

The Weekly Observer

June 12-16, 2023

The 76th edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on the Japan-Ukraine telephone meeting, the revised ODA Charter; the LDP panel's recommendations for defense spending sources, the multilateral statement on economic coercion, Chinese and Russian military activities around Japan, the draft action plan for new capitalism, the final phase of the Diet session, the GOJ's documents for innovation and tech policy, the GOJ expert panel's interim thoughts on the security clearance system, the Basic Hydrogen Strategy and Energy White Paper, April's trade balance, the Economy Watchers Survey, and more.

By Content

I. News of the Week

Foreign Policy/Security

1. JSDF Officer Arrested for Killing Instructors
2. North Korea Launches Two Ballistic Missile Into Japan's EEZ
3. GOJ Hints the Defense Spending Tax Hike Will Be "No Earlier Than 2025"
4. GOJ Adopts First Space Security Initiative
5. Foreign Policy Developments
6. Japan-U.S. Defense/Security Developments
7. Other Defense/Security Developments

Domestic Politics

8. PM Rules Out Lower House Dissolution During Diet Session
9. GOJ Adopts This Year's *Honebuto*
10. GOJ Announces Child Care Policies
11. GOJ Adopts Goal to Raise Ratio of Female Executives to 30 Percent by 2030
12. Other Political Developments

Economics/Finance

13. GOJ Presents 25 Sensitive Tech Fields for Patent Protection
14. BOJ Maintains Monetary Policy
15. Key Developments
16. State of the Economy

II. Public Opinion Polls

1. NHK (6/12)

I. News of the Week

1. JSDF Officer Arrested for Killing Instructors

- On Wednesday, the police arrested an 18-year-old JSDF officer after he shot a rifle, killing two instructors and injuring a third at a military firing range in Gifu. He was referred to prosecutors on Thursday on suspicion of murder.
- JGSDF Chief of Staff General Morishita Yasunori told reporters that this was the first fatal shooting incident at a JGSDF firing range since 1984.
- Reports suggest that the officer told police that he was targeting one of the instructors, Kikumatsu Yasuchika, a 52-year-old man. He said that he shot Yashiro Kosuke, the other 25-year-old, for standing between himself and the instructor. Hara Yusuke, the other 25-year-old victim, was seriously wounded.
- The officer is reportedly denying the murder charges related to the 25-year-old officer, stating that he was aiming at the legs and not any critical body parts.
- Chief of Staff Morishita said at a press conference that the JGSDF will establish an investigative committee to explore causes and prevent future incidents. He also said Thursday that the three victims were not in a position to directly supervise members of the unit on the range.

2. North Korea Launches Two Ballistic Missile Into Japan's EEZ

- On Thursday, the Ministry of Defense announced that North Korea launched two ballistic missiles eastward, which flew at least 850-900 kilometers before landing in the Sea of Japan (around Ishikawa) within Japan's exclusive economic zone (EEZ).
- Parliamentary Vice Minister of Defense Onoda Kimi told reporters that the GOJ issued an official protest through the Japanese embassy in Beijing. He added that the missiles landing within the EEZ constitute a serious issue for Japanese nationals' safety.
- Chief Cabinet Secretary Matsuno Hirokazu said the missiles were "not linked" to a satellite launch attempt the DPRK notified late last month. Instead, they were launched after Pyongyang warned it would take action in response to massive live-fire drills by the United States and South Korea.
- In response, the national security advisors of Japan, the United States, and South Korea issued a statement condemning the launch and pointing out that all countries must fully implement DPRK-related UNSC resolutions to prevent such launches.

The Weekly Observer (6/12-6/16)

- MOFA Director-General for Asian and Oceanian Affairs Funakoshi Takehiro [held](#) a telephone conference with U.S. Special Representative for North Korea Sung Kim. They reaffirmed that the two countries would cooperate on a bilateral and trilateral basis with South Korea to respond to North Korea. On Friday, the JSDF [held](#) joint exercises with the U.S. Military in the airspace above the Sea of Japan.

