

## ***The Weekly Observer***

September 26-30, 2022

*The 45<sup>th</sup> edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on the PM's "funeral diplomacy," the G7 condemnation of Russia's illegal annexation of Ukrainian territory and Kishida's meeting with Zelenskyy, North Korea's four missile tests, the 50th anniversary of Japan-PRC diplomatic ties, the arrest of a Japanese consular officer in Russia, the Kishida-Harris meeting, Japan-U.S.-ROK naval exercise in the Sea of Japan, the GOJ's guidelines for economic security policy, the first expert panel meeting to discuss Japan's defense capabilities and budget, the first Japan-Germany air exercise, the removal of the COVID-19 testing requirement upon arrival, the comprehensive economic package, the extraordinary session of the Diet next week, the content of the PM's policy speech next week, Abe's state funeral, Hamada's first meeting with Okinawa's governor, Kuroda's defense of the GOJ/BOJ forex market intervention last week, LNG-related developments, September's Monthly Economic Report, and more.*

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

### **1. Kishida Conducts "Funeral Diplomacy"**

- Prime Minister Kishida Fumio [met](#) with 42 foreign dignitaries between Tuesday and Thursday on the occasion of former Prime Minister Abe Shinzo's state funeral.
- The prime minister stressed that he would succeed the diplomatic legacy left by Abe. Opposition parties have [argued](#) that the results of his diplomatic efforts were "limited" due to the fact none of the G7 leaders had attended the state funeral.
- On Wednesday, Kishida [met](#) South Korean Prime Minister Han Duck-soo. They agreed to accelerate communication between diplomatic authorities in order to restore and further develop healthy Japan-ROK relations.
- On Tuesday, Kishida [met](#) Indian Prime Minister Narendra Modi. They reaffirmed their shared recognition of the importance of peaceful settlement of disputes as well as transparent and comparable development finance.
- Kishida also [met](#) Australian Prime Minister Anthony Albanese. They affirmed the importance of stable resource supply and energy and collaboration in new areas such as hydrogen. They also concurred to deepen coordination in affairs such as the CPTPP and the regional situation, including Pacific Island countries.

### **2. G7 Condemns Russia's Illegal Annexation of Ukrainian Territory**

- On Saturday, the G7 foreign ministers [condemned](#) in the strongest possible terms Russia's war of aggression against Ukraine, and Putin's latest efforts to incorporate Donetsk, Luhansk, Kherson and Zaporizhzhya regions into Russia's territory.
- The ministers stated that they will never recognize these "purported annexations, nor the sham 'referenda' conducted at gunpoint." They reiterated condemnation of Russia's irresponsible nuclear rhetoric.
- The ministers declared that their countries will impose further economic costs on Russia as well as individuals and entities supporting the war.
- On Friday, Kishida [held](#) a phone meeting with President Volodymyr Zelenskyy. He informed Zelenskyy that Japan will coordinate with the G7 to consider further sanctions on Russia.
- METI [decided](#) Friday that it would ban exports to Russia of 89 items including chemical substances that may be used to manufacture chemical weapons and equipment to store these chemicals.

### 3. North Korea Conducts Multiple Missile Launches

- This week, North Korea launched missiles on [Sunday](#), [Wednesday](#) and [Thursday](#) and [Friday](#). Japan [formally lodged](#) protests through its embassy in Beijing. The launches are [viewed](#) as reactions to the Japan-U.S.-ROK trilateral naval exercise and VP Harris' visit to Japan and South Korea.
- The Friday launch [involved](#) two irregular trajectory ballistic missiles—which flew at a maximum altitude of 50 km and distance of 400 km—that landed near the east coast of North Korea. The Thursday launch [involved](#) two ballistic missiles—which flew at a maximum altitude of 50 km and distance of 300 km—landing outside Japan's EEZ.
- Defense Minister Hamada Yasukazu [said](#) that the DPRK's actions unilaterally escalating provocations threaten the peace and security of Japan, the region and the international community, and are absolutely unacceptable. He added that this violates relevant UNSC resolutions and that Japan strongly condemns its actions.
- Wednesday's launch [involved](#) two ballistic missiles—which flew at a maximum altitude of 50 km and distance of 350 km—that landed outside Japan's EEZ. MOD believes these missiles flew on irregular trajectories. The DPRK launched one ballistic missile on Sunday, which [flew](#) approx. 400 km on an irregular trajectory.
- In response to the series of missile launches, MOFA Asian and Oceanic Affairs Bureau Director-General Funakoshi Takehiro on [Sunday](#), [Wednesday](#) and [Thursday](#) held separate phone meetings with U.S. Special Representative for the DPRK Sung Kim and ROK Special Representative for Korean Peninsula Peace and Security Affairs Kim Gunn to reaffirm trilateral cooperation in responding to North Korea.

