

The Weekly Observer

October 24-28, 2022

The 49th edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on the Japan-Australia Joint Security Cooperation Declaration, the Japan-U.S.-ROK trilateral vice ministers meeting, the Japan-EU high-level economic dialogue, Kishida's summit meetings with the leaders of Indonesia, Uruguay and Lithuania, reports that Japan plans to buy U.S.-made Tomahawk cruise missiles, the ¥39 trillion comprehensive economic package, Minister in charge of Economic Revitalization Yamagiwa's resignation, the ruling coalition and opposition parties' meeting over UC victim relief, former Prime Minister Noda's eulogy for former Prime Minister Abe, Kishida's statements regarding economic policy, Governor Kuroda's press conference after the BOJ monetary policy meeting, METI's MoU for Promoting Cooperation on LNG with Singapore, the October Monthly Economic Report, and more.

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I. News of the Week

1. Japan and Australia Unveil New Security Declaration

- On Saturday, Prime Minister Kishida Fumio [met](#) Australian Prime Minister Anthony Albanese in Perth. It was their [fourth meeting](#) in five months.
- The two leaders [shared](#) the view that given the deepening of cooperation, particularly in security and defense cooperation, FOIP and resources and energy, the “special strategic partnership” between the two countries has elevated to a new level.
- The two leaders signed a Joint Declaration on Security Cooperation, which will serve as a compass that will guide the direction of Japan-Australia security and defense cooperation for the next ten years.
- The Joint Declaration [mentions](#) consulting each other on contingencies that may affect sovereignty of either country and regional security interests, and considering measures in response. This is the [first framework](#) of contingency planning for Japan outside the one it shares with the United States.
- In the [joint statement](#), the leaders stated that a new critical minerals partnership had been announced to build secure critical mineral supply chains and to promote investment and other areas of collaboration.

2. Japan-U.S.-ROK Trilateral Vice Foreign Ministers Meeting

- On Wednesday, Vice Minister for Foreign Affairs Mori Takeo [hosted](#) U.S. Deputy Secretary of State Wendy Sherman and ROK 1st Vice Minister of Foreign Affairs Cho Hyundong in Tokyo for a trilateral meeting.
- The three shared the recognition that North Korea’s frequent missile launches pose a serious and imminent threat to the peace and stability of the region, and that it poses a clear and serious threat to the international community. They agreed to further strengthen bilateral and trilateral deterrence and response capabilities.
- The three also strongly condemned Russia for its invasion of Ukraine, shared the recognition that unilateral attempts to change the status quo should not be accepted, and concurred that peace and stability in the Taiwan Strait is important.
- On Tuesday, Minister for Foreign Affairs Hayashi Yoshimasa [received](#) a courtesy call from Sherman and Cho. They shared serious concern about Russia’s threat to use nuclear weapons and the recognition that threat or use of them is unacceptable.

- Mori also held bilateral meetings with Sherman and Cho. Mori and Sherman [discussed](#) close coordination in addressing issues related to China and concurred close coordination to secure economic security. Mori and Cho [reaffirmed](#) that they would continue constant communication and accelerate deliberations on issues of concern for the bilateral relationship.

3. Japan-EU High-level Economic Dialogue

- On Tuesday, Hayashi and Minister of Economy, Trade and Industry Nishimura Yasutoshi [participated](#) in the Japan-EU High-level Economic Dialogue.
- Hayashi stated that Japan and the EU need to further deepen cooperation in order to address important economic issues including supply chain disruption and increasing commodity prices due to COVID-19 and Russia's aggression against Ukraine. He expressed the intention to deepen mutual understanding on economic issues.
- Nishimura mentioned the importance of the two sides working together to tackle the attempt by some to utilize economic coercion to meet their own respective interests, to promote economic security from a geopolitical perspective, and to strengthen cooperation with developing countries.
- The ministers and EU Commissioners shared the recognition that Japan and the EU should lead the free and fair economic order in the international community.
- The ministers and EU Commissioners discussed four topics: Japan-EU economic policy collaboration; sustainable finance; cooperation to address level playing field and economic security issues; and global trade challenges including the WTO.

