

The Weekly Observer

October 3-7, 2022

The 46th edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on the DPRK's missile launches, diplomacy between Japan, the U.S. and ROK in response to the launches, the Japan-U.S.-Australia defense ministers meeting, Commander Aquilino's visit to Japan, the GOJ's retaliatory actions against Russia for expelling its consular officer, the latest Chinese and Russian naval activities around Japan, Kishida's policy speech to the Diet, early developments from the extraordinary session of the Diet, the GOJ's discussions on the direction of the October comprehensive economic policy package, former PM Noda's decision to deliver a eulogy for former PM Abe, the BOJ Tankan, GOJ efforts to encourage households and businesses to save energy in the winter, August economic indicators, and more.

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I. News of the Week

1. North Korea Launches Missile Over Japanese Mainland

- This week, North Korea launched missiles on [Tuesday](#) and [Thursday](#). The Hwasong-12 launched on Tuesday [flew over](#) the mainland for the [first time since](#) 2017. The DPRK [reportedly](#) launched the missile in response to the redeployment of *USS Ronald Reagan*. Japan [formally lodged](#) protests through its embassy in Beijing.
- Thursday's launch [involved](#) two ballistic missiles—of which one flew at an irregular trajectory with a maximum altitude of 50 km and distance of 800 km—landing near the east coast of North Korea and the Sea of Japan. Tuesday's [involved](#) one ballistic missile—which flew at a maximum altitude of 1,000 km and distance of 4,600 km (could [reach](#) Guam)—flying over Aomori before landing outside Japan's EEZ.
- On Tuesday, Prime Minister Kishida Fumio [said](#) that the DPRK's ballistic missile launch is a reckless act that cannot be tolerated. He added that bilateral ties with the U.S. and South Korea, as well as trilateral ties with the two countries must be strengthened to realize the complete denuclearization of North Korea.
- Chief Cabinet Secretary Matsuno Hirokazu [issued](#) a statement condemning in the strongest possible terms the DPRK's actions. He also stated that the DPRK's provocative actions pose a serious challenge to the international community. Finally, he stated that Japan will look to fundamentally bolster defense by realistically considering its options, including the acquisition of “counterstrike” capabilities.
- Kishida [convened](#) the NSC on Tuesday in response to the missile launch. He stated that the launch is absolutely unacceptable given it poses a grave and imminent threat to Japan's national security, as well as threatens the peace and security of the region and the international community.
- This week, [both Houses of the Diet](#) unanimously passed a resolution protesting the launch. It stated that the launch “is a serious and imminent threat to our country's security and absolutely unacceptable.” It also called for the immediate abandonment of nuclear and missile development.

2. Japan, U.S. & ROK Ramp up Coordination in Response to Missile Launches

- At the summit level, Kishida spoke with [ROK President Yoon Suk-yeol](#) on Thursday and with [President Joe Biden](#) on Tuesday. The leaders strongly condemned the launch and agreed to further coordinate toward the complete denuclearization of North Korea in accordance with UN Security Council resolutions.

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- At the ministerial level, Minister for Foreign Affairs Hayashi Yoshimasa spoke with [Secretary of State Antony Blinken](#) and [Foreign Minister Park Jin](#) on Tuesday, while Minister of Defense Hamada Yasukazu spoke with [Secretary of Defense Lloyd Austin](#). They each confirmed closer bilateral and trilateral coordination.
- Elsewhere, Chief of Staff Gen. Yamazaki Kōji of the JSDF Joint Staff spoke with Chairman of the Joint Chiefs of Staff [Gen. Mark A. Milley](#) on Wednesday; NSS Secretary-General Akiba Takeo with [National Security Advisor Jake Sullivan](#) on Tuesday; MOFA Asian and Oceanic Affairs Director-General Funakoshi Takehiro with Special Representative for the DPRK Sung Kim and ROK Special Representative for Korean Peninsula Peace and Security Affairs Kim Gunn on [Tuesday](#), [Thursday](#) and [Friday](#); Vice Foreign Minister Mori Takeo with [Deputy Secretary of State Wendy Sherman](#) on Tuesday; Director General for Defense Policy Masuda Kazuo with Assistant Secretary of Defense for Indo-Pacific Security Affairs Ely Ratner and Deputy Minister for National Defense Policy Heo Taekeun on [Friday](#).
- Japan, the U.S. and the ROK also held joint exercises in response to the launches on Thursday. Three Aegis-equipped vessels [participated](#) in the first exercise which [involved](#) sailing in formation in the Sea of Japan. The other exercise [involved](#) JS-Ashigara, a guided missile destroyer, among other U.S. and ROK vessels [confirming](#) steps to share information, detect, track and intercept missiles.
- In response to Tuesday's launch, Japan and the ROK [held](#) separate aerial exercises with the U.S.. The JASDF [sent](#) four F-15s and four F-2s to join an exercise in northern Kyushu airspace with four of the U.S. Navy's F-35Bs. [Past exercises](#) in response to DPRK launches involved fewer aircraft (8 in May, 6 in June).

