

The Weekly Observer

May 8-12, 2023

The 72nd edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on the Kishida-Yoon Summit, the Japan-France “2+2,” Japan-Poland interactions, designations of land critical to national security, the defense spending funding bill, the LGBT legislation, legislative developments in the Diet, the BOJ opinions at the monetary policy meeting last month, impending utility fee hikes, April’s current account balance, and more.

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I. News of the Week

1. Japan-ROK Summit Meeting

- On Sunday, Prime Minister Kishida Fumio held a [summit meeting](#) with President Yoon Suk-yeol in South Korea.
- The two leaders affirmed that the improvement of Japan-ROK relations is on track, and decided to deepen trust through “shuttle diplomacy” and advance bilateral relations.
- At the [joint press conference](#), Yoon [said](#) that he aims to cooperate with Japan to develop a semiconductor supply chain in which ROK semiconductor manufacturers and Japanese materials and equipment makers work together.
- He added that the two leaders discussed promoting joint research on emerging areas such as space, AI, and biomedicine.
- Experts [believe](#) that Kishida’s visit to South Korea and his statements there may cause divisive reactions within South Korea given the polarization of politics there. They also believe that it’s important that both sides are making efforts to improve relations.

2. Japan-France "2+2" Meeting

- On Tuesday, Minister for Foreign Affairs Hayashi Yoshimasa and Minister of Defense Hamada Yasukazu [participated](#) in a foreign and defense minister meeting with French Foreign Minister Catherine Colonna and Minister of Armed Forces Sébastien Lecornu.
- The four ministers exchanged views on Japanese-French cooperation in areas such as cyber, space, and economic security.
- The four ministers highly appreciated defense cooperation and exchanges through port calls and joint training, and shared the view to deepen cooperation and exchanges as well as defense equipment and technology cooperation.
- The two sides confirmed that there is no change in basic positions on Taiwan, reaffirming the importance of peace and stability across the Taiwan Strait as an indispensable element for the security and prosperity of the international community.
- Both sides strongly condemned Russia’s aggression against Ukraine and confirmed their continued support for Ukraine, their continued cooperation and actions in the G7, and their close coordination on sanctions against Russia.

3. Foreign Policy Developments

- On Thursday, Kishida [received](#) a courtesy call from Minister of Foreign Affairs Zbigniew Rau of Poland. Kishida expressed his pleasure at developing bilateral relations and expressed his respect to Poland, which is on the frontline as a base of support for Ukraine.
- On Wednesday, Hayashi [held](#) a foreign ministers' meeting with Rau. Aside from Russia and North Korea, the two ministers exchanged views on addressing economic security challenges, including economic coercion, as well as the importance of transparent and fair development finance.
- Hayashi [held](#) a telephone talk with Deputy Prime Minister and Minister of Foreign Affairs and Expatriates Ayma Al Safadi of Jordan. Hayashi expressed his respect for Jordan's efforts to improve the situation in Syria and expressed appreciation for Jordan's assistance in evacuating a Japanese national from Sudan.
- MOFA Director General for Asian and Oceanic Affairs Bureau Funakoshi Takehiro [held](#) a meeting with PRC MFA Director General of Asian Affairs Liu Jinsong. Hayashi also [said](#) that MOFA protested the Ambassador to Japan's statement that a Taiwan contingency being a Japanese contingency is "ridiculous and dangerous."
- *Yomiuri* [reported](#) Monday that two Japanese nationals were evacuated from Sudan on May 3 via a UN-prepared aircraft to Uganda. As of Monday, a total of sixty-seven nationals have been evacuated from Sudan.

