

The Weekly Observer

January 2-6, 2022

The 56th edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on the Nishimura-Raimondo meeting, the upcoming Japan-U.S. “2+2”, Kishida’s telephone call with President Zelenskyy, the reported Japan-U.K. RAA, Kishida’s New Year’s speeches, the upcoming ordinary session of the Diet, the child policy council, the act banning malicious solicitation of donations, the newly established Japan-U.S. Task Force on human rights violations in supply chains, the yield on new ten-year bonds reaching 0.5 percent, the real wage falling 3.8 percent, and more.

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I. News of the Week

1. Nishimura-Raimondo Meeting

- On Thursday, Minister of Economy, Trade, and Industry Nishimura Yasutoshi [met](#) with U.S. Secretary of Commerce Gina Raimondo in Washington. Nishimura is in the United States [between](#) Jan. 5-9.
- The two [discussed](#) Prime Minister Kishida Fumio's upcoming visit to Washington and ongoing collaboration in areas critical to shared economic prosperity.
- They also discussed the importance of working together to promote and protect critical and emerging technologies, including through R&D on export controls, so as to support technological competitiveness and to address shared security interests.
- Executives from IBM and Rapidus Corp. joined the meeting to share an overview of their ongoing collaboration on semiconductor R&D, which promotes innovation in both countries.
- Nishimura [said](#) the two countries have agreed to expand cooperation on critical technologies beyond semiconductors to include areas such as AI and biotechnology. He also [said](#) that he had a deep conversation with Raimondo about joining the Biden administration's advanced semiconductor export controls on China.

2. Japan-U.S. "2+2" to Be Held on Jan. 11

- MOD [announced](#) on Friday that Minister of Defense Hamada Yasukazu will be traveling to the United States on Jan. 11-12 to attend the "2+2" meeting and hold a Defense Ministers meeting with Secretary of Defense Lloyd Austin.
- MOFA also [announced](#) that Minister for Foreign Affairs Hayashi Yoshimasa will be attending the "2+2."
- The four ministers will discuss the security challenges facing the two countries based on the strategic documents of the respective countries.
- They will also discuss future cooperation toward the realization of a "Free and Open Indo-Pacific," strengthening the deterrence and response capabilities of the alliance, and the direction of security and defense cooperation in the region.
- They are also [expected](#) to discuss economic cooperation.

3. Foreign Policy Developments

- On Friday, Kishida [held](#) a phone conference with Ukrainian President Volodymyr Zelenskyy. He [reiterated](#) support for Ukraine as Japan and as the chair of the G7. Kishida said that he would consider Zelenskyy's request to visit Ukraine. Kishida also said Japan will consider providing more generators on top of the 300 generators and 83,500 solar lanterns it plans to send to Ukraine.
- On Thursday, Hayashi [met](#) with Mexican Foreign Minister Luis Ebrard Casaubon. He expressed his desire to strengthen bilateral ties to commemorate the 135th anniversary of the establishment of diplomatic relations. Hayashi also touched upon the possibility of future cooperation in the DX and GX sectors.
- MOFA [announced](#) on Wednesday the prime minister's scheduled visits to France, Italy, the United Kingdom, Canada, and the United States. He will travel to these G7 countries in order between Jan. 9-14.
- On Wednesday, Hayashi [left](#) Japan for Central and South America and the United States. He will travel to Mexico, Ecuador, Brazil, Argentina, and the United States until Jan. 15. His aim is to deepen coordination with the "Global South" to respond to China and Russia.
- Over the weekend, MOFA Director General for Asian and Oceanic Affairs Bureau Funakoshi Takehiro held [two phone conferences](#) with U.S. Special Representative for the DPRK Sung Kim and ROK Special Representative for Korean Peninsula Peace and Security Affairs Kim Gunn. The three strongly condemned North Korea's Dec. 31 ballistic missile launch and reaffirmed the need for bilateral/trilateral cooperation.

4. Defense/Security Developments

- *Nikkei* [reported](#) Friday that the MOD will increase JSDF ammunition storage and missile deployment points across the southwestern island chain. The aim is to redistribute ammo from Hokkaido, which houses 70 percent of total stock, in anticipation of a Taiwan contingency.
- *Yomiuri* [reported](#) that Japan and the U.K. are entering final discussions to sign a Reciprocal Access Agreement, which establishes particular procedures for cooperative activities conducted by defense forces in the other country. Kishida is expected to sign the agreement when he visits the U.K. on Jan. 10-11. A RAA requires Diet approval to take effect.
- *Yomiuri* [reported](#) that Japan and the United States will bolster cybersecurity cooperation. The GOJ will introduce software standards equivalent to that of the United States. METI Minister Nishimura is expected to sign an MoU with Secretary of Homeland Security Alejandro Mayorkas on Jan. 6.

