

The Weekly Observer

May 15-19, 2023

The 73rd edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on the last G7 meetings ahead of the Summit, Japan's increased support for Ukraine, the EU Indo-Pacific Ministerial Forum, the first use of the Japan-PRC defense hotline, the LGBT legislation, the defense spending bill, the prime minister's directives on economic policy, semiconductor investments in Japan, the record-high Nikkei 225 index, the latest CPI and trade balance statistics, and more.

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I. News of the Week

1. Final Meetings Wrap Up Before the G7 Summit

- This week, four meetings were held ahead of the G7 Summit. They were the Finance Ministers and Central Bank Governors' Meeting (May 11-13), Science and Tech Ministers' Meeting (May 12-14), Health Ministers' Meeting (May 13-14), and the Education Ministers' Meeting (May 12-15).
- In Niigata, the finance ministers and central bank governors [recommitted](#) to addressing Ukraine's urgent short-term financing and long-term reconstruction efforts, as well as addressing financial stability and enhancing support for low- and middle-income countries struggling with debt vulnerabilities.
- In Sendai, the science and tech ministers [agreed](#) to collaborate in expanding open science with equitable dissemination of scientific knowledge, as well as international cooperation to solve global issues including in outer space, climate change, international research infrastructure, and by promoting international talent mobility.
- In Nagasaki, the health ministers' [agreed](#) to establish a equitable, inclusive, and efficient medical countermeasures ecosystem, as well as increase data sharing on diseases and contribute to achieving more resilient, equitable, and sustainable universal health coverage through strengthening health systems.
- In Toyama and Kanazawa, the education ministers [agreed](#) to continue to promote the universal values of education, resume international mobility, and advocate for access to inclusive and equitable quality education.

2. Japan Agrees to Reinforce Support for Ukraine

- On Monday, the Cabinet [held](#) its first cross-ministry/agency meeting to promote Ukraine's economic reconstruction.
- Deputy Chief Cabinet Secretary Kihara Seiji instructed the government to consider ways to support Ukraine through the development of investment environment; promoting private investment; cooperation with third countries; coordination with international institutions; and enabling synergy with ODA.
- On Thursday, MOD [announced](#) that two injured Ukrainian soldiers would be admitted to the JSDF Central Hospital in June for rehabilitation treatment. This is [part of Japan's efforts](#) to contribute to supporting Ukraine through areas of its expertise.
- MOFA [announced](#) that Japan will join the Council of Europe's Register of Damage Caused by the Aggression of Russia Against Ukraine. The Register was established

for the purpose of registering evidence and claims relating to damage caused by Russia's internationally wrongful acts against Ukraine on or after Feb. 24, 2022.

- NHK [reported](#) that the GOJ is considering sending Minister for Foreign Affairs Hayashi Yoshimasa to the international meeting on Ukraine's reconstruction in the U.K. from June 21-22 to increase Japan's contributions to reconstruction efforts.

3. Foreign Policy Developments

- On Tuesday, Hayashi [held](#) a meeting with Foreign Minister Abdulla Shahid of the Maldives. Hayashi stated that Japan would like to further strengthen cooperation in a wide range of areas including maritime safety and security.
- Hayashi [held](#) a meeting with Foreign Minister Gabrielius Landsbergis of Lithuania. The ministers affirmed the importance of continuing strict sanctions against Russia and strong support for Ukraine and working together to uphold and strengthen the free and open international order based on the rule of law.
- Hayashi [held](#) a meeting with Secretary for Foreign Affairs Enrique A. Manolo of the Philippines. The ministers affirmed to work together closely on issues such as the situation in the East and South China Seas, economic coercion, the situation in Ukraine, and dealing with North Korea-related issues.
- On Monday, Hayashi [received](#) a courtesy call from Gen. David H. Beger, Commandant of the U.S. Marine Corps. The two exchanged views on the increasingly severe security environment and affirmed that they will continue to work closely together to further strengthen deterrence and response capabilities of the Japan-U.S. alliance.
- On Saturday, Hayashi [attended](#) the EU Indo-Pacific Ministerial Forum in Stockholm, Sweden. He stressed that like-minded countries should remain united across regional boundaries in order to uphold a free and international order based on the rule of law.

