

The Weekly Observer

January 30-February 3, 2022

The 60th edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on the Kishida-Stoltenberg meeting, Japan-ROK dialogue to improve relations, Japan-PRC foreign ministers' meeting, the defense spending finance bill, the Diet debate over policies addressing the declining birth rate, the executive secretary to the prime minister's homophobic statement, experts' recommendations for the GOJ and BOJ, GX and nuclear power related policies, the Consumer Confidence Survey, and more.

By Content

I. News of the Week

Foreign Policy/Security

1. Kishida-Stoltenberg Meeting
2. Japan and South Korea Continue Dialogue to Resolve Issues
3. Foreign Policy Developments
4. Defense/Security Developments

Domestic Politics

5. Policies Addressing the Declining Birth Rate Becomes Main Diet Debate Issue
6. GOJ to Consider Expanding Child Allowance
7. Other Political Developments

Economics/Finance

8. Experts Recommend the GOJ and BOJ Revise Joint Statement
9. Other Key Developments
10. State of the Economy

II. Public Opinion Polls

1. *Nihon Keizai Shimbun* (1/30)

I. News of the Week

1. Kishida-Stoltenberg Meeting

- On Tuesday, Prime Minister Kishida Fumio [met](#) NATO Secretary General Jens Stoltenberg in Tokyo. The two reaffirmed their commitment to deepen ties and to share strategic interests and common values including the rule of law.
- In the [joint statement](#), the two shared the view that unilateral changes to the status quo by force or coercion is not acceptable anywhere in the world. They recognized that the security of the Euro-Atlantic and the Indo-Pacific are closely connected and stressed the necessity of further strengthening cooperation.
- The two condemned in the strongest terms the unprovoked and unjustifiable war of aggression by Russia against Ukraine. They also stated that Russia's irresponsible nuclear rhetoric is unacceptable.
- The two strongly opposed unilateral attempts to change the status quo by force or coercion in the East China Sea and urged China to cooperate constructively with international efforts. They reiterated their positions on Taiwan have not changed. They strongly condemned North Korea's nuclear weapons and missile program.
- The two reaffirmed the importance of cooperation in areas such as cyberspace, outer space, disinformation and strategic communications, countering hybrid challenges, resilience, critical and emerging technologies, and innovation to bolster capacity to address emerging challenges in new domains.

2. Japan and South Korea Continue Dialogue to Resolve Issues

- On Tuesday, MOFA Asian and Oceanian Affairs Bureau Director-General Funakoshi Takehiro [met](#) with ROK Special Representative for Korean Peninsula Peace and Security Affairs Kim Gunn in Seoul.
- The two agreed to continue close cooperation bilaterally and trilaterally with the United States to strengthen deterrence and realize the complete denuclearization of North Korea in line with the UN Security Council resolutions.
- *Yomiuri* [reported](#) that the Japanese and South Korean governments have finalized plans to resolve the wartime labor issue by having a foundation under the ROK government cover compensation to victims instead of the Japanese firms being sued.
- Funakoshi [held](#) a director-level meeting in Seoul on Monday to exchange views on this issue. The two agreed to continue dialogue to resolve the issue and to restore and further develop Japan-ROK relations.

- *Nikkei* [reported](#) Saturday that the Kishida Cabinet will likely support Seoul's decision on taking care of compensation by maintaining past prime minister statements expressing "deep remorse" for Japan's imperialist past.

3. Foreign Policy Developments

- On Friday, Foreign Minister Hayashi Yoshimasa [held](#) a phone talk with Chinese Foreign Minister Qin Gang. He expressed serious concerns regarding the East China Seas and China's military activities around Japan. He stressed the importance of mutually beneficial cooperation to build a "constructive and stable relationship."
- On Wednesday, MOFA [announced](#) that President Ferdinand Marcos Jr. of the Philippines will be visiting Japan between Feb. 8-12. The president will meet the prime minister for a working dinner.
- Reports suggest that the GOJ is [considering convening](#) an online G7 Summit on Feb. 24 to mark the one year anniversary of the war in Ukraine. The GOJ [aims to host](#) a foreign ministers meeting on the occasion of the Munich Security Conference too.
- On Tuesday, Prime Minister Kishida [received](#) a courtesy call from Deputy Prime Minister Sheikh Mohammed bin Abdulrahman Al-Thani of Qatar. The two sides confirmed further deepening of ties in areas such as security, economics, and energy.
- On Monday, Kishida [met](#) Prime Minister Kyriakos Mitsotakis of Greece. The two issued a [joint statement](#) elevating the bilateral relationship to a strategic partnership.

4. Defense/Security Developments

- On Friday, the GOJ [approved](#) a bill to secure funding for increased defense spending, which stipulates 25 percent of the budget will be financed by taxes, as well as a "defense reinforcement fund" to pool non-tax resources including sold state assets.
- The GOJ [finalized basic guidelines](#) for the operation of the Act Promoting Economic Security, which centers around a "prior notification" system for firms that use "specially designated equipment" requiring information about the equipment and its supplier. It targets fourteen core infrastructure including electricity, gas, and finance.
- The GOJ also [revealed](#) the basic guidelines for undisclosed patents, which names hypersonics, space, cyber, and nuclear technology as examples of patents that can be kept from the public. To avoid stifling private sector innovation, the government can only leave undisclosed dual-use technologies created for defense purposes.
- *Yomiuri* [reported](#) that the GOJ will craft an "autonomous underwater vehicle" strategy by the end of the year to move forward domestic manufacturing of AUVs. AUVs can

be useful for mineral resource extraction and security-related uses such as infrastructure maintenance.

