

The Weekly Observer

February 6-10, 2022

The 61st edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on the Japan-Philippines Summit, the Northern Territories rally, the Japan-Vietnam summit, the bill to strengthen the production base of the defense industry, discussions over the bill promoting understanding of LGBT persons, LDP-Komeito-DPPF policy consultations, the resumption of the three-way GOJ, RENGO, and Keidanren talks, the BOJ governor nomination, the Basic Guidelines for Realizing GX, the Economy Watchers Survey, and more.

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I. News of the Week

1. Japan-Philippines Summit

- On Thursday, Prime Minister Kishida Fumio [held](#) a summit meeting and working dinner with President Ferdinand R. Marcos Jr. of the Philippines. The summit was attended by the foreign, internal affairs, ag, economy, and defense ministers.
- Kishida [announced](#) Japan's contribution of ODA and private sector investment of ¥600 million by March 2024 to assist the Philippines's economic development plan. The two sides welcomed MoCs on ag as well as ICT.
- The two sides welcomed the signing of the terms of reference (TOR) concerning the Humanitarian Assistance and Disaster Relief Activities of the JSDF in the Philippines, and concurred to continue to consider ways to include additional frameworks to enhance and facilitate joint exercises and others between the two countries.
- The two leaders concurred to advance consideration to promote cooperation in defense equipment and technology as well as trilateral cooperation with the United States. The leaders agreed to advance cooperation in economic security, cybersecurity, and other issues.
- The two discussed regional and global issues including Ukraine, FOIP/AOIP, ASEAN-Japan relations, the East and South China Seas, North Korea, Myanmar, and nuclear disarmament and non-proliferation (NPT as well).

2. Japan Calls Out Russia's "Illegal Occupation" of the Northern Territories

- On Tuesday, Kishida delivered the [opening speech](#) at the annual rally seeking the return of Russian-held, Japanese-claimed Northern Territories.
- He stated that it is "extremely regrettable" that the Northern Territories issue has not been resolved and that there is no peace treaty seventy-seven years after the war.
- The prime minister maintained that the GOJ will continue to aim to resolve the Northern Territories issue and sign a peace treaty with Russia.
- The statement [issued](#) after the rally included, for the first time in five years, language that "the Northern Territories have remained *illegally occupied* since the Soviet Union took them seventy-seven years ago."
- The statement stressed that the situation is dire given the war in Ukraine has stalled talks between Japan and Russia on negotiating a peace treaty. It added that the problem cannot be prolonged any longer.

3. Foreign Policy Developments

- On Thursday, Kishida [held](#) a summit video teleconference with General Secretary Nguyen Phu Trong of the Central Committee of the Communist Party in Vietnam. The leaders agreed to elevate bilateral relations to a higher level especially by strengthening cooperation in areas such as investment, GX, DX, and security.
- The first Japan-U.S. [Strategic Dialogue on Democratic Resilience](#) was held at MOFA. The two sides exchanged views on how democratic resilience can be enhanced in the international community and within each country, and confirmed they would work more closely together.
- MOFA [announced](#) that Vice Minister Mori Takeo will meet with U.S. Deputy Secretary of State Wendy Sherman and ROK Vice Minister of Foreign Affairs Cho Hyundong in D.C. on Feb. 13. Bilateral talks will also be held.
- On Tuesday, Kishida [held](#) a meeting with the delegation of the Pacific Islands Forum (PIF) led by Prime Minister Mark Brown of the Cook Islands. Kishida expressed his desire to further deepen ties with the countries under the FOIP vision. On Monday, Minister for Foreign Affairs Hayashi Yoshimasa [said](#) Japan would strengthen support to Pacific Island countries region in the area of climate change.
- On Monday, the GOJ [announced](#) that it will begin implementation of the price cap on oil imports from Russia effective immediately. The caps are \$100/barrel on crude oil and \$45/barrel for petroleum products.

4. Defense/Security Developments

- *Nikkei* [reported](#) Friday that the LDP Special Mission Committee on Financial Resources for Defense-Related Expense (Chair: Hagiuda Koichi) will discuss the establishment of a “hometown tax” for defense to partially finance defense spending.
- The GOJ [approved](#) a bill to strengthen the production base of the defense industry. It expands export routes, establishes a fund to promote defense equipment exports, and gives the GOJ the option to buy up and outsource failing businesses.
- On Wednesday, the GOJ [held](#) an expert panel meeting on economic security to discuss the basic guidelines it decided on regarding non-disclosure of patents and pre-screening of equipment used in critical infrastructure. The GOJ aims to compile expert opinion and public comments before operating the guidelines next spring.

