it would be important for the international community to unite in protecting the foundations of world order.

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- The prime minister declared his intention to lead the G7 next year as chair in sanctioning Russia and uniting the G7 as a group.

3. Japan and the U.K. to Jointly Develop Body of Next-Gen Fighter

- NHK [reported](#) Monday that the Japanese and British governments are arranging to come to an agreement on the joint development of next generation fighter jets by the end of the year.
- Japanese and British companies have already started developing an engine for the aircraft replacing the F-2 fighter jet in January.
- There are plans to include Italy in the project as it already has cooperative relations with the UK. The joint development plan aims to lower costs.
- The defense ministry has [requested](#) ¥143.2 billion in next year's budget to develop the next-generation fighter. It aims to deploy the fighter around 2035.

4. Japan-U.S. Developments

- On Friday, Defense Minister Hamada [received](#) a courtesy call from Gen. Charles Flynn, the U.S. Army's Pacific commander. The two reaffirmed that the GSDF and Army would continue to cooperate closely to bolster the alliance as well as maintain and reinforce the FOIP.
- Minister of Economy, Trade and Industry Nishimura Yasutoshi will [travel](#) to Los Angeles between Sept. 7-11 to participate in the IPEF ministerial meeting. The meeting itself will take place on Sept. 8-9.
- Fourteen countries will attempt to begin negotiations on four pillars: trade; supply chains; clean energy; decarbonization and infrastructure; and tax and anti-corruption. The countries are [likely to agree](#) on a "supply chain management mechanism" including a system to share information and to encourage inventory sharing.
- The White House [announced](#) Wednesday that Vice President Kamala Harris will be traveling to Japan and Korea between Sept. 25-29. She will be leading the Presidential Delegation to the state funeral for former Prime Minister Abe Shinzo.
- On Tuesday, Foreign Minister Hayashi [held](#) a phone conference with Secretary of Commerce Gina Raimondo. They agreed to continue working closely to materialize IPEF in order to achieve sustainable and inclusive growth in the Indo-Pacific region.

5. Foreign Policy Developments

- On Friday, Prime Minister Kishida [held](#) a summit meeting with President Surangel Whipps of Palau. The two discussed a range of issues including the importance of cooperation to realize a free and open Indo-Pacific.
- At a press conference, Foreign Minister Hayashi [said](#) that MOFA plans to revise its ODA strategy in the first half of next year.
- He said the priorities are 1) upholding the international order based on universal values and strengthening cooperation to promote FOIP; 2) further promoting an environment in which the world and Japan can both prosper; and 3) leading global efforts to address global issues and to promote people's security in a new era.
- On Wednesday, the senior officials of Japan, the U.S. and South Korea [met](#) to discuss North Korea. The three directors agreed to continue close trilateral coordination.
- On Tuesday, Hayashi [said](#) the GOJ strongly protested Russia's unilateral decision to cease visa-free travel to the Northern Territories, as agreed upon under a reciprocal program. Kishida also [said](#) that it was an "absolutely unacceptable" move.
- MOFA [announced](#) Monday that Ambassador to Ukraine Matsuda Kuninori had been in Ukraine between August 22-Sept. 4 to exchange views on the situation in Ukraine with government officials. The ambassador also discussed the possibility of resuming embassy activities.

6. Defense/Security Developments

- On Friday, the Nishinoomote City government [submitted](#) a bill proposing the selling of land in the city to the GOJ for an SDF base in Mageshima. The MOD had been negotiating with the City since February for the purchase of land.
- On Thursday, Kishida [announced](#) that the GOJ will establish a new expert panel to discuss the increase in defense spending and fiscal resources to secure the increase. Its first meeting will be held later this month.
- On Thursday, four Chinese Coast Guard vessels [entered](#) Japanese waters near the Senkaku Islands. Foreign Minister Hayashi [voiced](#) on Friday "serious concerns" about repeated intrusions into Japanese waters by the CCG.
- Reports [suggested](#) Wednesday that the cyber attack on government website "e-Gov" was a DDos attack (disrupting traffic) possibly orchestrated by pro-Russian hacker group Killnet.
- MOD [announced](#) Wednesday that Vice Minister Oka Masami met with Vice Defense Minister Shin Beom-chul in Seoul for the [first high-level defense talks](#) in six years.