3. GOJ Hints That the Defense Spending Tax Hike Will Be "No Earlier Than 2025"

- On Tuesday, the GOJ [presented](#) the final draft of the Basic Policy on Economic and Fiscal Management and Reform (*Honebuto*) to the ruling coalition.
- In it, the GOJ states that the tax hike to finance defense spending will be flexibly determined to make possible a start date in FY 2025 and beyond.
- The initial draft stated that the tax hike would be introduced sometime in FY 2024 and beyond. This change comes after an LDP panel [submitted](#) recommendations urging the GOJ to delay the tax hike.
- The draft also [emphasizes](#) efforts to secure additional non-tax funding sources to finance defense spending. The GOJ may be looking to avoid specifics on funding ahead of the rumored general election.
- On Wednesday, the LDP [largely approved](#) the *Honebuto* and delegated final adjustments and language to Policy Research Council Chair Hagiuda Koichi.

4. GOJ Adopts First Space Security Initiative

- On Tuesday, the Cabinet's Space Development Strategy HQ [adopted](#) the country's first-ever Space Security Initiative.
- The ten-year plan [centers](#) around strengthening the information gathering posture for missile defense and improving the environment for the safe use of satellites.
- Prime Minister Kishida Fumio [stated](#) that there is intense international competition to secure satellites and other space systems used for information communication, disaster response, and other activities for disaster relief and security purposes.
- The Initiative also includes cooperation with the United States to develop technologies for detecting and tracking North Korean ballistic missiles, as well as the use of AI to improve the accuracy of satellite image analysis.
- Further, it states that the MOD and JSDF will retain the ability to interfere with the command and control, information, and communications of foreign countries. For the improvement of the satellite environment, it states that Japan aims to participate in the

The Weekly Observer (6/12-6/16)

Combined Space Operations Center operated by the U.S., U.K., and others to monitor space junk and foreign satellites.

5. Foreign Policy Developments

- On Friday, MOFA [announced](#) that Minister for Foreign Affairs Hayashi Yoshimasa is traveling to the United Kingdom and France from June 20-24 to attend the Ukraine Recovery Conference and the Summit for a New Global Financing Pact.
- On Wednesday, Parliamentary Vice Minister for Foreign Affairs Takagi Kei [held](#) a meeting with OPEC Secretary General Haltham al-Ghais in Vienna, Austria. The two agreed to coordinate at various levels, [including](#) a senior level dialogue.
- *Nikkei* [reported](#) that IAEA Director General Rafael Grossi is arranging to travel to Japan in early July to meet with Kishida to discuss the report on the IAEA's evaluation of Japan's efforts to release treated wastewater from Fukushima Daiichi nuclear power plant.
- *Asahi Shimbun* [reported](#) Tuesday that the GOJ is arranging for the prime minister to travel to the Middle East — Saudi Arabia, the UAE, and Qatar — in July to discuss crude oil production and energy policy.
- On Monday, MOFA Director-General for Asian and Oceanian Affairs Funakoshi [held](#) a meeting with PRC MFA Director-General of the Department of Asian Affairs Liu Jinsong in Shanghai. The two exchanged opinions on bilateral relations and agreed to maintain close communication.

6. Japan-U.S. Defense/Security Developments

- On Friday, NSS Secretary-General Akiba Takeo [held](#) the inaugural trilateral national security advisors meeting with his counterparts from the United States and the Philippines. They discussed efforts to enhance trilateral cooperation through combined maritime activities, joint training, and economic resilience.
- On Thursday, Akiba and National Security Advisor Jake Sullivan [held](#) a trilateral with their South Korean counterpart. They discussed opportunities for coordination on North Korea, East and South China Seas, and economic security.
- The *Wall Street Journal* [reported](#) that Japan is in talks to provide 155-mm artillery shells to the United States to bolster stocks for Ukraine's counteroffensive against Russia. It would be provided under a 2016 pact to share ammunition.
- *Nikkei Asia* [reported](#) that the United States had started discussions with Japan about having it host a new multifunction army unit as the latter seeks to address potential

The Weekly Observer (6/12-6/16)

threats posed by China. The unit would handle a wide range of capabilities including long-range strikes, air defense, intel, cyberwarfare, and logistics support.