- *Nikkei* [reported](#) Thursday that the GOJ aims to utilize the JSDF to defend critical infrastructure such as nuclear power plants from normal times. The JSDF will cooperate with local municipalities, police, and the JCG to conduct exercises such as missile interception training.
- *Nikkei* [reported](#) Wednesday that MOD will reorganize the JGSDF's fifteen divisions and brigades to allow for deployment to the southwestern islands in anticipation of a Taiwan contingency. Units outside of Okinawa will become mobile units capable of leaving their regional posts.
- On New Year's Day, North Korea [launched](#) a ballistic missile toward the Sea of Japan. The missile flew a maximum altitude of 100 km and distance of approximately 350 km. North Korea launched three missiles on Dec. 31 too. These were [viewed](#) as retaliatory launches in response to the ROK's solid-fuel rocket launch.

5. Kishida's New Year's Speeches

- On Jan. 1, Kishida issued an [address](#) about the year ahead. He said that he aims to overcome this difficult age to usher in a new era for Japan.
- At the *Jiji Press* [New Year Party](#) on Jan. 5, he stated that the two challenges of the year are establishing a positive economic cycle and addressing the unprecedented challenge of a declining birth rate.
- The first will be achieved through “new form of capitalism,” namely public-private investment and wage increases. The second will be achieved through financial assistance, expanding child care services, and workplace reforms.
- At the [New Year's event](#) hosted by Keidanren, Nissho, and Doyukai, he urged businesses to help realize a 5 percent or so increase in wages (above inflation rate) that RENGO is aiming to achieve.
- At the [New Year party](#) hosted by RENGO, Kishida stated that he envisions a society in which wages increase, firms are strong, and more children are born. He also stated that reskilling, developing a Japanese-style workstyle, and labor mobility will be key to achieving sustainable and structural wage increase.

6. Ordinary Session of the Diet to Begin on Jan. 23

- The GOJ [finalized](#) plans on Thursday to convene the next ordinary session of the Diet on Jan. 23.
- The session will last 150 days until June 21. The GOJ plans to submit approximately sixty bills during this session.

- Legislation [includes](#) the bill to secure funding for the defense budget increase, as well as the revised bill to permit the extension of the operation period of nuclear power plants.
- The GOJ [initially planned](#) to convene the Diet on Jan. 27 after Kishida's proposed visit to Switzerland for the Davos Economic Forum. However, the Upper House LDP urged the GOJ to leave more time to deliberate the FY 2023 budget.
- The GOJ also considered the unified local elections in April. This will also take time away from deliberations.

7. PM Establishes Child Policy Council

- On Wednesday, Kishida [said](#) that the declining birth rate, which is projected to hit a record low of 800,000 in 2022, is a serious problem that must be redressed.
- He revealed that he instructed Minister of State for Measures for Declining Birthrate Ogura Masanobu to compile policies in line with the three areas he outlined: financial assistance, expanding child care services, and workplace reforms.
- Kishida [met](#) with Ogura on Friday, instructing him to finalize policies if possible by the end of March. He also instructed a new cross-ministry council, chaired by Ogura, to compile the policies.
- Chief Cabinet Secretary Matsuno Hirokazu said Friday that the GOJ is currently not considering the use of the consumption tax as a source of funding for policies related to the declining birth rate.
- Former LDP Secretary General Amari Akira had [said](#) Thursday on a TV program that the government should consider raising the consumption tax as an option to finance policies related to the declining birth rate.

8. Other Political Developments

- On Thursday, the Act prohibiting malicious solicitations of donations by corporations and organizations [took effect](#). The Act bans six types of actions that may "confuse" donors, such as psychic marketing and taking advantage of romantic feelings. It also bans requesting donors to finance donations through loans or debt.
- At a meeting between the GOJ and ruling coalition, Kishida [requested](#) that the parties support the GOJ in the upcoming Diet session to pass legislation relating to the FY 2023 budget, tax reform, realizing GX, the infectious disease act, among other bills.