4. Defense/Security Developments

- *Yomiuri* [reported](#) that Minister of Defense Hamada Yasukazu may meet with U.S. Secretary of Defense Lloyd Austin in Japan on June 1 ahead of the Shangri-La Dialogue in Singapore from June 2-4 (both will attend).
- On Tuesday, Hamada [held](#) the first telephone conversation with Chinese Defense Minister Li Shang Fu through the Japan-PRC defense hotline.

- Hamada mentioned the existence of security concerns such as the situation in the East China Sea and stated that it is necessary to have candid communication especially when there are concerns about bilateral relations.
- The LDP and Komeito [agreed](#) to postpone agreement on specific measures to loosen restrictions on the transfer of defense equipment abroad before the G7 Summit. Komeito in particular is cautious about loosening restrictions.
- On Monday, Hamada [received](#) a courtesy call from Gen. David H. Beger, Commandant of the U.S. Marine Corps. The two agreed to deepen cooperation between the JSDF and Marine Corps to strengthen the alliance.

5. LGBT Legislation Submitted to Diet Before G7 Summit

- On Thursday, the LDP and Komeito [submitted](#) a revised version of the bill promoting understanding of LGBT persons. The bill is built off a version crafted by a cross-party group of lawmakers to emphasize the bipartisan nature of the bill.
- Pressure from the international community ahead of the G7 Summit, the prime minister's preference to see it submitted before the Summit, and Kishida's aide's homophobic statement back in February pushed the ruling coalition to submit the bill.
- In response, the CDP [announced](#) that it would co-sponsor a bill with the JCP and DSP reflecting the original bill crafted by the cross-party group of lawmakers. They argue that the submitted version is inadequate, especially given compromises that were made for the conservative members of the LDP.
- The Japan Innovation Party and Democratic Party for the People [disagreed](#) with the contents of the bill and rejected co-sponsoring the bill. The submitted bill is receiving criticism from both progressives and conservatives. There are [concerns](#) about men self-identifying as women and entering public spaces like bathrooms, as well as the provision requiring schools to decide how to educate students about sexual minorities.
- Some LDP lawmakers believe that the party may settle for submitting the bill without seriously looking to pass it through the Diet. The purpose was merely to show the world that Japan is serious about addressing the issue.

6. Defense Spending Bill to Be Passed By Lower House Next Week

- On Friday, the Lower House Finance Committee [passed](#) the bill securing defense spending (including a defense reinforcement fund). It is [expected](#) to pass the Lower House on May 23 before being passed on to the Upper House.

- On Thursday, the Lower House plenary session [struck down](#) a no-confidence resolution against Minister of Finance Suzuki Shunichi submitted by the CDP to prevent the vote on Friday on the bill.
- The CDP, *Ishin*, DPFP, and JCP [oppose](#) the bill as it includes raising taxes as one way to fund increases in defense spending.
- The CDP also [submitted](#) a no-confidence resolution against Finance Committee Chair Tsukada Ichiro (LDP) last week to delay the vote. It too was defeated in the plenary session.
- The party still hopes to stall the bill in the Upper House, with Diet Affairs Chairperson Azumi Jun stating on Thursday that the party aims to pressure the GOJ into a corner in the Upper House.