### 4. Japan and China Mark 50th Anniversary of Diplomatic Ties

- Thursday marked the fiftieth anniversary of Japan and China normalizing diplomatic ties. Foreign Minister Hayashi Yoshimasa [attended](#) a reception in Tokyo marking the anniversary. Kishida did not attend, indicating the current “cold” state of relations.
- In his greetings, Hayashi [stated](#) that, looking ahead to the next fifty years, the two countries must move forward together while working toward the common goal of building a “constructive and stable relationship” through candid dialogue.
- On this occasion, Kishida [exchanged messages](#) with President Xi Jinping and Premier Li Keqiang. Hayashi exchanged messages with Foreign Minister Wang Yi.
- In his [message](#) to Xi, Kishida said that the two countries must remember the achievements from fifty years ago and forge a new future for Japan-China relations

together. He emphasized that he would like to develop a “constructive and stable relationship” not just for the two countries, but for the region and the world.

- Xi said that he would like to work with Kishida to follow the “tides of time” to build China-Japan relations that meet the demands of the new era.

#### 5. Russia Arrests and Deports Japanese Consul on Spying Charge

- On Monday, [reports surfaced](#) that Russia’s FSB had [detained](#) a Japanese consular officer in Vladivostok for allegedly gathering information illegally.
- The Russian foreign ministry [declared](#) the officer persona non grata and informed MOFA that it would seek to deport the officer.
- Hayashi [said](#) Tuesday that there is no evidence the consular officer was engaged in illegal activity. He stated that the GOJ protested the decision to declare the officer persona non grata on such alleged charges.
- Hayashi also said that the consular officer was “blindfolded and restrained” upon transport and underwent an “intimidating interrogation.” He further stated that this is a clear and serious violation of the Vienna Convention (immunity from jurisdiction of receiving State) and the Japan-Soviet Consular Convention, and that this is extremely regrettable and unacceptable.
- On Wednesday, Vice Minister for Foreign Affairs Mori Takeo [summoned](#) Ambassador to Japan Mikhail Galuzin and stated the GOJ’s protest against the decision to deport the consular officer despite unjustifiable treatment. He added that the GOJ demands a formal apology and that it would take appropriate measures.
- MOFA [announced](#) at an LDP meeting Thursday that the consular officer left Russia on Wednesday.

#### 6. Japan-U.S. Developments

- On Monday, Kishida [received](#) a courtesy call from Vice President Kamala Harris. The two exchanged views on regional issues, such as Russia’s aggression against Ukraine, China and North Korea.
- The two concurred to continue close coordination in strengthening deterrence and response capabilities, engaging in the Indo-Pacific region in a sustained manner, and reaching out to middle-ground countries to prevent unilateral attempts to change the status quo by force.

- Kishida urged the U.S. to return to the TPP at an early time, while confirming close coordination on IPEF. The two also concurred to further strengthen cooperation in the area of outer space.
- The Japan-U.S. Joint Committee [agreed](#) on Monday to conduct MV-22 Osprey flight training between Sept. 27-Oct. 18 at a lower altitude than the usual 500 feet (now above 300 ft.) in areas outside residential areas.
- MOD announced that this is necessary to strengthen the deterrence and response capabilities of the alliance, especially in search and rescue operations where it is critical to distinguish and detect people in need of rescue as fast as possible.

#### 7. GOJ Decides on Guidelines for Economic Security Policy

- On Friday, the GOJ [decided](#) on guidelines for economic security policy based on the Act Promoting Economic Security passed in May.
- The basic policy is to strive for economic development driven by the vitality of the private sector while adhering to the basic principle of a free and open economy.
- The GOJ will identify “critical commodities,” which it will support private firms to acquire. Conditions to be considered such commodity include: 1) an item essential to the survival of the people; 2) currently overly reliant on external supply; 3) vulnerable to supply disruptions; and 4) in need of measures to secure stable supply.
- The GOJ plans to [include](#) semiconductors, medical supplies, rare earths among other items in this category. The GOJ will issue a decree this year identifying commodities. Ministries will then finalize guidelines for securing items under their jurisdiction.
- An LDP group focusing on economic security [held](#) a meeting Friday, in which it finalized a proposal to the GOJ recommending, among other things, the introduction of a security clearance system and strengthening economic intelligence capabilities, as the GOJ considers revising its three national security documents.