- LDP policy chief Hagiuda Koichi [said](#) that the Council will discuss in mid-January sources of funding aside from a tax hike for the increased defense budget. A Special Mission Committee will be established and chaired by Hagiuda.
- NHK [reported](#) Tuesday that the GOJ aims to decide on an action plan around the spring to double FDI into Japan to ¥80 trillion by 2030. Policy options include loosening conditions for entrepreneur's to gain visa status and promoting investment in critical areas such as semiconductors and biotechnology.
- *Jiji* [reported](#) Sunday on the GOJ's draft amendments to the Infectious Disease Act. The bill will strengthen the prime minister's authority over prefectural governors, allowing him/her to "order" governors to take action. The draft does not include stronger penal measures against businesses and individuals.

9. Japan and the U.S. to Establish a Task Force on Human Rights

- On Friday, METI Minister Nishimura and USTR Tai [signed](#) a MOC to launch a Task Force on the Promotion of Human Rights and International Labor Standards in Supply Chains.
- The Task Force was [established](#) under the Japan-U.S. Partnership on Trade. Its work will include prohibiting the use of forced labor in supply chains through trade policy.
- Through the Task Force, the two countries will exchange information on relevant laws, policies, and guidance; facilitate stakeholder dialogues with businesses and worker organizations; and promote best practices for human rights and internationally recognized labor rights due diligence.
- U.S. members include the Office of the USTR, State, Commerce, Health and Human Services, Labor, Homeland Security, Customs and Border Protection and ICE, USAID, and other agencies.
- Japanese members include METI, MOFA, and other agencies.

10. Other Key Economic/Financial Developments

- *Nikkei* [reported](#) Friday that Rapidus Corp. is expected to soon reach an agreement with IBM to bolster cooperation. In addition to receiving technology, Rapidus will also receive support to secure buyers through contracting from IBM to produce semiconductors used for its high-performance computers.
- On Friday, the yield on newly-issued ten year bonds [rose](#) to 0.5 percent, the highest level since July 2015, and for the first time since the BOJ raised the fluctuation range on Dec. 20. [Speculation](#) about further yield increases fueled this movement.

- *Nikkei* [reported](#) Wednesday that METI will unveil a “Japan-ASEAN Joint Economic Vision” ahead of the Japan-ASEAN Economic Ministers Meeting in August. It will focus on 1) sustainable practices such as environmental protection; 2) innovation through joint research at universities or businesses; 3) strengthening connectivity through logistics network development; and 4) human capital development through the use of high-skilled workers.
- The BOJ [announced](#) Wednesday that its purchases of long-term GOJ bonds in December reached ¥16.18 trillion and ¥111.61 trillion in the year. This is the highest amount purchased since the BOJ introduced the yield curve control in 2016. The BOJ was forced to make purchases to relieve upward pressure on long-term interest rates.
- On Tuesday, the yen-dollar exchange rate [reached](#) a seven-month high of ¥129/dollar. This happened as hedge funds and other foreign investors looked to make a profit by selling the dollar and buying the yen. Japanese investors were mostly on holiday too.

11. State of the Economy

- The BOJ [announced](#) on Friday that the [GDP gap](#) (supply-demand gap) in July-Sept. 2022 was -0.06 percent, the tenth consecutive segment in the negative. The end of the lockdown in Shanghai and operation of production equipment cut down the negative range for the fourth consecutive segment.
- MAFF [announced](#) that [exports](#) of agricultural, forestry, and fishery products in 2022 (excluding December) came to ¥1.243 trillion, higher than the ¥1.238 trillion recorded last year. This is a five time increase from pre-COVID-19 2019. Increased exports of seafood and alcoholic beverages, coupled with a weak yen, helped.
- MHLW [announced](#) that real wages in November for businesses with more than five employees fell 3.8 percent from the same month last year. This is the [eighth consecutive month](#) wages have gone down, and the largest decrease since May 2014.
- Real wages have not kept up with the increasing costs of living. While the base salary and overtime pay increased 1.5 and 5.2 percent, respectively, special pay including bonuses fell 19.2 percent, pushing down real wages. Nominal wages per person went up for the eleventh consecutive month, up 0.5 percent to ¥283,895.
- The Cabinet Office’s [Consumer Confidence Survey](#) for December released on Thursday [showed](#) the index up 1.7 points at 30.3. Consumption and employment prospects improved ahead of the first end of year without COVID-19 restrictions.

II. Public Opinion Poll