3. Japan-U.S.-Australia Trilateral Defense Ministers Meeting

- On Saturday, Defense Minister Hamada [met](#) with Secretary of Defense Austin and Australian Defense Minister Richard Marles in Hawaii.
- The ministers welcomed that they had affirmed strategic alignment and concurred to continue promoting concrete and practical initiatives to realize a FOIP, strengthen rules-based order and ensure security of the Indo-Pacific region.
- The ministers affirmed that they would expand and strengthen trilateral training and activities, as well as promote defense equipment technology cooperation and effectively exchange information with the view to enhance interoperability.
- The ministers exchanged views on the regional situation and reaffirmed that they would continue to closely work together amid Russia's aggression against Ukraine.

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They also shared concerns about the situation in the East and South China Seas and reaffirmed opposition to any unilateral attempts to change the status quo by force.

- The ministers also strongly condemned China's ballistic missile launch in early August, including those that Japan reported as landing in the EEZ. They reiterated the importance of peace and stability across the Taiwan Strait, and concurred to encourage the peaceful resolution of cross-Strait issues.

4. Japan-U.S. Developments

- On Monday, Prime Minister Kishida [received](#) a courtesy call from U.S. Indo-Pacific Command Commander Adm. John Aquilino. The two exchanged views on various issues on China, the situation in North Korea, and Japan-U.S. security cooperation, and confirmed that the two countries will continue to work closely together.
- On Tuesday, Foreign Minister Hayashi [received](#) a courtesy call from Adm. Aquilino. The two exchanged views on Japan-U.S. security cooperation and regional affairs, and concurred on the importance of peace and stability in the Indo-Pacific region. Both concurred that Japan-U.S. and Japan-U.S.-ROK cooperation will continue in responding to North Korea, including the numerous recent ballistic missile launches.
- On Tuesday, Defense Minister Hamada [received](#) a courtesy call from Adm. Aquilino. The two strongly condemned North Korea's repeated ballistic missile launches, including Tuesday's launch. They also confirmed the two countries will continue to work toward strengthening the alliance and maintaining/strengthening a FOIP.
- On Wednesday, Hamada received a courtesy call from Gen. John W. Raymond, Chief of Space Operations. The two exchanged views on threats in outer space, the importance of ensuring the stable use of outer space, and cooperation between defense authorities including on Space Domain Awareness (SDA).

5. Foreign Policy Developments

- On Friday, MOFA [announced](#) that 58 individuals and 9 organizations designated as targets of asset freezes and 23 individuals considered involved in Russia's "annexation" of eastern/southern Ukraine will face restrictions in payment and regulations on capital transactions. The Embassy in Kyiv [reopened](#) on Oct. 5.
- Hayashi will [travel](#) to Singapore and Malaysia between Oct. 7-10 to share the recognition with these countries that, bearing in mind Russia's war in Ukraine and China's increasingly hegemonic actions, the rule of law is important, and that the countries will work together to realize a FOIP.

- The GOJ is [finalizing plans](#) for Kishida to travel to Australia at the end of the month to meet Australian Prime Minister Anthony Albanese. Reports suggest that Kishida aims to confirm further security cooperation with Australia amidst China's maritime advancements and North Korea's active nuclear and missile development.
- On Tuesday, Vice Minister for Foreign Affairs Mori Takeo [summoned](#) Ambassador to Japan Mikhail Galuzin and informed him that Japan declared a consular officer at the Sapporo Consulate-General persona non grata in retaliation for Russia's decision to intimidate and ultimately expel a Japanese consular officer last week. The [number two](#) at the Consulate-General has until Oct. 10 to leave the country.
- On Monday, MOFA [announced](#) that it strongly protested against China's activities involving an offshore platform installed in May west of the Japan-China geographic median line in the East China Sea. The JSDF confirmed the platform was flaring up; MOFA requested that China resume negotiations on resource development based on the 2008 agreement between the two countries.