4. Defense/Security Developments

- On Friday, the GOJ [released](#) the second round of land designated as important to national security under the bill restricting purchases of such land. There were 161 areas in ten prefectures designated as candidates, including for the first time military and civilian used Niigata Airport and Sendai nuclear power plant in Kagoshima.
- The LDP and Komeito held [two working group meetings](#) this week on revising the rules to transfer defense equipment abroad. They heard about past cases and will examine challenges to the current system in future meetings.
- *Nikkei* [reported](#) Thursday that Japan and the ROK will discuss the realtime sharing of DPRK missile launch information. The plan is to have the United States as a intermediary for such intelligence sharing.
- On Tuesday, the LDP Special Mission Committee on Financial Resources for Defense-Related Expenses [met](#) to discuss alternative funding sources to taxes. There

was considerable debate on utilizing surpluses from FY 2022 reserve funds, which are legally required to be transferred to repay GOJ bond debt (half is required).

- On Monday, Defense Minister Hamada [received](#) a courtesy call from U.S. Chief of Staff of the Army Gen. James C. McConville. He stated that he expects the JSDF and U.S. Army to closely cooperate to strengthen the alliance and promote/maintain the “free and open Indo-Pacific.”

5. Opposition Holds Up Defense Spending Bill

- On Friday, the ruling coalition, Japan Innovation Party, and the Democratic Party for the People [defeated](#) a no-confidence resolution against Finance Committee Chairperson Tsukada Ichiro (LDP) in the Lower House plenary session.
- Citing the lack of discussions in the Diet and opposition to the tax hike, the CDP and JCP submitted the resolution to hold up legislation to secure funds for increased defense spending. They [argue](#) that the LDP is forcing the bill through.
- The Finance Committee looks to [pass the bill](#) on May 16. The bill is expected to pass the Lower House on May 18.
- *Ishin* and the DPFP [agree in principle](#) with the CDP and JCP that tax hikes should not finance defense spending, but disagree with the method in which the two parties are attempting to stall action on the bill and sided with the ruling coalition.
- *Nikkei* [points out](#) that relying on surplus reserve funds (¥3.5 trillion of ¥14.6 trillion over five years), normally reserved for unforeseen circumstances like natural disasters, is financially risky given little will be left over to repay bond debt.

6. LGBT Legislation Receives Pushback from Within LDP

- On Friday, the LDP divisions discussing the bill promoting understanding of sexual minorities [decided](#) to delegate the decision to pass the bill up to the General Council (step before Diet submission) to the respective division heads. Whether the bill will pass before the G7 Summit is up in the air.
- The decision came after stark divisions within the party on whether to move forward with the bill before the G7 Summit. Those against argued that the content of the bill was unsatisfactory and that the party should not rush to submit before the Summit.
- Others want the bill passed before the Summit given the prime minister’s preference to pass it as a sign that the G7 will promote gender equality together. The LDP has been discussing revisions to a bill crafted by a group of cross-party lawmakers.

- Those against the bill want several changes in language, notably “discrimination is unacceptable” to “there should not be any unfair discrimination,” “self-identification of gender” to “sexual identity” (question about what types of gender exist); and reducing “research and surveying” gender diversity to “academic studies.”
- There are [questions](#) about privacy concerns and the possible violation of women’s rights (especially sharing public spaces like bathrooms with those that self-identity as women). Conservatives and opposition both oppose the bill (for different reasons), while more moderate LDP lawmakers and Komeito support the bill.

7. Other Political Developments

- On Friday, the Diet [enacted](#) legislation to raise insurance premiums for individuals over seventy-five years old to support burden-sharing of increasing social security costs. Those earning over ¥1.53 million will see their premiums rise 40 percent.
- The Diet also [enacted](#) legislation promoting green transformation, which includes the issuance of ¥20 trillion “GX economy transition bonds” starting FY 2023. This supports labor mobility as industries restructure toward decarbonization.
- On Thursday, Kishida [convened](#) the Cabinet’s inaugural AI Strategy Council to discuss the use of AI. He said that, as G7 Chair, Japan is expected to lead rule-making on the safe use of AI in the world. The Council will [produce](#) an interim report on the GOJ’s strategy by the release of the Basic Economic and Fiscal Policy in June.
- On Wednesday, MOF [announced](#) that Japan’s debt at the end of March reached a record high of ¥1.27 quadrillion (up ¥29.19 trillion from last year). Debt has [racked up at an increasing pace](#) due to COVID-19 and inflation-relief spending.
- On Tuesday, the Lower House [passed](#) legislation to revise the detainment of foreign individuals entering Japan for immigration purposes. It includes restricting refugee status applications to three times (some apply numerous times just to stay in Japan) and permitting detainees to leave detention centers with “supervisors” (following Sri Lankan woman Wishma Sandamali’s death in a detention center).
- The CDP and other minor opposition parties [submitted](#) a separate bill requiring a third-party institution to decide granting individuals refugee status.