- On Wednesday, the GOJ [began operating](#) the act restricting use of land important to security. The first round designated 58 areas in five prefectures as areas in which the GOJ can survey land use or require prior notification of land transactions. The GOJ aims to designate 600 areas. There are [concerns](#) it infringes on personal rights.

5. Policies Addressing the Declining Birth Rate Becomes Main Diet Debate Issue

- This week, a major issue of contention between the ruling and opposition parties was the debate over policies addressing the declining birth rate (children-related policies).
- It started with LDP Secretary General Motegi Toshimitsu's [questions](#) to the prime minister's policy speech on Jan. 25, in which he proposed abolishing household income restrictions on the child allowance program.
- This [contradicts](#) past LDP policy which emphasized "self-help" over "public help" on issues relating to children. The opposition [pointed out](#) that it was the LDP that advocated for restrictions on receiving child allowance based on household income.
- In response to this change, the CDP [announced](#) Wednesday that it had established a "Lost Decade Policy Examination Project Team" to review policies implemented by past administrations since the second Abe Cabinet.
- While the [CDP](#) and [Komeito](#) demands that the GOJ announce an end to income restrictions, LDP policy chief Hagiuda Koichi [remained cautious](#), stating that it is only one idea of many that must also take into account the limited budget.

6. GOJ to Consider Expanding Child Allowance

- In response to the heated debate, the GOJ may, [according](#) to NHK, expand the child allowance program and raise the target age range. Currently, households with children up to middle school age can receive ¥15,000 per child.
- There are views within the ruling and opposition parties that the target age range should be raised so that all families with children below the age of eighteen can receive the allowance.
- Given this topic is the "most important" policy for the prime minister, the government will seriously consider concrete policies to reform the system and will compile a basic policy outline by the end of March.

- Additionally, there are lawmakers who advocate for a system [dubbed](#) “divided by N, multiplied by N” (literal translation), in which households with more children pay less income tax. Instead of calculating taxes based on the husband and wife’s income, it calculates as a single family unit, dividing total income by number of members in the family (children = 0.5 person), then applying the progressive tax rate before multiplying this tax amount by the number of children in the family.
- On Thursday, Finance Minister Suzuki Shunichi [indicated](#) a cautious approach, stating that there are a multitude of challenges, including the fact that single-parent household and households with higher incomes benefit from the system more.

7. Other Political Developments

- On Saturday, Executive Secretary to the PM Arai Masayoshi was [removed](#) for [telling reporters](#) off the record on Friday that he disliked looking at or living next to LGBTQ+ people. He said that people would leave the country if Japan introduced same-sex marriage. He added that there should still be support mechanisms for them.
- On Wednesday, Prime Minister Kishida [said](#) in the Diet that he plans to revise the system placing an “annual income ceiling of ¥1.3 million” on part-time workers, which tend to be women. Once above this income, dependents are no longer eligible to receive social insurance and must pay the premium.
- The prime minister [also indicated](#) that the GOJ would be expanding housing assistance to young couples preparing for marriage and households with children in an attempt to address the declining birth rate.
- Minister for Consumer Affairs and Food Safety Kono Taro [revealed](#) that he instructed the Consumer Affairs Agency to aim for enforcement of some regulations related to administrative measures, penalties, and prohibited acts under the new bill restricting malicious solicitation of donations (Unification Church) that have not been enforced.
- On Monday, Kishida [announced](#) that the government would “not hesitate” to implement additional support measures to alleviate possible electricity price fluctuations in the spring and beyond. Utility companies are likely to raise prices due to higher energy costs to operate their respective plants.

8. Experts Recommend the GOJ and BOJ Revise Joint Statement

- On Monday, Reiwa Rincho (Reinventing Infrastructure of Wisdom and Action), an ad hoc council of business leaders and academic experts, [announced](#) a [set of proposals](#) recommending the revision of the [GOJ-BOJ joint statement of 2013](#).

- The group proposed a thorough review of the effectiveness of the GOJ and Bank of Japan's policies going back ten years before revising the joint statement.
- The aim of this proposal is to reconstruct relations between the two sides, which the group believes led to prolonged monetary easing and excessive fiscal spending, as well as sluggish labor market reform.
- The group also proposed setting the 2 percent inflation target as a long-term goal to allow for flexibility in the Bank of Japan's monetary policy. It also proposed setting wage increases as a common goal.
- There are some within the GOJ that believe the 2013 joint statement should be revised, as it has become somewhat of a justification for monetary easing to continue.