6. Defense/Security Developments

- The Joint Staff [announced](#) Friday that three Russian Navy vessels (destroyer, submarine and submarine rescue vessel) passed westward through the Soya Strait, which lies between Hokkaido and Sakhalin.
- On Thursday, the JGSDF made a [rare announcement](#) that its elite counter-terrorism unit the Special Force Group and the Australian Army's Special Operations Command had conducted a joint exercise in August. Chief of Staff Yoshida Yoshihide said the elite unit exchange symbolized deepening ties between the two countries.
- On Wednesday, METI and MAFF [indicated](#) nine materials they want covered as "critical commodities," including semiconductors, LNG and fertilizer raw materials. October's economic package will include measures such as strengthening domestic production capacity and supporting technology developments. The GOJ will designate "critical commodities" by Cabinet decision by the end of the year.
- The Joint Staff [announced](#) Tuesday that one PLAN vessel was confirmed navigating southwest through the Tsushima Strait toward the East China Sea. The same vessel was spotted on Monday in waters approximately 120 km north of the Oki Islands, Shimane Prefecture. It was also spotted navigating the Tsushima Strait on Sept. 23.
- The Joint Staff [announced](#) Monday that one PLAN frigate took "peculiar movements" sailing north across the East China Sea along the west side of the Nansei Islands between Okinawa and Kagoshima Prefecture.

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- The Joint Staff also [announced](#) one information-gathering vessel made a round trip in the Sea of Japan, west of Tappizaki, Aomori Prefecture, on Sunday.

7. PM Delivers Policy Speech to Kick Off Extraordinary Session of the Diet

- On Monday, Prime Minister Kishida kicked off the extraordinary session of the Diet with a [policy speech](#) outlining the Cabinet's key focus areas.
- The speech [included](#) references to rising costs of living, COVID-19, the energy and food crises, Russia's war with Ukraine, fundamentally bolstering defense, among other issues. He began the speech by emphasizing that "Japan faces a national crisis."
- Referring to the opposition the GOJ/ruling coalition has faced over Abe's state funeral and lawmaker ties to the Unification Church, Kishida [stated](#) that he will approach his job as prime minister by "listening to tough opinions."
- Kishida emphasized that he will revitalize the economy through new capitalism, which focuses on responding to rising costs of living and a weak yen; structural wage increases; and investment and reform for growth.
- Key measures include unprecedented policy to reduce the electricity bill burden on individuals and firms; aiming to revitalize tourism; supporting retraining and preserving equal pay for equal work; and investing in science and technology, innovation, startups, GX and DX in particular.
- In response to the speech, CDP leader Izumi Kenta [said](#) that Kishida had not mentioned his commitment to sever ties with the Unification Church; questioned the LDP's decision to leave names undisclosed in its report on lawmaker ties to the Church; and criticized the proposed economic policies as "too little, too late."

8. Party Leaders Spar in First Week of Diet Session

- On Wednesday and Thursday, opposition leaders were [given an opportunity](#) to question the prime minister on his policy speech.
- CDP leader Izumi [focused](#) his attacks on Minister in charge of Economic Revitalization Yamagiwa Daishiro and Speaker of the House Hosoda Hiroyuki's ties to the Unification Church. Kishida rejected the demand to remove Yamagiwa.
- Kishida [announced](#) that he aims to establish some rules for holding state funerals in the future; that he would ensure the effectiveness of UNSC resolutions and thoroughly implement Japan's measures on North Korea; and that local lawmakers would also be held accountable for severing ties with the Unification Church.

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- On Thursday, both the CDP and Japan Innovation Party demanded that the GOJ request the dissolution of the Church through the courts, and that deliberations be held next week regarding North Korea's ballistic missile launches.
- While there seemed to be unity between the two top opposition parties, they fundamentally disagree on issues such as nuclear sharing and amending the Constitution.
- Kishida reportedly attempted to shake the united front by hinting that he would consider holding a leadership meeting with JIP leader Baba Nobuyuki on security strategy ahead of the revision of three defense/security-related documents.