The officials agreed on the importance of trilateral cooperation with the U.S. on North Korea and of bilateral communication to resolve issues between the two countries.

- MOD [announced](#) Sunday that six Russian and Chinese vessels, participating in the Vostok 2022 exercise, sailed east through the Soya Strait and entered the Sea of Okhotsk. The vessels were confirmed to have conducted an exercise involving machine gun shooting approximately 190 kilometers west of Hokkaido.

7. GOJ Further Relaxes COVID-19 Measures

- On Thursday, Chief Cabinet Secretary Matsuno Hirokazu [said](#) that the GOJ is considering workplace vaccination for the Omicron-targeting vaccine. The SDF-operated mass vaccination sites will also likely remain open.
- The prime minister said Tuesday that vaccination with the new vaccine will start September. The goal is to reach one million shots per day in October-November.
- Health Minister Kato Katsunobu [said](#) Wednesday that those who are asymptomatic or not experiencing symptoms for a day are allowed to go out for a minimum necessary level of time, such as to shop for groceries, as long as they take measures to prevent the spread of infection like wearing a mask. The measure started Wednesday.
- The prime minister [announced](#) on Tuesday that the quarantine period for COVID-19 patients at home will be cut short from ten to seven days. Quarantine will be reduced for asymptomatic patients from seven to five days.
- The prime minister also announced that, starting Sept. 26, total case tallies will no longer be collected. Local authorities will instead focus just on those at higher risks of symptoms turning severe.

8. PM Announces Additional Measures to Combat Inflation

- On Friday, Prime Minister Kishida [announced](#) additional measures to combat inflation and rising costs of living.
- These include: ¥3 trillion plus from reserve funds to finance policies; ¥50,000 cash handouts to low-income households; continuation of subsidies to maintain gas prices until end of year; ¥600 billion to local governments to support households and businesses; maintaining GOJ selling price of imported wheat; control feed costs at the current actual burden level for farmers.
- Reports [suggest](#) that the GOJ planned to cut the gas subsidy amount at the end of the month, but strong opposition from the ruling coalition forced it to change policies.

- The prime minister [announced](#) Thursday that the GOJ will compile a comprehensive economic policy package in October.
- Kishida said the measures will be crafted to ensure the security and safety of the people by advancing new capitalism while responding seamlessly to changes in the economic situation, such as soaring prices.

9. LDP Report Reveals 179 Lawmakers' Ties to Unification Church

- On Thursday, the LDP [released](#) its report on ties between party lawmakers and the Unification Church (and affiliates). Of the 379 lawmakers whom were asked to self-report their ties to the UC, 179 admitted to have some connection with it.
- Of the 179, ten including LDP Policy Research Council Chairperson Hagiuda Koichi attended events hosted by the UC; twenty delivered speeches at affiliated organization events; 49 paid membership fees; and 17 received volunteer support during elections.
- Of the 179, 121 lawmakers' names were [publicly released](#), while the rest were undisclosed due to "looser connections" with the Church, such as sending congratulatory letters or answering interviews with UC-related publications.
- Of the 121 lawmakers, the [most came from](#) the Abe faction (37 members), followed by Aso (21) and Nikai (16) factions. Abe faction heavyweights Hagiuda, Special Advisor to the PM Kishi Nobuo and former policy chief Shimomura Hakubun were among those on the list.
- According to [Jiji](#), Kishida and party Secretary General Motegi Toshimitsu disagreed over the method of disclosure. The PM wanted to release the names of all 179 lawmakers to maintain transparency with the public, while Motegi argued that only the names of those with deep ties with the Church should be publicly released.

10. PM Justifies Abe State Funeral in the Diet

- At a session of "intense deliberation" in the Diet (*heikaichū shinsa*) on Thursday, Prime Minister Kishida [justified](#) holding a state funeral for Abe, raising four reasons including the fact that Abe served the longest term as PM in Japan's history.
- Kishida also [said](#) that the fact that over 1,700 condolences from around 260 countries and regions have been sent on this occasion indicates the legacy Abe left behind as prime minister.
- Kishida [added](#) that Japan will not give in to violence and will demonstrate its determination to resolutely defend democracy. He said meeting with dignitaries will demonstrate his resolve to inherit and develop the diplomatic legacy Abe left behind.