7. Other Political Developments

- On Friday, the ruling and opposition parties [agreed](#) to hold sessions of “intense deliberation” (*shūchū shingi*) on May 24 (HoR) and 26 (HoC) in the Budget Committee to discuss the G7 Summit and the reinforcement of defense capabilities.
- On Wednesday, Kishida [reiterated](#) the key pillars of his policies related to the declining birth rate: 1) reinforcing economic support such as expansion of child allowance; 2) expanding services such as accompanying support, improving quality of childcare, and establishing kindergarten attendance system for all children; 3) promoting parents’ work and child rearing together; and 4) awareness reform to create a child- and child-raising friendly society.
- On Tuesday, Kishida [reiterated](#) the priorities for labor market reform: 1) supporting skills training; 2) introducing job wages and job-based personnel development (not based on seniority); 3) labor mobility through support for career development; and 4) raising wages to reduce the wage gap.
- On Monday, Kishida [said](#) that new capitalism aims to achieve a virtuous cycle of growth and distribution by raising the added value of the economy while distributing profits made by companies to workers, increasing consumption and private investment, and generating further economic growth to revive the middle class.
- He also [said](#) that the government will continue to remain fully prepared for a possible COVID-19 outbreak while pushing forth new capitalism through wage hikes, inbound tourism, and promoting domestic investment to put the economy on an even higher growth trajectory.

8. Semiconductor Investments in Japan to Expand by More than Two Trillion Yen

- On Thursday, Kishida and METI Minister Nishimura Yasutoshi [held](#) a meeting with the CEOs of seven global semiconductor companies to discuss attracting personnel and funding and investment opportunities in Japan.
- The companies include TSMC, Intel, Micron, Samsung Electronics, Applied Materials, IBM, and imec.
- Kishida [stated](#) that the government aims to expand investment into Japan and to support the domestic semiconductor industry. He said that the GOJ will include its basic approach in the Basic Policy on Economic and Fiscal Management and Reform to be crafted in June.
- [According](#) to *Nikkei*, total investment in Japan since 2021 has topped ¥2 trillion. The projects help local economies too, with Kumamoto (TSMC factory) expecting ¥4.3 trillion economic value in the next ten years as a result of hosting foreign companies.
- Micron announced that it will invest up to ¥500 billion over the next few years and develop a facility to manufacture state-of-the-art semiconductor memory chips in Hiroshima. Applied Materials will employ eight hundred engineers in Japan over the coming years. Imec revealed that it plans to establish a research hub in Hokkaido to support RAPIDUS. Samsung will invest over ¥30 billion to establish a semiconductor manufacturing hub in Kanagawa. TSMC will establish its second plant in Kumamoto.

9. Key Economic/Financial Developments

- On Friday, the Nikkei 225 index [hovered](#) around ¥30,808, the highest recorded rate since the collapse of the bubble in the 1990s as a result of expectations of strong corporate performance and money being withdrawn from overseas due to banking concerns in the United States and Europe.
- Minister of Economy, Trade, and Industry Nishimura [approved](#) utility hikes in June by seven power companies ranging from ¥800 to ¥2,700 as a result of the weak yen and impact of Russia's invasion of Ukraine. This hike will continue until September.
- The Nuclear Regulation Authority [decided](#) Wednesday that it will continue examining failures in terrorism countermeasures at the Kashiwazaki-Kariwa nuclear power plant in Niigata. Its scheduled restart in October will likely be delayed.
- *Nikkei* [reported](#) Monday that the GOJ's guidelines for labor market reform will include swifter disbursement of unemployment payments, education training through the employment adjustment subsidy for temporary vacation periods over thirty days,

and employment regulation recommendations such as no severance pay for self-resignations and retirement before a certain length of time.

- On Monday, Japan and the U.K. [agreed](#) to expand joint R&D and funding for areas such as semiconductors, decarbonization, and quantum, as well as cooperation on policies and regulations in these high-tech areas.