- On Monday, MOD [started constructing](#) a base for the JGSDF's Osprey transport aircraft at Saga Airport. MOD plans to deploy seventeen Osprey's to the airport (complete project by July 2025) to strengthen southwestern island defense.

7. Other Defense/Security Developments

- On Friday, the Acquisition, Technology & Logistics Agency [finalized](#) a draft of its defense technology guidelines, which identifies twelve key fields — unmanned technology and cybersecurity — to strengthen national security. It states that the efforts should lead to rollout of workable technologies within ten years.
- On Thursday, police [arrested](#) Quan Hengdao, a Chinese researcher at the National Institute of Advanced Industrial Science and Technology in Ibaraki, for allegedly leaking trade secrets to a Chinese chemicals company in April 2018. The suspect [may have ties](#) to the Chinese military, having taught at the Beijing Institute of Technology.
- On Wednesday, LDP and Komeito working group exploring the revision of the operational guidelines for the three principles on transfer of defense equipment and technology [met and agreed](#) to begin forming conclusions starting the next meeting on June 21. The WG is looking at loosening export restrictions on lethal weapons and adding “de-mining” and “education/training” to the list of acceptable exports.
- *Nikkei* [reported](#) Tuesday that the JSDF and JCG will hold their first joint exercise anticipating an armed attack as early as this month, with an eye on potential threats against Japan's outer islands. This is in line with the new JSDF-JCG operational guidelines compiled in April.
- *Nikkei* [reported](#) that NATO plans to deepen collaboration in areas including cyber and space with Japan, Australia, New Zealand, and South Korea by preparing Individually Tailored Partnership Programs (ITPP) with each. NATO may use ITPP to [push](#) through the liaison office in Tokyo which has been opposed by France.
- On Monday, the JASDF [joined](#) NATO's largest military exercise Air Defender 23, which started in Germany, as an observer (June 12-23). It brings together up to 10,000 personnel and 250 aircraft from the NATO members, Sweden, and Japan. Japan is [sending](#) JASDF Chief of Staff Uchikura Hiroaki and three senior officials.

8. PM Rules Out Lower House Dissolution During Diet Session

The Weekly Observer (6/12-6/16)

- On Thursday, Kishida [announced](#) that he would postpone the decision to dissolve the Lower House during the ordinary Diet session (~ June 21).
- There were rumblings that he would dissolve the Lower House in response to the opposition submitting a no-confidence motion. Some [suggest](#) that the PM lost the confidence of LDP lawmakers for dragging out the decision.
- Reports [suggest](#) that political changes — from a rift with Komeito to the My Number Card debacle — prompted Kishida to reverse course on the possibility of dissolving the Lower House and calling a snap election. Others [point out](#) that he lost justification to call one after the Cabinet successfully passed key legislation through the Diet.
- The Cabinet successfully passed the defense spending bill — [securing](#) ¥4.6 trillion in non-tax sources for the ¥43 trillion budget over five years — and the LGBT bill — [watered down](#) but banning unjust discrimination based on sexual orientation.
- Main opposition CDP leader Izumi Kenta [came under fire](#) from within his party for not taking a stand and [submitting](#) the no-confidence motion until the prime minister made the announcement. The CDP only submitted after the fact.