4. Foreign Policy Developments

- On Friday, Prime Minister Kishida Fumio [held](#) a phone conference with Indonesian President Joko Widodo. The two agreed to continue close cooperation in the future, including on addressing at the G20 summit Russia's threat to use nuclear weapons.
- Kishida [held](#) a summit meeting with Uruguayan President Luis Lacalle Pou. The leaders acknowledged that both countries have great economic potential and decided to establish the Joint Committee to discuss bilateral economic relations.
- MOFA Asian and Oceanic Affairs Bureau Director-General Funakoshi Takehiro [held](#) a phone conference with U.S. Special Representative for the DPRK Sung Kim and ROK Special Representative Korean Peninsula Peace and Security Affairs Kim Gunn. The three discussed the [missile launch](#) on Friday and agreed to continue close bilateral and trilateral coordination.

- On Wednesday, Kishida sent a [video message](#) to the International Expert Conference on the Recovery, Reconstruction and Modernization of Ukraine ([hosted](#) by German Chancellor Scholz and EU Commission President von der Leyen). He said Japan will continue to actively contribute to efforts assisting Ukraine based on the country's unique knowledge and strengths.
- Kishida [held](#) a summit meeting with Lithuanian Prime Minister Ingrida Šimonytė. The two leaders shared the necessity of further strengthening bilateral relations in order to respond to the changing strategic environment, upgrading the bilateral relationship to a [strategic partnership](#) to tackle issues such as FOIP and global trade.
- On Saturday, Hayashi [delivered](#) a speech at the Ninth Mt. Fuji Dialogue, the annual meeting of the U.S.-Japan Business/Policy Dialogue Program launched by JIIA and JCER in 2014. He [stated](#) that as G7 chair next year, Japan will proceed with respectful and tailormade diplomacy to uphold three resolutions: the resolve to defend universal values; to protect Japan's peace and security; and to lead the international community in facing global issues.

5. Defense/Security Developments

- At the GOJ's Fiscal System Council breakout session on Friday, multiple members [argued](#) that the increase in defense spending for FY 2023 must be financed sustainably, indicating an increase in taxes was more likely than further GOJ deficits.
- *Yomiuri* [reported](#) that the GOJ is in the final stages of negotiation with the U.S. government to purchase U.S.-made Tomahawk cruise missiles. The missiles will serve as a faster alternative to bolster deterrence while the GOJ proceeds with plans to upgrade its domestic missiles to serve as counterstrike capabilities.
- MOD [announced](#) that the PLAN informed the ministry it will not be deploying vessels to the JMSDF's international fleet review hosted at Sagami Bay on Nov. 6. South Korea [said](#) Thursday that it will deploy vessels for the [first time in seven years](#).
- On Wednesday, Defense Minister Hamada Yasukazu [held](#) a meeting with Finnish Defense Minister Antti Kaikkonen. They reaffirmed that they would continue to promote defense cooperation and exchanges to uphold and reinforce FOIP while maintaining close communication between high-level and senior-level officials.
- The LDP-Komeito working team examining the revision of three security documents [held](#) its second meeting on Wednesday. The members agreed on the basic approach to include economic security in the NSS. They also confirmed the need to introduce a security clearance system for information related to economic security.

6. PM Announces ¥39 Trillion Comprehensive Economic Package

- On Friday, Prime Minister Kishida [announced](#) that his Cabinet approved a ¥39 trillion economic package designed to overcome rising costs of living and revitalize the economy. He announced that the scale of the package was ¥71.6 trillion.
- Kishida explained that the package would push GDP up 4.6 percent and push consumer prices down 1.2 percent by next year through policies including a 20 percent reduction in electricity prices and reducing gasoline prices by ¥30/liter.
- The four pillars of the package are: response to rising costs of living and wage increases ([¥12.2 trillion](#)); revitalizing regional economies by using a weak yen (¥4.8 trillion); accelerating “new form of capitalism” (¥6.7 trillion); and securing the safety and security of citizens’ livelihood (¥10.6 trillion). An additional ¥4.7 trillion will be allocated to reserve funds for responses to issues such as the situation in Ukraine.
- LDP Policy Research Council Chairperson Hagiuda Koichi [aired](#) his frustrations on Friday over Finance Minister Suzuki Shunichi’s decision to inform the prime minister about the package amount without confirming with the party first. He revealed that he informed the prime minister to increase the amount during a phone call, stating that he “returned a forbidden move with a forbidden move.”
- The opposition parties are [criticizing](#) the package as an “inflated budget” and “budget based on scale and not policy.” CDP leader Izumi Kenta also questioned how the bloated package was in line with the GOJ’s goal of fiscal austerity.