- During the session, the ruling coalition and Japan Innovation Party [announced](#) their support for the funeral, while the CDP and JCP indicated their opposition. The Democratic Party for the People did not indicate its position.
- The GOJ [announced](#) Tuesday that the funeral will cost around ¥1.66 billion, which includes ¥249 million for the venue and ¥1.4 billion for security and hosting dignitaries. The opposition argues that the GOJ attempted to downplay the costs by first suggesting it would cost around ¥250 million (actual cost is 6.6 times more).

11. Other Political Developments

- *Nikkei* [reported](#) Friday that the ruling coalition is arranging to convene an extraordinary Diet session early next month ([Oct. 3](#)). The coalition aims to pass the second supplementary budget for this fiscal year.
- Prime Minister Kishida [said](#) Friday that he aims to amend the Basic Act on Food, Agriculture and Rural Areas for the first time since its enactment in 1999. The [four pillars](#) to bolster the ag sector are—utilizing IT and other technologies to transform it into a growth sector; bolstering exports; establishing sustainable systems with low environmental impact; and strengthening food security.
- *Yomiuri* [reported](#) Tuesday that the prime minister is scheduling a speech at the New York Stock Exchange later this month on the occasion of attending the UN General Assembly. It is being viewed as Kishida’s chance to promote “new capitalism,” similar to how Abe promoted Abenomics in 2013 (“buy my Abenomics”).
- Minister of Internal Affairs and Communications Terada Minoru [said](#) Tuesday that Rakuten Mobile’s network issues on Sunday constitutes a serious accident under the Telecommunications Business Act. This is the third case of network issues in recent months; KDDI and NTT experienced similar problems in July and August.
- CCS Matsuno [said](#) Monday that the GOJ will monitor the situation of both prices and the economy as it decides when to submit a supplementary budget bill. For now, the GOJ will rely on reserve funds already appropriated by the Diet for this fiscal year.

12. GOJ and BOJ Voice Concerns over Historically Weak Yen

- On Friday, Prime Minister Kishida and Bank of Japan Governor Kuroda Haruhiko [exchanged views](#) on the weakening yen, which hit a 24-year historic low of ¥144/dollar. The rate improved slightly to ¥142/dollar after the meeting.

- Kuroda indicated that it is a drastic change for the rate to fluctuate by two or three yen in a single day. He also said that excessive exchange rate fluctuations destabilize corporate management policies and that such a fluctuation was not desirable.
- The finance ministry, Financial Services Agency and BOJ [held](#) a meeting on Thursday for the first time in three months to discuss the historically weak yen. It issued a joint statement voicing “concern about the rapid depreciation of the yen.”
- Vice Minister of Finance Kanda Masato [told](#) reporters after the meeting that if these developments continued, the GOJ is “prepared to take all possible measures” in the FX market to respond to the situation.
- The finance minister made a [similar remark](#) on Wednesday, stating that the GOJ will take “necessary measures”. All these moves seem to be the GOJ’s way of keeping a “verbal check” on the exchange rate.

13. Other Key Economic/Financial Developments

- Tokyo Shoko Research [announced](#) Thursday that there were 492 corporate bankruptcies nationwide in August, up for the fifth straight month at 6 percent from the same month last year.
- This was the highest posted numbers in August since 2018. Bankruptcies due to COVID-19 increased 51 percent to 193. The transportation industry hit a record-high number of cases [due](#) to personnel shortages and skyrocketing resource costs.
- Japan Nuclear Fuel, which operates the Rokkasho Reprocessing Plant in Aomori, [announced](#) Wednesday that it will postpone the completion of the facility originally slated for the first half of 2022. The ¥14 trillion project is still incomplete 25 years after it was originally planned to be completed ([26 postponements](#)).
- The nuclear fuel cycle reprocesses spent fuel from nuclear power plants and uses the removed plutonium and uranium as fuel. The national energy plan includes utilization of such reprocessed fuel.
- MOF announced Wednesday that [foreign exchange reserves](#) at the end of August were at \$1.29 trillion (about ¥184 trillion), down 2.3 percent from July. U.S. interest rates rose (bond prices fell), [causing](#) the market value of U.S. treasury bonds to fall.