#### 8. Defense/Security Developments

- The first expert panel meeting to discuss defense [convened](#) on Friday. Kishida informed the panel that he aims for the panel to discuss a comprehensive plan to bolster defense sustainably and [across](#) ministries and agencies. The group will [submit](#) recommendations ahead of the revision of the three security documents this year.
- The JMSDF [announced](#) Thursday that it would hold a [joint exercise](#) on Friday with the U.S. Navy and ROK Navy in the Sea of Japan for the [first time since](#) April 2017. The anti-submarine exercise aims to deter the DPRK from launching SLBMs.

- MOD [announced](#) that seven PLAN and Russian Navy vessels jointly navigated through the Osumi Strait in Kagoshima on Wednesday and Thursday. This is the second time (Oct. 2021) the two navies sent vessels through the Strait.
- On Wednesday, the JASDF and German Air Force [conducted](#) their first-ever joint exercise in airspace near Japan. The JASDF's F-2s and GAF's Eurofighters, of which one was [manned](#) by Commander Ingo Gerhartz, [flew](#) in formation over Mt. Fuji. This is part of Germany's efforts to increase its presence in the Indo-Pacific region.
- The Japan Coast Guard [announced](#) that three Chinese Coast Guard vessels entered Japanese territorial waters near the Senkaku Islands for eight-and-a-half hours. This is the 21st time official Chinese vessels have violated territorial waters this year. Two CCG vessels also [entered](#) Japan's EEZ on Sunday (11th consecutive day spotted).
- MOD [announced](#) Tuesday that seven PLAN and Russian Navy vessels navigated halfway around the Japanese archipelago for about a month starting early September. Six of the seven fired machine guns off Hokaido outside the EEZ on Sept. 3.
- *Kyodo* [reported](#) Sunday that the GOJ is considering a budget of over ¥40 trillion (\$279 billion) in five years starting FY 2023 for procuring defense equipment (MTDP). This is a 150 percent increase from the current MTDP of ¥27 trillion.

#### 9. COVID-19 Related Developments

- The GOJ [announced](#) Monday that it will remove the COVID-19 testing requirement for entry into the country starting Oct. 11. All travelers will still be required to provide documentation of three vaccinations or of a test 72 hours prior to departure.
- Other measures [include](#) permitting individual travel for all foreigners; resuming visa exemptions; removing the cap on entry; and restarting international routes from both air and sea. It is a key step toward reinstating pre-COVID-19 border measures.
- The GOJ will also initiate a "national travel discount" program to stimulate tourism demand, which will run until late December.
- The GOJ on Monday [revised](#) the framework for local health care centers reporting COVID-19 cases to the government. Starting Monday, doctors only need to report patient information to local health centers in specific cases.
- Categories under specific cases [include](#) 1) those over 65 years of age; 2) those requiring medical attention; 3) those at risk of symptoms turning severe or those that need the oral drug or oxygen; and 4) pregnant women. A potential issue is whether those outside of these categories can be treated swiftly should symptoms turn severe.

10. PM Instructs Cabinet to Prepare Economic Package by End of October

- On Friday, Prime Minister Kishida [instructed](#) his Cabinet to prepare and finalize a comprehensive economic policy package by the end of October.
- The [first pillar](#) is responding to rising costs of living and raising wages. It includes lowering dependence on fossil fuels; expanding policy options to promote wage increases; and [establishing](#) a new system to maintain electricity price increases.
- The [second pillar](#) is recovering and bolstering regional economies utilizing a weak yen. It includes removing restrictions on travel; bringing in foreign demand including by expanding exports of agricultural products; and [promoting](#) investment in Japan.
- The [third pillar](#) is accelerating “new capitalism”. It includes fundamentally strengthening investment into people considering situations such as retraining; promoting labor market transition to emerging areas; and promoting GX/DX.
- The fourth pillar is securing the safety and security of peoples’ livelihoods. It includes infectious disease response; promoting economic/food security; and expanding safety measures for children.