8. BOJ Releases Opinions from April Monetary Policy Meeting

- On Thursday, the Bank of Japan [released a document](#) summarizing the opinions of members communicated at the monetary policy meeting from April 27-28.

- The members [noted](#) that there was no need to revise the yield curve control policy (purchasing GOJ bonds and other assets to maintain target interest rates) as distortions created by the policy are receding.
- Member did note, however, that the YCC implemented under former Governor Kuroda Haruhiko did greatly hinder smooth finance.
- Members also discussed the policy review decided upon at the meeting, stating that it should organize, evaluate, and summarize the structural changes and policy effects of the “lost thirty years.”
- Members also noted that loose monetary policy should continue for the time being to ensure the target 2 percent inflation can be sustainably achieved. Some also argued that the wage hikes may be temporary, while other said higher increases could be expected next year as labor shortages intensify.

9. Key Economic/Financial Developments

- *Nikkei* [reported](#) Friday that Samsung plans to invest over ¥30 billion to develop a prototype manufacturing line for advanced semiconductor devices in Yokohama. This is expected to bolster Japan-ROK cooperation in semiconductor manufacturing.
- METI is [expected to approve](#) utility fee hikes requested by seven of the largest power companies starting in June. Rates are expected to rise around 17-43 percent.
- On Thursday, MOF’s Fiscal System Council [met](#) to discuss measures to address medical expenses and the declining birth rate. Some members voiced caution against price increases amidst medical fee revisions and the elimination of income restrictions on child allowance.
- *Yomiuri* [reported](#) Wednesday that the GOJ plans to craft a comprehensive strategy to expand the domestic market for offshore wind power generation that floats on the sea surface without being fixed to the seabed. It will establish a public-private council soon to promote investment in a key area to generate energy at home.
- *Nikkei* [reported](#) that disposable household income has decreased in recent years, mostly due to an increase in non-consumption expenses including social insurance premiums, which rose 1.4 times in the last twenty years.

10. State of the Economy

- According to the Cabinet Office’s [release](#) on Friday, the demand-supply gap [representing](#) the difference between supply and demand in an economy was revised

down almost ¥4 trillion as a result of improved socioeconomic conditions with the COVID-19 pandemic coming to a close.

- According to MOF's [release](#) on Thursday, the current account balance for 2022 was ¥9.23 trillion, [down](#) 54 percent from 2021. Trade fell into a record high deficit of ¥18.06 trillion as a result of high resource costs and the weak yen. Expenses for digital services abroad have also [increased significantly](#) (¥5.1 trillion deficit).
- According to CAO's [Economy Watchers Survey](#), the diffusion index for April was 54.6, [up](#) 1.3 points from the last survey (compares economy from three months ago). It improved for the third straight month as consumption increased due to the normalization of socioeconomic activity from the COVID-19 pandemic.
- According to CAO's [release](#) on Wednesday, the business index for March was 98.7, the [same](#) as the previous month. The active job openings-to-applicants ratio fell and exports were sluggish, while supply shortages for semiconductors eased and automobile production and shipments increased.
- According to MIC's [Household Survey](#) released on Tuesday, consumption in March for households with over two members was ¥312,758, [down](#) 1.9 percent from the same month last year (excluding inflation). Consumption fell for the second straight month as spending on essentials such as food and communications decreased.
- According to MHLW's [Monthly Labor Survey](#), wages/person in March taking into account inflation fell 2.9 percent from the same month last year. It [fell](#) for the twelfth straight month as the increase in cash earnings continues to lag behind rising prices.

II. Public Opinion Poll

- None.