9. Other Key Economic/Financial Developments

- According to the Ministry of Agriculture, Forestry, and Fisheries [release](#) on Friday, Japan's agriculture, forestry, and fisheries exports in 2022 rose 14.3 percent from the previous year to a record high of ¥1.42 trillion. However, this [pales in comparison](#) to the United States (24 times more than Japan) or the Netherlands (15 times).
- On Friday, BOJ Governor Kuroda Haruhiko [revealed](#) that Bank-held GOJ bonds had an unrealized loss of ¥8.8 trillion (asset value down from when purchased). It has gone up ten times in the last three months as a result of higher interest rates following the BOJ revision of the long-term interest fluctuation rate to +/- 0.5 percent.
- On Thursday, the GOJ [decided](#) to revise its basic policy on the final disposal of nuclear waste from power plants for the first time in eight years. It will delineate that the GOJ will "take responsibility to realize (underground) final disposal."
- On Wednesday, the BOJ [announced](#) that its GOJ bond purchases in January reached a record high of ¥23.69 trillion. The Bank was [forced into purchasing](#) more bonds after its announcement to change the fluctuation rate triggered speculation that it would further revise monetary policy and raised the interest rate.
- *Nikkei* [reported](#) Sunday that the GOJ has started the process of revising the Basic Guidelines for Green Transformation, which includes possibly limiting the replacement of nuclear power plants within the area of retiring plants. This may be to accommodate cautious views from lawmakers within the LDP on finding new sites.

10. State of the Economy

- According to the internal affairs ministry's [labor statistics](#) released on Tuesday, the average number of workers in the labor force in 2022 was 67.23 million, 100,000

more than the previous year but 270,000 fewer than pre-COVID-19 2019. The trend is [especially concerning](#) amongst men in their 30s and 40s.

- According to the Cabinet Office's January [Consumer Confidence Survey](#), the index was 31.0, up 0.7 points from the previous month. The consumer's confidence is "somewhat weak," an expression that indicates slight improvement in confidence. Of four indicators, only "willingness to buy durable goods" fell to 23.5 (down 0.2 pts.).
- According to MOF's January [Economic Situation Report](#), the ministry maintained the assessment that the economy is "gradually recovering." Of eleven regions, Chugoku, Shikoku, Kyushu, Fukuoka, and Okinawa regions saw their assessments revised upward, [likely due](#) to higher consumption resulting from the resumption of the National Travel Assistance program.
- According to the labor ministry's [job statistics](#), the average jobs-to-applicant ratio in 2022 was 1.28 times, 0.15 points higher than the previous year. The [unemployment rate](#) released by the internal affairs ministry also improved 0.2 points to 2.6 percent, [both indicating](#) that the economy is slowly recovering.
- *Nikkei* [reported](#) that ten economists it surveyed estimated on average that the real GDP growth rate for the Oct.-Dec. 2022 period would be 2.3 percent on an annual basis, the first positive growth rate in two quarters. Many economists believe that the growth rate is still small for a country getting out of negative growth.

II. Public Opinion Poll

- A *Nikkei* poll [released](#) on Monday showed the Kishida Cabinet's approval rating was 39 percent, up four points from December, while disapproval was 54 percent, down three points.
 - 43 percent of respondents said they want the prime minister to prioritize economic recovery; 41 percent said pensions, health care and elderly care; 40 percent said child care and addressing the declining birth rate; 27 percent said fiscal reconstruction; and 24 percent said foreign policy and security.
 - 68 percent of respondents said they approve of the GOJ's COVID-19 policy so far, while 28 percent said they disapprove.
 - 64 percent said they agree with the GOJ's decision to lower the COVID-19 threat level to equivalent to the seasonal flu, while 30 percent said they disagree.
 - 88 percent of respondents said they believe that the GOJ's decision to strengthen border measures for Chinese citizens as appropriate, while 8 percent said they believe that it was inappropriate.

- 63 percent of respondents said they believe that the prime minister should dissolve the Lower House and call a general election ahead of the tax hike, while 30 percent said they do not believe the prime minister should.
 - 55 percent of respondents said they have low expectations for the GOJ's policies addressing the declining birth rate, while 41 percent said they have high expectations.
 - 51 percent of respondents said they believe the GOJ should focus its efforts addressing the declining birth rate on raising wages for younger generations; 42 percent said workstyle reform to promote work-life balance; and 36 percent said expanding financial assistance such as child allowances.
 - 55 percent of respondents said they do not believe the GOJ should double its budget for children-related policies, while 41 percent said they believe the GOJ should.
 - 57 percent of respondents said they will consider candidates' ties to the Unification Church when deciding who to vote for in the April unified local elections, while 38 percent said they will not.
- The survey also collected data on the latest approval ratings of political parties.

Political Party	Approval Rating (%)
Liberal Democratic Party	42 (+2)
Constitutional Democratic Party	8 (+1)
Japan Innovation Party	6 (-3)
Komeito	4 (+2)
Japan Communist Party	2 (-2)
Democratic Party for the People	3 (+1)
Reiwa Shinsengumi	2 (± 0)
Suffrage Party (Sanseitō)	1 (± 0)
NHK Party	1 (± 0)
Independent (No Party)	27 (-2)