11. Extraordinary Session of the Diet to Begin Next Week

- On Wednesday, the ruling and opposition parties [agreed](#) to convene an extraordinary session of the Diet between Oct. 3 and Dec. 10.
- The ruling coalition [plans to submit](#) eighteen bills during the session, including one to revise the Public Official Election Act to realize the redistribution of ten SMD seats in the House of Representatives based on the Census before the next general election.
- While the ruling coalition proposed to kick off the session with a eulogy for former Prime Minister Abe, the opposition [argued](#) that it should start by questioning Speaker of the House Hosoda Hiroyuki on his connection with the Unification Church.
- The Steering Committee on Thursday [agreed](#) to examine Abe’s state funeral and discuss how future state funerals should be organized. The ruling and opposition parties will discuss specifics at a later date.
- LDP factions [met](#) this week to discuss the party’s approach to the session. Many voiced their opinion that the focus should be on economic policy, while others voiced concern that the Unification Church issue would make it a difficult session.

12. PM to Deliver Policy Speech at Extraordinary Diet Session



- Prime Minister will [deliver](#) a policy speech during the extraordinary session of the Diet next week outlining the key challenges his Cabinet intends to address. This is different from the first policy speech delivered outlining his vision as prime minister.
- The prime minister will [announce](#) the goal of “structural wage increases,” which will be based on wage increases, streamlining labor mobility and investment in people. This includes ¥1 trillion in five years for retraining and crafting guidelines for labor mobility between firms and industries.
- Kishida will also likely set out a goal of reaching ¥5 trillion annually in tourism revenue making full use of a weak yen. He will also indicate work to bring factories for semiconductors and storage batteries to Japan, bring firms back domestically and expand agriculture, forestry and fisheries product exports.
- He will also [commit](#) to take “unprecedented and drastic measures to directly ease the growing burden on households and businesses” as a result of rising costs of living. He will likely point out that there is a risk electricity bills skyrocket next spring. The GOJ will consider specific policies to address this issue in its October economic package. [Covering](#) 10 percent of electricity bills will cost the GOJ ¥1.4 trillion in a year.
- The prime minister will also [state](#) that the GOJ will consider revising necessary laws and regulations to relieve the burden placed on victims of the Unification Church.

### 13. Country Divided Over Abe State Funeral

- On Tuesday, a [total](#) of 4,183 individuals from both Japan and abroad attended former Prime Minister Abe Shinzo’s state funeral. There were [734](#) foreign dignitaries, including 48 leaders/former leaders from 217 countries and regions. Outside, almost 25,000 citizens laid flowers at the stand outside Chidorigafuchi.
- Prime Minister Kishida, the speakers of both Houses, the chief justice of the Supreme Court and former Prime Minister Suga Yoshihide [delivered](#) condolence speeches.
- In his speech, Kishida [pledged](#) to create a sustainable and inclusive Japan, region and world on the foundation Abe laid. He also said history will remember his time as prime minister not for its longevity but for his accomplishments.
- In his speech, Suga [remembered](#) the day he persuaded Abe to run again for party president at a restaurant in Ginza. He recalled the fulfilling 7 years and 8 months as Abe’s chief cabinet secretary. He also called Abe a “true leader for Japan.”
- Outside the venue, hundreds [demonstrated](#) against the “forced” nature in which the GOJ hosted the funeral. Other protests broke out near Yasukuni Shrine, in Hibiya Park and outside the Diet by those opposing the process or glorifying Abe in general.

#### 14. Other Political Developments

- The Ministry of Agriculture, Forestry and Fisheries on Thursday [established](#) a division to consider revisions to the Basic Act on Food, Agriculture and Rural Areas, which outlines the government's basic policy on agriculture.
- The Act has not been revised since its enactment in 1999. Minister Nomura Tetsuro stressed that new developments since then, such as food security risk, climate change and the expansion of foreign markets, have led to changes unforeseen in 1999.
- On Thursday, Prime Minister Kishida [instructed](#) his Cabinet to consider policies to encourage digitization in rural areas ahead of the crafting of a "Comprehensive Strategy for a Digital Garden City Nation" in December.
- On Wednesday, Defense Minister Hamada [met](#) Okinawa Governor Tamaki Denny for the first time since his appointment as minister. The two could not agree on a path forward for the relocation of MCAS Futenma to Henoko in Nago City.
- On Sunday, Komeito [held](#) a party convention and approved an eighth term for leader Yamaguchi Natsuo. The party approved the reappointment of Ishii Keiichi as secretary general and the appointment of Takagi Yosuke as policy chief.