9. GOJ Discusses Direction of Economic Policy

- On Wednesday, Kishida stated that the economic package to be finalized this month aims to support those who are facing financial difficulties due to soaring prices and to deliver the merits of the weak yen to regions through the recovery of tourism as well as the promotion of ag, forestry and fishery exports.
- Kishida instructed Yamagiwa to compile effective measures to comprehensively promote budgetary, tax, regulatory and institutional reforms promoting these goals, as well as other focus areas including sustainable wage increases and more investment.
- Kishida also instructed METI Minister Nishimura Yasutoshi to accelerate the drafting of a ten year roadmap for promoting GX domestically and internationally in Asia.
- On Tuesday, Kishida said the GOJ aims to raise wages to cover for the rise in costs of living at next spring's wage negotiations between companies and unions. He added that the GOJ will craft guidelines for improving labor mobility by June next year.
- Kishida stated that the GOJ will increase investment into companies that are receptive to labor mobility from ¥400 billion in three years to ¥1 trillion in five years. He also said that the GOJ will help dispatch 1,000 up and coming entrepreneurs to the U.S. in five years.

10. Other Political Developments

- The GOJ on Friday approved a revised bill mandating the treatment of infectious diseases at designated medical institutions including public hospitals. All institutions will be asked to "make an effort" to accommodate GOJ requests during crises. If institutions do not comply with guidelines, they could be publicly named or in worst cases cut from funding (for advanced treatment hospitals, etc.).

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- Reports [suggest](#) that former Prime Minister Noda Yoshihiko accepted the LDP's request to deliver a eulogy for former Prime Minister Abe Shinzo during this Diet session. The eulogy is expected to take place in the second half of October.
- The health ministry's expert panel [approved](#) the policy of designating a new vaccine targeting Omicron "BA.4" and "BA.5" variants a "special temporary vaccination" to be administered free of charge. Inoculation could begin as early as Oct. 13. The panel sees no real difference in prevention effectiveness from the "BA.1" vaccine.
- The GOJ [plans to hold](#) local unified elections next spring on April 9 and 23. Leaders and lawmakers of prefectures and ordinance-designated cities will be elected on the 9th, while leaders and lawmakers of other municipalities will be elected on the 23rd.
- METI [plans](#) to submit the revised Gas Business Act, which will allow the GOJ to issue a usage restriction to large companies when the supply-demand for city gas is tight. This comes as LNG supply necessary for city gas production becomes unstable.
- On Monday, METI Minister Nishimura [announced](#) that the ministry had selected 17 firms to subsidize capital investment in to strengthen the vaccine production system. A total of ¥226.5 billion will be spent to support companies in four areas: vaccine production, treatment drugs, formulation and filling, and materials for production. This will allow Japan to be better prepared to produce vaccines in times of crises.

11. BOJ Tankan Shows Businesses Feel Economy Worsened

- The BOJ [released](#) on Monday its Short-Term Economic Survey of Enterprises (Tankan), which determines the current state of the economy by polling 9,200 companies about their "feelings" on the economy (good - bad = index).
- The survey showed that the index indicating business sentiment of large manufacturing companies was +8, down one point from the previous survey in June. The index worsened for the third consecutive quarter, but projections for December [indicate](#) a +1 improvement as a weaker yen and cost transfers to prices support profit.
- Business conditions [improved](#) in industries such as "automobiles" as supply shortage for parts and other items was gradually resolved. A wide range of industries from "non-ferrous metals" to "paper/pulp" responded that their profits were squeezed due to increased costs resulting from soaring raw material prices.
- Meanwhile, large non-manufacturing companies' business sentiment was at +14, up one point from June, and an improvement for the second straight quarter.
- Capital investment plan for FY 2022 was 16.4 percent higher than the previous year for all industries, an upward revision from the 14.1 percent recorded in June, and

marking the highest level in September since the survey began in 1983. Investment increased as delayed investment plans rolled into motion.