- On Monday, Kishida [received](#) a courtesy call from NASA Administrator Bill Nelson. The two confirmed the direction agreed upon last month to cooperate on exploration of space and the moon.
- *Sankei* [reported](#) Saturday that the United States government is offering deployment of intermediate-range missiles in Japan to augment counterstrike capabilities. GOJ sources claim that Kyushu could house these intermediate-range missiles.

5. PM Rushes to Submit LGBT Promotion Bill After Secretary Resignation

- On Monday, the prime minister [reportedly instructed](#) LDP Secretary General Motegi Toshimitsu to proceed with consideration of a bill to promote the understanding of LGBT persons. This comes after his secretary resigned for homophobic comments.
- A bill had been [prepared](#) in May 2021 by a cross-party group of lawmakers, which included a provision requiring the GOJ to craft a basic plan for promoting the understanding of LGBT persons. However, LDP conservatives opposed the language, “discrimination is unacceptable,” which they claim to be an effective prohibition.
- There are those that [suggest](#) the conservatives would be willing to accept “there should be no unfair discrimination” instead. LDP Upper House Secretary General Seko Hiroshige [said](#) Friday that Article 24 of the [Constitution](#) (says “both sexes”) does not allow for same-sex marriage.
- Pressure is on the LDP and the prime minister to deliver swiftly. Coalition partner Komeito leader Yamaguchi Natsuo [indicated](#) Tuesday that it would be desirable to pass the bill before the G7 Summit in May.
- Main opposition CDP [argues](#) that the “discrimination is unacceptable” line cannot be removed from any bill submitted to the Diet. Leader Izumi Kenta further [suggested](#) that his party will consider submitting a bill to “eliminate discrimination.”

6. Ruling Coalition to Hold Policy Consultation with DPFP

- On Thursday, the secretary generals of the LDP, Komeito, and the Democratic Party for the People [agreed](#) to hold policy consultations on “increasing wages” and “supporting child rearing.”
- The practitioners will meet next week to hold the first meeting. The ruling coalition aims to include the DPFP in policy discussions and gain its support ahead of the FY 2023 budget vote.

- DPFP leader Tamaki Yuichiro has [consistently stated](#) that his party will work across ruling and opposition party lines to realize policy. He indicated that he will urge the GOJ to hold a discussion with the Keidanren and RENGO on increasing wages.
- In the past, the DPFP has [worked](#) in a similar capacity on gas subsidies. It [voted](#) in favor of last year's budget.
- On Monday, Tamaki submitted an [urgent request](#) regarding the two topics to Kishida. Among other things, the party proposes restarting talks between the GOJ and RENGO (labor), as well as removing the income restriction on child allowance.

7. Other Political Developments

- On Friday, the GOJ [approved](#) legislation to raise the insurance price for those over 75 years old by approximately 10 percent to partially fund the childbirth and childcare lumpsum grant, which will be raised to ¥500,000 in April.
- *Nikkei* [reported](#) Wednesday that the GOJ will submit to the current Diet session the revised Immigration Control Act. Among other things, it includes the establishment of “semi-refugee” status for those evacuating war-torn areas, as well as a limit on the number of times one can apply for refugee status. It also addresses long-term detainment, permitting “monitored release” for those who are not flight risks.
- NHK [reported](#) that the GOJ will revive for the first time in eight years the three-way talks with labor (RENGO) and business (Keidanren) to apply pressure for wage increases. The meeting will reportedly be held next month.
- On Monday, LDP Secretary General Motegi [said](#) that the French-style system dubbed “divided by N, multiplied by N” cannot be transplanted to Japan. He argued that this system fit French society in the 1970s but will not fit Japan's society today.
- The [system](#) works as follows: 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.

8. GOJ Nominates Ueda Kazuo as New BOJ Governor

- On Friday, [reports emerged](#) that the GOJ decided to nominate economist Ueda Kazuo as its choice to succeed Kuroda Haruhiko as governor of the Bank of Japan. Kuroda's term ends on April 8.