#### 15. Kuroda Defends BOJ Intervention in the Forex Market

- On Monday, BOJ Governor Kuroda Haruhiko [defended](#) the GOJ/BOJ's first intervention in the foreign exchange market last week since 1998 as "appropriate".
- Kuroda argued that the intervention succeeded in improving appreciating the yen by ¥5 and maintaining the rate around ¥143 to the dollar. However, questions remain as to whether this is sustainable given the MOF's and BOJ's contradicting policies.
- [According to MOF](#), its foreign exchange market intervention results amounted to ¥2.84 trillion, a record-high intervention amount. The highest [before](#) was ¥2.62 trillion in 1998, when the rate returned to its previous level in just a week.
- At a press conference on Monday, Minister of Finance Suzuki Shunichi [indicated](#) that the ministry would take the necessary measures should the yen weaken again.
- The GOJ and BOJ were forced to intervene last week after the exchange rate reached ¥145 to the dollar, which was a result of the [Bank's decision](#) at its monetary policy meeting earlier to maintain its loose monetary policy.

#### 16. Other Key Economic/Financial Developments

- On Friday, METI [hosted](#) the Asia CCUS Network Forum. It revealed that it would embark on a pilot project in 2025 in ASEAN nations for the underground storage of carbon dioxide. It aims for commercialization in 2030.
- On Thursday, Mitsubishi Heavy Industries [announced](#) that it would jointly develop an “innovative light water reactor,” a new type of nuclear reactor with enhanced safety, with Hokkaido, Kansai, Shikoku and Kyushu power companies. They aim for operation in the 2030s. The reactor will [take safety measures](#) such as a “core catcher” to prevent accidents similar to the leak of nuclear material during the 3.11 disaster.
- METI [announced](#) that it will for the first time financially assist electricity and gas companies to procure LNG supply ahead of the expected increase in demand in the winter. Specifically, JBIC will provide low-interest loans for procurement costs to power and gas companies. In addition, NEXI will take over debt risk when private financial institutions finance LNG procurement.
- An Institute of Energy Economics and Deloitte projection [shows](#) that if all 36 nuclear plants in Japan (including three under construction) are in operation in 2030, power generation costs will be ¥2 trillion less than if the current ten unit system remains unchanged. Due to reduced fossil fuel imports, 1 kW will be ¥1.9-2.1 cheaper.
- On Monday, METI and Malaysian state-owned oil and gas company Petronas [signed](#) a memorandum of cooperation on promoting cooperation in energy transitions. Japan [hopes](#) Malaysia can swiftly provide LNG should it fall into a supply crisis. The MoC also covers possible joint investment in mining and production, as well as the joint use of LNG storage tanks in the future.

## 17. State of the Economy

- The GOJ’s [Monthly Economic Report](#) released on Friday maintained the same evaluation that the economy is “picking up moderately” for the third straight month. It [adds](#) that full attention should be paid to price increases, supply side constraints and fluctuations in financial and capital markets.
- According to the internal affairs ministry’s [unemployment statistics](#) released on Friday, nationwide unemployment in August was 2.5 percent, down 0.1 points from July and [improving](#) for the first time in four months. The ministry evaluates that the “employment situation is slowly returning to pre-pandemic levels.”
- According to the labor ministry’s [labor statistics](#), the seasonally adjusted effective job-to-applicant ratio in August was 1.32, a 0.03 point increase from July and the eighth consecutive month [increase](#) from the previous month.

- Economists' [projections](#) of the BOJ's Tankan (Short-Term Economic Survey of Enterprises) to be released next Monday showed an improvement of the large manufacturing enterprise DI to +11 (up 2 pts.). It would be the first improvement in four months. Economists project a slight improvement resulting from the weak yen.
- According to the OECD's [GDP Projection 2022](#) released on Monday, the world economy is expected to grow 2.2 percent next year, down 0.6 points from the last projection in June. Japan's growth projection went down 0.1 points to 1.6 percent.

## **II. Public Opinion Poll**

- None