12. Other Key Economic/Financial Developments

- Between December and March 2023, the GOJ will give points that can be used for shopping and other purposes to households and businesses that reduce electricity usage by more than 3 percent from the same month last year. Households will receive the equivalent of ¥1,000, while companies get ¥20,000. Those who comply with requests to conserve during shortages can receive up to ¥40 worth of points per kW.
- METI aims to conclude by the end of the year discussions on extending the lifespan of nuclear power plants from the current “40 years in general, 60 years maximum”. The ceiling was set after the 3.11 power plant accident. Some argue that it will be more efficient to construct new plants with higher safety and resiliency standards.
- The GOJ on Wednesday confirmed that it would strengthen efforts to achieve the ¥2 trillion 2025 export target for ag and food products ahead of schedule by maximizing the boost in external demand due to the weaker yen.
- The BOJ announced Tuesday that the monetary base (ave. balance) in September, which indicates money supply provided by the central bank, was ¥634.2 trillion, down 3.3 percent from the same month last year. This is the first time since April 2012 that the average outstanding balance fell below the previous year, and the first time since April 2013 when the BOJ initiated its monetary easing policy.
- On Monday, the BOJ issued its “main opinions” document compiling statements made by members of the monetary policy meeting held on Sept. 21-22. In it, the members defended the current monetary easing policy and argue that the weak yen is not all negative and will boost domestic economic activity in the medium to long run.

13. State of the Economy

- According to the Cabinet Office’s preliminary August economic trend index released on Friday, the coinciding index indicating the current economic trend improved for the third consecutive month at 101.7, 1.6 points higher than the previous month. It reached its highest level since May 2019 as recovery is pushed by the production of semiconductor manufacturing equipment since the Shanghai lockdown ended in June.
- According to the internal affairs ministry’s August household survey released on Friday, consumption expenditure for households with two or more people was ¥289,974, rising for the third consecutive month at 5.1 percent year-on-year in real

terms excluding price fluctuations. It was the highest increase in seven months due to a rise in consumption during the summer as COVID-19 restrictions were lifted.

- According to the labor ministry's [August labor statistics](#), wages per person decreased for the fifth consecutive month, this time by 1.7 percent year-on-year in real terms, taking into account price fluctuations. Wage growth has not caught up with price increases due to the weaker yen and higher crude oil prices.
- The BOJ [announced](#) on Wednesday that the supply-demand gap for April-June was negative 0.69 percent. This was the [ninth consecutive month](#) in the red, but the fourth consecutive month numbers were reduced. In fact, the gap has shrunk to its smallest since the start of the pandemic, indicating slow economic recovery. Potential growth rate for April-June was at 0.2 percent.
- According to MOF's general account tax revenue data [released](#) on Monday, tax revenue in August was ¥6 trillion, a 10.4 percent increase from the same month last year. Consumption tax and income tax increased by 10.8 and 11.2 percent, respectively, due to an increase in collection at customs for imports and on the back of an increase in employment income.

II. Public Opinion Poll

- A *Yomiuri* poll [released](#) Sunday showed the Kishida Cabinet's approval rating was 45 percent, down 5 points from September, while disapproval was 46 percent, up 5 points.
 - 51 percent of respondents said they support the Cabinet because there are no other options; 22 percent said because it is a Cabinet centered around the LDP; and 10 percent said because they trust the prime minister.
 - 31 percent of respondents said they do not support the Cabinet because they don't have high expectations for its policies; 20 percent said because the prime minister lacks executive ability; and 19 percent said because it is centered around the LDP.
 - 58 percent of respondents said they approve of the GOJ's COVID-19 response so far, while 37 percent said they disapprove.
 - 39 percent of respondents said they want Kishida to remain prime minister until his term as LDP president ends in Sept. 2024; 23 percent said about another year; 20 percent said they want him out now; and 15 percent said as long as possible.
 - 54 percent of respondents said they do not believe it was good to hold a state funeral for former Prime Minister Abe Shinzo, while 41 percent said they believe it was a good idea.
 - 58 percent of respondents said they do not believe state funerals should be held for former prime ministers who have left significant accomplishments, while 33 percent said they believe state funerals should be held for such individuals.

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- 80 percent of respondents said they do not believe Kishida is showing leadership on the issue regarding lawmaker ties with the Unification Church, while 13 percent said they believe he is.
- 59 percent of respondents said they believe an investigation into Abe's ties to the UC should be conducted, while 37 percent said they do not find it necessary.
- 71 percent of respondents said they agree Japan must bolster its defense, while 21 percent disagree.
 - Of those who agreed, 43 percent said Japan should finance increased defense spending mainly through GOJ bonds; 30 percent said by cutting social security and other spending; and 20 percent said by raising taxes.
- 73 percent of respondents said they disapprove of the GOJ's response to rising costs of living, while 21 percent said they approve.
- 49 percent of respondents said they feel "somewhat" of a burden on the household budget due to rising costs of living; 37 percent said a "great" burden; 10 percent said "some" burden; and 3 percent said "no" burden.

- The survey also collected data on the latest approval ratings of political parties.

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