10. State of the Economy

- According to MIC's [release](#) on Friday, April's CPI excluding volatile fresh food items was 104.8, up 3.4 percent from the same month last year. Necessities and service prices [pushed](#) the rate up for the first time in three months. The overall CPI went up 4.1 percent to a [rate last observed](#) after the second oil crisis in September 1981.
- [According](#) to the Japan Business Federation, the wage increase rate combining regular salaries and the base increase for major companies was 3.91 percent, up 1.64 points from last year. This is the [second consecutive year](#) on the rise and the first time the rate has reached the latter half of three percent since 1993.
- According to MOF's [release](#) on Thursday, April's trade balance was a ¥432.4 billion deficit. This is the [twenty-first consecutive month](#) in the red but the deficit amount was cut in half from the same month last year. Imports were cut back as crude oil prices flattened and the yen stopped weakening.
- According to CAO's [release](#) on Wednesday, real GDP growth in 2022 was 1.2 percent, [significantly lower](#) than the 2.6 percent recorded in 2021. Consumption grew 2.4 percent, while public and housing investment fell 2.6 and 4.4 percent, respectively. The preliminary GDP growth rate for Jan.-March was 0.4 percent, or 1.6 percent up on an annual basis. This is the [first positive growth rate](#) in three quarters.
- According to the Bank of Japan's [release](#) on Monday, April's corporate goods price index was 119.8, up 5.8 percent from the same month last year. This is the [first time](#) in a year-and-eight-months that the rate fell to 5 percent. While electricity and gas prices are being [maintained](#) by the GOJ's policies, there is also a trend to pass costs on to customers, especially in downstream areas such as food and beverages.

II. Public Opinion Poll

- An NHK poll [released](#) on Monday showed Cabinet approval rating was 46 percent, up four points from [April](#), while disapproval was 31 percent, down four points.
 - 45 percent of respondents [said](#) that they supported the Kishida Cabinet because there are no better alternatives; 22 percent said because it includes a party they support; and 13 percent said because they trust the prime minister's character.

- 50 percent of respondents said that they do not support the Cabinet because they have no expectations for its policies; 20 percent said because it lacks executive ability; and 11 percent said because it does not include a party they support.
 - 50 percent of respondents said that they have little expectation that the G7 Summit will yield effective policies to stop Russia's invasion of Ukraine; 26 percent said they have some expectation; 16 percent said they have no expectation; and 2 percent said they have great expectations.
 - 45 percent of respondents said that they have little expectations that the G7 Summit will boost momentum toward a "world without nuclear weapons"; 27 percent said they have some expectation; 20 percent said they have no expectation; and 2 percent said they have great expectations.
 - 53 percent of respondents said that they expect Japan-ROK relations to improve following the two summit meetings, while 32 percent said that they do not expect relations to improve.
 - 49 percent of respondents said that they have some concern that COVID-19 will spread following its downgrading to the level equivalent to the seasonal flu; 23 percent said they have little concern; 15 percent said they have great concern; and 9 percent said they have no concern.
 - 55 percent of respondents said that they will continue to wear masks despite the GOJ making mask wearing optional since March; 33 percent said they have taken masks off more; and 8 percent said they have completely taken masks off.
 - 46 percent of respondents said that they believe the Japanese economy has somewhat recovered to pre-pandemic levels; 38 percent said the economy has not recovered much; 6 percent said it has not recovered at all; and 3 percent said it has pretty much recovered.
 - 53 percent of respondents said that they believe the GOJ should finance policies addressing the declining birth rate through budget cuts; 19 percent said through the revision of social insurance premiums; 9 percent said through tax hikes; and 8 percent said through the issuance of GOJ bonds.
 - 41 percent of respondents said that they believe the prime minister should dissolve the Lower House and call a general election by the end of the Lower House representatives' terms in October 2025; 19 percent said next year; 18 percent said after the summer but before the end of the year; and 8 percent said right after the G7 Summit.
 - 67 percent of respondents said that they believe AI-generated tools like ChatGPT should be used with caution by the GOJ and local governments; 14 percent said it should not be used at all; and 9 percent said it should be used proactively.
- The survey also collected data on the latest approval ratings of political parties.

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Political Party	Approval Rating (%)
Liberal Democratic Party	37 (+1)
Constitutional Democratic Party	4 (-1)
Japan Innovation Party	7 (+3)
Komeito	2 (-1)
Japan Communist Party	2 (± 0)
Democratic Party for the People	1 (± 0)
Reiwa Shinsengumi	1 (± 0)
Social Democratic Party	0 (-1)
Suffrage Party (Sanseitō)	1 (+1)
Independent (No Party)	39 (+5)