9. GOJ Adopts This Year's *Honebuto*

- On Friday, the GOJ [adopted](#) the Basic Policy on Economic and Fiscal Management and Reform (*Honebuto*) and the New Capitalism Grand Design and Action Plan.
- The document [states](#) that the GOJ will secure close to ¥3.5 trillion for child care spending for the three years starting FY 2024. It aims to raise the budget for child care policies to ¥4.7 trillion by the early 2030s.
- The document also states that the GOJ will work toward labor market reform, with the pillar being labor mobility through the revision of taxation on severance pay and unemployment benefits.
- The document states that the country will reinforce supply chain resilience and raise domestic investment amounts to accelerate new capitalism. This includes reinforcing semiconductor supply chains for economic security.
- The document emphasizes the importance of creating a “bulky middle class” by raising wages and realizing a two percent inflation rate. It aims to raise the average national minimum wage to ¥1,000 this year.

10. GOJ Announces Child Care Policies

The Weekly Observer (6/12-6/16)

- On Tuesday, the GOJ [adopted](#) the draft Strategic Guidelines for Children's Future, which are policies designed to reverse the trend of the declining birth rate in Japan.
- Kishida [said](#) that “if we don’t stop this trend now, our country’s economy and society will shrink and it will become difficult to maintain local communities, as well as social security systems such as pensions, medical care, and nursing care.”
- Policies [include](#) expanding child allowance as early as next fiscal year and extending eligibility to those in high school (abolishing income restrictions). The allowance will be ¥30,000 a month for third children in families between zero and high school age.
- Other policies include considering insurance coverage for child bearing, expanding scholarships, and establishing a system for all children to attend nursing or preschool.
- Funding will focus on budget cuts until FY 2028 with no plan for tax hikes. Shortages will be covered by GOJ bonds designed to cover until stable funding is found.

11. GOJ Adopts Goal to Raise Ratio of Female Executives to 30 Percent by 2030

- On Tuesday, the GOJ [adopted](#) the “Women’s *Honebuto*,” designed to show the country is working on women’s empowerment.
- The first pillar is [realizing](#) a positive cycle of women’s empowerment and economic growth. The GOJ will aim to raise the ratio of female executives in listed companies to more than 30 percent by 2030.
- The second pillar is reinforcing efforts toward raising income and economic independence. This includes redressing long work hours, promoting diverse workstyles, developing digital skills, and improving efficiency through reskilling.
- The third pillar includes realizing a society in which women can retain their dignity and pride. This includes ensuring domestic violence is dealt with legally and reinforcing countermeasures against sexual crimes and violence.
- The [White Paper on Gender Equality](#), also adopted by the Cabinet, proposes shifting toward the “Reiwa model” of society in which men and women can maintain a work-life balance to ensure the latter can attain economic independence.

12. Other Political Developments

- On Thursday, reports [surfaced](#) that the LDP and Komeito look to sign a document later this month outlining their continued electoral cooperation in areas outside Tokyo. The two parties are looking to repair relations after rifts emerged in Tokyo over endorsements in redistricted constituencies.

The Weekly Observer (6/12-6/16)

- The LDP's HQ for Implementing the Reform of Party [adopted](#) a basic plan to nurture female lawmakers, which includes a numerical target of raising the ratio of female lawmakers in the party to 30 percent within the next ten years (12 percent now).
- On Tuesday, Kishida [said](#) that the GOJ will conduct a comprehensive review of the My Number system this fall, after it was revealed that the wrong data had been linked to personal accounts for several hundred individuals.
- The Cabinet adopted the [White Paper on Tourism](#), which [pointed out](#) that the industry's "ability to make money" must be improved to continue recovering demand lost during the COVID-19 pandemic. It noted that individuals in the industry do not make as much money on average compared to those in the U.S. or Europe.
- *Nikkei* [reported](#) Monday that data shows the ratio of individuals over the age of 65 will reach 38.7 percent by 2070. This is 10 percent more compared to 2022 levels.