7. Minister in Charge of Economic Revitalization Yamagiwa Resigns

- On Monday, Minister in charge of Economic Revitalization Yamagiwa Daishiro [resigned](#) from his Cabinet position over his ties to the Unification Church. Kishida explained that Yamagiwa said his problems would deter him from focusing on his job, which includes deliberating economic policy and the budget in the Diet.
- The resignation comes ahead of Diet deliberations on the budget and other GOJ-submitted legislation. Reports [suggest](#) that Kishida reversed course from repeatedly backing Yamagiwa to “forcing” him to resign to ensure deliberations focused on actual policy and not Yamagiwa’s revealed ties to the Church.
- Yamagiwa initially came under fire for repeatedly denying ties to the Church as [reports mounted](#) on his alleged meetings with top Church officials. Scrutiny mounted as Yamagiwa was forced into accepting such claims after the denying several times.
- On Tuesday, Kishida [appointed](#) Goto Shigeyuki, health minister in the first Kishida Cabinet, to replace Yamagiwa as minister in charge of economic revitalization; new

capitalism; startups; measures for novel coronavirus disease and health crisis management; social security reform; and economic and fiscal policy.

- Kishida [explained](#) that he chose to appoint Goto for his rich political experience, his ability to explain issues carefully, and his passion for socioeconomic transformation. Goto [said](#) Tuesday at a press conference that he has no ties to the Church.

8. Ruling and Opposition Parties Hold Meeting on UC Victim Relief

- On Tuesday, the LDP, Komeito, CDP and Japan Innovation Party [held](#) a council meeting to discuss victim relief measures in relation to the Unification Church issue.
- The parties agreed that it is necessary to provide relief not only to the person who made an unjust donation under the influence of the Church, but also the victim's spouse, children and other family members (second generation included).
- The ruling coalition, however, were less responsive to the opposition proposal to allow family members to cancel large donations made under the influence of the Church. They argue that this restricts individual property rights. The draft opposition bill [proposes](#) limiting donations to "one-fourth of annual income" in order to prevent victimization from large donations and psychic marketing.
- The ruling coalition is [considering](#) a new bill similar to Article 17 of the Act on Authorization of Public Interest Incorporated Associations and Public Interest Incorporated Foundation, which prohibits the continued solicitation or demand of donations from a person who has expressed an intention not to donate, and unfairly harming the interests of the donor.
- The coalition is also considering revising the Consumer Contract Act to relax the requirements for applying restrictions on psychiatric marketing, and to extend the period during which contracts can be cancelled.
- Minister of Education Nagaoka Keiko [said](#) Wednesday that the GOJ will set a deadline for each question it asks the Church under its "right to ask questions." The Agency for Cultural Affairs is [expected to indicate](#) a guideline for the appropriate use of the "right to ask questions" on November 8.

9. Other Political Developments

- The GOJ and ruling coalition [decided](#) Wednesday that it will provide a lump-sum childbirth allowance (coupon) of ¥100,000 per child born after Jan. 1, 2023, as a way to support pregnant women. Women will receive ¥50,000 each after notifying pregnancies and births to the local government.