14. State of the Economy

- The Cabinet Office’s August [Economy Watchers Survey](#) released Thursday showed the indicator at 49.4, up 6.6 points, the [first increase](#) in three months. Respondents seem confident that the economy will slowly return to normal in the next 2-3 months.

- On Thursday, the Cabinet Office [announced](#) that April-June real GDP was revised upward from 2.2 percent to 3.5 percent (year-on-year) and 0.9 percent from the last period, due to an increase in corporate capital investment. Private consumption also increased by 1.2 percent, an upward revision from 1.1 percent in the previous period.
- The MOF's [July balance of payments](#) statistics released on Thursday showed a ¥229 billion surplus, an 86.6 percent [reduction](#) from the same period last year and the smallest surplus in July since 1985 (due to weak yen and high energy costs). After smoothing out seasonal fluctuations, the surplus [falls](#) into a deficit of ¥629 billion. This is the first time since March 2014 that the seasonally adjusted stat is in the red.
- The Cabinet Office's July [business composite index](#) released Wednesday showed the indicator up 1.4 points from the last month at 100.6, the first improvement in two months. The index recovered to pre-pandemic levels after the end of the Shanghai lockdown resulted in continued improvement of auto-related sales.
- The labor ministry's [July labor survey](#) released on Tuesday showed that wages per person decreased for a fourth straight month, by 1.3 percent year-on-year in real terms, taking into account price fluctuations. Wage increases [did not catch up](#) to the rising energy and food prices. Household consumption [increased](#) 3.4 percent in July.

II. Public Opinion Poll

- A *Yomiuri Shimbun* poll [released](#) Monday showed the Kishida Cabinet's approval rating was 50 percent, down 1 point from August, while disapproval was 41 percent, up 7 points.
 - 49 percent of respondents said they supported the Cabinet because there are no alternatives; 18 percent said because it is centered around the LDP; and 14 percent said because they trust the prime minister.
 - 27 percent of respondents said they do not support the Cabinet because they have no expectations for its policies; 22 percent said because it is centered around the LDP; and 18 percent said because the prime minister has no leadership capabilities.
 - 52 percent of respondents said they approve of the GOJ's COVID-19 response so far, while 40 percent said they disapprove.
 - 57 percent of respondents said they support the GOJ's decision to revise its policy of tallying all COVID-19 cases and instead focusing on those at higher risk of symptoms turning severe, while 36 percent said they oppose the policy.
 - 52 percent of respondents said they support restarting nuclear power plants that meet safety criteria, while 39 percent said they oppose.

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- 49 percent of respondents said they approve of Prime Minister Kishida’s instructions to his Cabinet to consider constructing new or replacing existing nuclear power plants, while 44 percent said they disapprove.
 - 56 percent of respondents said they disapprove of the GOJ’s decision to hold a state funeral for former Prime Minister Abe Shinzo, while 38 percent said they approve of the decision.
 - 76 percent of respondents said they approve of Prime Minister Kishida’s declaration that the LDP will sever all ties with the Unification Church, while 18 percent said they do not approve.
 - 72 percent of respondents said they do not believe the LDP can sever ties with the UC, while 21 percent said they believe the LDP can.
 - 70 percent of respondents said they support Japan bolstering its defense, while 24 percent said they oppose.
 - 81 percent of respondents said they believe China is a security threat to Japan, while 15 percent said they believe it is not.
 - 72 percent of respondents said they believe North Korea is a security threat to Japan, while 25 percent said they believe it is not.
- The survey also collected data on the latest approval ratings of political parties.

Political Party	Approval Rating (%)
Liberal Democratic Party	40 (+5)
Constitutional Democratic Party	5 (-1)
Japan Innovation Party	6 (+1)
Komeito	2 (-1)
Japan Communist Party	3 (±0)
Democratic Party for the People	1 (±0)
Reiwa Shinsengumi	1 (-1)
Social Democratic Party	0 (±0)
NHK Party	0 (±0)
Suffrage Party (Sanseitō)	1 (-1)
Independent (No Party)	37 (±0)