13. GOJ Presents 25 Sensitive Tech Fields for Patent Protection

- On Monday, the GOJ [presented a draft plan](#) for patent protection measures at a panel meeting on the economic security promotion law. Under the law, public disclosure of patents — made public eighteen months after filing — can be blocked if they involve technologies designated for protection.
- The GOJ [designated](#) twenty-five fields — inventions highly likely to harm the security of the nation and its people, and those that may impact economic activity or innovation — including technologies related to aircraft stealth equipment and hypersonic flight vehicles.
- Of those, ten, including semiconductor equipment using quantum dot, will only be protected if they are for defense or commissioned directly by the GOJ.
- The GOJ aims to implement the measures around spring 2024, after crafting a government ordinance over the summer.
- It also [presented](#) criteria for pre-screening of core public infrastructure vulnerable to foreign influence. It includes operators or power generation facilities with a capacity of at least 500,000 kW/unit; railways with at least 1,000 km of tracks; and banks with deposits of at least ¥10 trillion or more than 10,000 automated teller machines.

14. BOJ Maintains Monetary Policy

- On Friday, the Bank of Japan [decided](#) to maintain its monetary easing policy to further monitor the sustainability of price and wage increases taken on by firms.

The Weekly Observer (6/12-6/16)

- Governor Ueda Kazuo [said](#) at a press conference that a swift normalization of policy runs the risk of lowering inflation before it meets the two percent target, thereby killing the positive cycle of price and wage increases.
- Stats suggest that inflation will soon overtake that of the United States and Europe in real terms. The reality of inflation is also shifting from supply-side to demand-push as services and industries with labor shortages also experience price hikes.
- Ueda also [left room](#) for the revision of the yield curve control policy, where the BOJ purchases variable amounts of GOJ bonds or other financial assets in order to target interest rates at a certain level (affects long-term rates).
- He reiterated that positive inflation rates will likely fall mid-year. He pointed out that the rate of decline is slower in some areas including food and daily necessities. The BOJ will publicly begin releasing documents on its policy review next month.

15. Key Economic/Financial Developments

- On Friday, the Cabinet's HQ for Digital Market Competition [finalized a draft plan](#) to regulate the smartphone OS space dominated by Apple and Google. Among other things, the GOJ will [prohibit](#) tech companies from forcing users and app developers to use their app store, search engines, and payment systems.
- *Jiji* [reported](#) Thursday that METI will provide approximately ¥120 billion to Toyota in subsidies to support its plan to increase production of lithium ion batteries and solid-state batteries. Toyota [aims to release](#) an EV using the latter as early as 2027.
- On Tuesday, METI [announced](#) that it has selected seven locations at home and abroad as sites to receive support for carbon capture and storage (CCS) projects as part of Japan's decarbonization efforts. Japan [aims](#) to store thirteen million tons of carbon dioxide, or about one percent of annual carbon emissions in seven locations by 2030.
- *Nikkei* [reported](#) that the Japan Aerospace Exploration Agency (JAXA) will soon be able to invest freely in private businesses under planned legislation to enable it to provide funding to projects such as the creation of low-orbit satellite constellations. Japan aims to boost its competitiveness by tapping into the startups and others.
- *Asahi* [reported](#) on Sunday that Japanese companies helped propel the Nikkei 225 index to its highest level in thirty-three years after they announced plans to buy back their own shares worth a record ¥3.2 trillion. Share buybacks push stock prices up because they theoretically raise earnings per share, returning profit to shareholders.