- At a health ministry expert committee meeting on Wednesday, Kyoto University Professor Nishiura Hiroshi [revealed](#) simulation results on the “eighth wave” of COVID-19 cases, projecting that vaccinations will reduce case numbers by nearly 30 percent despite 8 million people being infected by February 2023.
- On Tuesday, the Lower House plenary session [began deliberations](#) on the GOJ and opposition submitted revised Infectious Disease Act and other legislation designed to better respond to future pandemics. The GOJ version includes requiring prefectural governments to formulate disease prevention plans and entering agreements with regional core medical institutions to secure hospital beds as well as outpatient care.
- At the Lower House plenary session on Tuesday, former Prime Minister Noda Yoshihiko [delivered a eulogy](#) for former Prime Minister Abe Shinzo. Noda stated that he wanted to one day seriously “fight” (debate) with Abe again in the Diet.
- Anti-base forces in Okinawa [faced another setback](#) in local elections on Sunday when former Vice Mayor of Naha Chinen Satoru, backed by the ruling coalition, defeated Onaga Takeharu, the son of former Okinawa Governor Onaga Takeshi.

10. Kishida Sets Economic Policy Vision

- At the Reinventing Infrastructure of Wisdom and Action meeting on Thursday, Kishida [stated](#) that he believes that structural wage increases should be given top priority in order to realize a “new capitalism.”
- At the GX Implementation Council meeting on Wednesday, Kishida [stated](#) that the core policy initiative to realize GX will be the introduction of growth-oriented carbon pricing that overcomes issues including price instability and industrial/employment turmoil, and brings about a stable and powerful socioeconomic transformation.
- Kishida further stated that the carbon pricing mechanism should be a hybrid model that combines both a carbon levy and an emissions trading market. He also instructed relevant ministries and agencies to indicate a ten-year outlook on how much investment promotion is expected in certain areas.
- At a Council of New Form of Capitalism Realization meeting, Kishida [noted](#) that in order to reconstruct capitalism, Japan must accelerate the transition to a green economy, reskill and raise wages for workers, strengthen incentives for companies to invest in the transition, and promote public-private partnerships.
- On Tuesday, Kishida [said](#) that in order to promote DX, which is a pillar of investment and reform necessary for growth, it is important to normalize the use of the My Number Card, the basic infrastructure of this plan.

11. Kuroda Says 3 Percent Wage Hike Necessary to Achieve Inflation Target

- At a [press conference](#) on Friday following the BOJ's monetary policy meeting, Governor Kuroda Haruhiko said the 2 percent inflation target cannot be achieved without a substantial wage increase of about 3 percent (given expected 1 percent increase in labor productivity).
- Kuroda said that the members of the meeting unanimously agreed to continue the Bank's monetary easing policy. The Bank analyzes that the economy is picking up as the pandemic gradually comes under control and economic activity begins to pick up.
- He also said that the rate of increase in consumer prices, excluding fresh food, is around 3 percent ([2.9 percent](#)). Looking ahead, the rate of increase is [expected to rise](#) toward the end of the year, and then slow down to mid-one percent mid-next year.
- Kuroda defended monetary easing amid a depreciating yen, stating that the interest rate gap between the FRB and BOJ cannot solely explain recent exchange rate fluctuations. He added that yield curve control, unlike quantitative easing, does not particularly affect the yen's depreciation.
- Kuroda stated that while a stable depreciation of the yen will have a positive effect on the entire economy, the recent rapid depreciation is undesirable and not positive for the economy.

12. Other Key Economic/Financial Developments

- *Nikkei* [reported](#) Wednesday that the health ministry has begun considerations to raise long-term care insurance premiums for people over 65 with high incomes. The new system would theoretically start in 2024 and target those with more than ¥3.2 million.
- On Wednesday, METI [announced](#) that it had signed an MoU for Promoting Cooperation on LNG with Singapore's Ministry of Trade and Industry. The MoU includes joint investment in the sector and cooperation in times of shortages/crises.
- *Nikkei* [reported](#) that the GOJ is considering delaying carbon pricing measures to start with a lower burden and gradually raise it. The GOJ plans to issue GX Economic Transition Bonds to procure ¥20 trillion ahead of full introduction of CP to support investment for technology implementation and R&D into emissions reduction.
- *Nikkei* [reported](#) Tuesday that the GOJ will establish a new fund to support the commercialization of startups aiming for growth with innovative technologies. The more than ¥100 billion fund is expected to launch in 2022 and provide five years of support for pilot experiments following R&D.