- The GOJ [selected](#) ex-Commissioner of the FSA Himino Ryoza and BOJ Executive Director of Monetary Policy Uchida Shinichi as nominees for deputy governor. Uchida is the architect behind the Bank's monetary easing policy.
- Ueda will become the [first economist](#) to be named governor. The last non-BOJ or finance ministry governor presided over the Bank in the 1960s. Ueda also served as a member of the BOJ Policy Board from 1998-2005.
- He is an expert on monetary easing, having provided theoretical support for the introduction of the zero interest rate policy in the late 1990s. He is known for voting against the end of zero interest policy in 2000, providing assurance that he will not abruptly change policy direction.
- Preferred choice Deputy Governor Amamiya Masayoshi declined the offer, reportedly feeling he was not the most suitable candidate to examine and possibly revise the Bank's prolonged monetary easing policy.
- Ueda [indicated](#) Friday that he intends to maintain monetary easing policy. He must be [confirmed](#) by both Houses before formal appointment. The GOJ will initiate the process by submitting the appointment plan on Feb. 14.

9. Other Key Economic/Financial Developments

- On Friday, the GOJ approved the [Basic Guidelines for Realizing GX](#). Among other things, it includes "maximum use" of nuclear power, formal implementation of carbon pricing, and the issuance of a world first ¥20 trillion green transition bond.
- The finance ministry [announced](#) that the outstanding balance of ordinary GOJ bonds that need to be repaid with tax revenue topped a quadrillion yen at the end of December, reaching ¥1.01 quadrillion. COVID-19 and rising costs of living have caused the balance to skyrocket. Rising interest rates will add further to it.
- *Nikkei* [reported](#) Tuesday that METI decided on new support measures to secure semiconductors for EVs and other products. A third of capital investment will be subsidized on the condition that production has continued for more than ten years. It requires prioritization of production in times of tight supply or high demand at home.
- NHK [reported](#) Monday that the GOJ will consider legislation to enable construction of wind power facilities within Japan's EEZ. The aim is to expand area of construction and achieve the country's goal of carbon neutrality by 2050.
- *Sankei* [reported](#) Saturday that the GOJ has finalized plans to join the United States and the Netherlands in imposing export controls on advanced semiconductors to China starting the spring. Japan is likely to avoid naming China for fear of retaliation.

10. State of the Economy

- According to the Cabinet Office's January [Economy Watchers Survey](#) released on Wednesday, the DI fell 0.2 points to 48.5 from three months ago [likely due](#) to sustained inflation. As exports fell, CAO also [revised downward](#) for the first time since Sept. 2021 its economic outlook based on December statistics to stagnant.
- According to a Tokyo Shoko Research [release](#) on Wednesday, the number of firms falling into bankruptcy in January alone went up 26 percent from the same month last year to 570 cases. This is the second straight month the rate has topped 20 percent. The BOJ [announced](#) Friday that the [business inflation index](#) rose 9.5 percent.
- According to MOF's [balance of payments statistics](#) for 2022, Japan found itself with a ¥11.44 trillion surplus, down 47 percent from the previous year and the [first time](#) at this level since 2014. A weak yen and high energy import costs contributed to this.
- According to the internal affairs ministry's [2022 Household Survey](#) released on Tuesday, the average monthly spending by a household of more than two people was ¥29,865, up 1.2 percent from last year on a real basis. The rate was [positive](#) for the second consecutive year, indicating the normalization of socioeconomic activity.
- According to the labor ministry's 2022 [Provisional Report of Monthly Labor Survey](#) released on Tuesday, real wages (inflation accounted for) fell for the [first time in two years](#) to 0.9 percent on a year-on-year basis.

II. Public Opinion Poll

- A JNN poll [released](#) on Sunday showed the Kishida Cabinet's approval rating was 36 percent, down two points from January, while disapproval was 62 percent, up three points. This is the worst approval rating for the Cabinet in a poll conducted by JNN.
 - 56 percent of respondents [said](#) that they believe the income restriction on child allowance programs should remain, while 33 percent said it should be abolished.
 - 61 percent of respondents said that they have no expectations for the Cabinet's policies addressing the declining birth rate, while 33 percent said they do.
 - 68 percent of respondents said they agree that the GOJ should double the budget for policies related to children, while 19 percent said they disagree.
 - 29 percent of respondents said that they believe promoting workstyle reform and expanding policies that support this will most effectively address the declining birth rate; 26 percent said raising wages for younger generations; 17 percent said expanding early childhood education and childcare services; 16 percent said expanding economic support such as through child allowances; and 7 percent said expanding efforts to support marriage.