16. State of the Economy

The Weekly Observer (6/12-6/16)

- According to Japan Customs's [release](#) on Thursday, Japan's trade balance in May was a ¥1.373 trillion deficit, the twenty-second consecutive month in the red. Import amounts fell as crude oil prices stabilized.
- According to CAO's [release](#), machinery orders in April, a leading indicator of capital investment, rose 5.5 percent from March. This was the first increase in three months, led primarily by an 11 percent increase in non-manufacturing industries.
- The U.S. dollar [rose](#) to a seven-month high above ¥141 after a hawkish forecast by the U.S. Federal Reserve fanned speculation that the interest rate gap between Japan and the United States would widen. The Fed projected the rate will rise to 5.6 percent by the end of the year, while the BOJ maintained its monetary policy.
- According to MOF/CAO's [release](#) on Tuesday, business outlook (net) among large corporations in the April-June period was positive for the first time in two quarters, at +2.7. Normalized socioeconomic activity [contributed](#) to non-manufacturing industries reaching +4.1, while the global slowdown kept manufacturers at -0.4.
- According to the BOJ's [release](#) on Monday, the corporate goods price index for May was 119.1, up 5.1 percent from the same month last year. Though it [continued](#) the two-year trend on the rise, the rate of increase fell for the fifth straight month. The trend of passing on high material costs, especially for downstream products such as food and beverages, has continued.

II. Public Opinion Poll

- An NHK poll [released](#) on Monday showed Cabinet approval rating was 43 percent, down three points from [May](#), while disapproval remained at 37 percent, up six points.
 - 40 percent of respondents [said](#) that they approve of the Cabinet because it's better than other Cabinets; 27 percent said because it includes a party they support; and 12 percent said because they trust the prime minister's character.
 - 45 percent of respondents said that they disapprove because they don't have expectations for its policies; 20 percent said because they don't trust the prime minister's character; and 16 percent said because it lacks executive ability.
 - 37 percent of respondents said that they do not have high expectations for the GOJ's child care policies; 32 percent said they have some expectations; 19 percent said they have no expectations; and 7 percent said they have high expectations.
 - 48 percent of respondents said that the GOJ should take time to consider funding sources for child care policies, while 44 percent said the GOJ should swiftly disclose how it plans to finance the policies.

The Weekly Observer (6/12-6/16)

- 49 percent of respondents said that they somewhat approve of the G7 Summit's discussion of Ukraine including President Zelenskyy; 26 percent said they strongly approve; 13 percent said they don't really approve; and 5 percent said they don't approve at all.
- 43 percent of respondents said that they do not have high expectations that the G7 Summit boosted momentum toward a world without nuclear weapons; 29 percent said they somewhat expect; 18 percent said they do not have expectations; and 4 percent said they have strong expectations.
- 55 percent of respondents said that the GOJ should cautiously proceed with the expansion of My Number Card use; 27 percent said it should not be expanded; and 10 percent said it should be proactively expanded.
- 34 percent of respondents said that the GOJ's goal of realizing 30 percent female executives in listed companies by 2030 is appropriate; 33 percent said it is too late; and 17 percent said it is too early.
- 42 percent of respondents said that they believe the economy has somewhat recovered to pre-pandemic levels; 39 percent said it has not really recovered; 7 percent said it has not recovered at all; and 6 percent said it has pretty much recovered.
- 50 percent of respondents said that they somewhat know what they should do if the GOJ issues a heavy rain warning; 25 percent said they don't really know; 12 percent said they know a lot; and 8 percent said they don't know at all.
- 40 percent of respondents said that the prime minister should dissolve the Lower House and call a general election by Oct. 2025 when lawmaker terms end; 19 percent said within the year; 19 percent said next year; and 11 percent said as soon as possible.

- The survey also collected data on the latest approval ratings of political parties.

Political Party	Approval Rating (%)
Liberal Democratic Party	35 (-2)
Constitutional Democratic Party	4 (±0)
Japan Innovation Party (<i>Ishin no Kai</i>)	6 (-1)
Komeito	4 (+2)
Japan Communist Party	2 (±0)
Democratic Party for the People	1 (+1)
Reiwa Shinsengumi	1 (±0)

The Weekly Observer (6/12-6/16)

Social Democratic Party	1 (± 0)
Suffrage Party (Sanseitō)	1 (± 0)
Independent (No Party)	39 (± 0)