- *Nikkei* [reported](#) Monday that market participants estimate the GOJ and BOJ's foreign exchange intervention to buy the yen and sell the dollar on Oct. 21 may have reached the scale of ¥5.5 trillion. *Nikkei* also [reported](#) that the GOJ and BOJ may have intervened again on Monday at a scale less than ¥1 trillion.

13. State of the Economy

- On Friday, the labor ministry released [September's effective ratio of job offers to applicants](#), which was at 1.34 times, 0.02 points [higher](#) than August. The [unemployment rate](#) rose for the first time in four months at 2.6 percent (+0.1).
- According to the labor ministry's [General Survey on Working Conditions](#) released on Friday, 24.5 percent of companies that set a uniform retirement age for employees set the age at 65 or older. This is a 6.7 point [increase](#) from 2017 and a record high.
- The BOJ's September CPI released on Tuesday [showed](#) the "trimmed average" increased by 2 percent from the same month last year, the highest since 2001 when data first became available. Price hikes have spread against the backdrop of higher resource prices and a weaker yen.
- [According](#) to *Nikkei*'s NEEDS economic model, the real growth rate for FY 2022 and FY 2023 is forecasted to be 1.8 percent and 1.2 percent, respectively.
- According to the Cabinet Office's [October Monthly Economic Report](#) released on Tuesday, the Japanese economy is "picking up moderately" as socioeconomic activity slowly returns. However, the report cautions that the slowing down of overseas economies is a downside risk of the Japanese economy.

II. Public Opinion Poll

- An SSRC poll [released](#) Monday showed the Kishida Cabinet's approval rating was 26 percent, while disapproval was 62 percent.
 - 42 percent of respondents said they cannot determine whether the Kishida Cabinet has responded adequately to COVID-19; 38 percent said they disapproved; and 19 percent said they approved.
 - 42 percent of respondents said that they believe the GOJ's decision to lift entry restrictions was "appropriate"; 35 percent said it was "excessive"; 13 percent said they "don't know"; and 9 percent said "all restrictions should be removed."
 - 44 percent of respondents said they disapproved of the "National Travel Support" program; 38 percent said they approved; and 17 percent said they "don't know."
 - 76 percent of respondents said that they believe the GOJ should request the courts to dissolve the Unification Church; 16 percent said they "don't know"; and 6 percent said they believe there is "no need."

- 79 percent of respondents said they believe House Speaker Hosoda Hiroyuki is not fulfilling his responsibility to explain his ties to the Church; 15 percent said they “don’t know”; and 4 percent said they believe he has explained adequately.
 - 65 percent of respondents said they believe Minister in charge of Economic Revitalization Yamagiwa Daishiro should resign; 21 percent said they “don’t know”; and 11 percent said they believe he should not resign.
 - 55 percent of respondents said they believe the state funeral for former Prime Minister Abe should not have taken place; 21 percent said that while there were problems, it was better to hold it; and 14 percent said it was the right decision.
 - 57 percent of respondents said that they believe the BOJ should revise its monetary easing policy; 24 percent said they “don’t know”; and 18 percent said it should continue the policy.
 - 69 percent of respondents said that they disapproved of the GOJ’s response to rising costs of living; 20 percent said they “don’t know”; and 9 percent said they approved.
 - 48 percent of respondents said that they feel strong concern about the possibility of China invading Taiwan; 42 percent said they have “some concern”; 5 percent said they “don’t know”; and 3 percent said they have no concern.
- The survey also collected data on the latest approval ratings of political parties.

Political Party	Approval Rating (%)
Liberal Democratic Party	23
Constitutional Democratic Party	7
Japan Innovation Party	8
Komeito	3
Japan Communist Party	3
Democratic Party for the People	2
Reiwa Shinsengumi	3
Social Democratic Party	1
Suffrage Party (Sanseitō)	1
NHK Party	1
Independent (No Party)	42