

The Weekly Observer

July 3-7, 2023

The 79th edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on the ruling coalition's summary viewpoints on relaxing the defense export rules, the IAEA's decision to approve the release of treated wastewater from the Fukushima plant, Ukraine's CPTPP application, Japan-NATO security developments, the future of the Abe faction leadership, the possible schedule for the Cabinet reshuffle, the BOJ's TANKAN, FY 2022 tax revenue, wage statistics, and more.

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I. News of the Week

1. Ruling Coalition Compiles Views on Relaxing Defense Export Rules

- On Wednesday, the LDP and Komeito Working Teams (WT) submitted a summary of its views on relaxing the Three Principles on Transfer of Defense Equipment and Technology to the policy chiefs of both parties.
- It stated that the WT agreed to permit equipment transfers entailing lethal weapons as long as they fall under the five categories — rescue, transportation, vigilance, surveillance or minesweeping — under the three principles. These are deemed outside the scope of lethal weapons under the SDF Act.
- It pointed out that many in the WT agreed that the GOJ should move toward allowing transfers from Japan to third countries, permitting exports of equipment jointly developed with other countries such as the next-gen fighter jet.
- It included two positions on revising the five categories above — the LDP's urging for its abolition and Komeito's recommending limited addition to the categories such as demining.
- The two parties will consider recommendations to the GOJ sometime after the fall.

2. IAEA Approves Japan's Release of Treated Wastewater from Fukushima Plant

- On Tuesday, Prime Minister Kishida Fumio received a courtesy call from IAEA Director General Rafael Grossi, who handed him a report greenlighting the GOJ's release of treated wastewater from Fukushima Daiichi nuclear power plant.
- Following the two year process, the IAEA report states that Japan's approach and activities to discharge ALPS treated water are consistent with relevant international safety standards. It also noted the discharge would have a negligible impact on people and the environment.
- Grossi said on Friday that one or two of the team of experts from eleven countries including China may have expressed concerns. Beijing has blasted the report, saying the IAEA should not be endorsing a plan which poses risks to marine life and human health. Seoul said it respected the IAEA's approval for the release.
- On Thursday, Chief Cabinet Secretary Matsuno Hirokazu said that Japan's standard for the release of tritium, at below 22 trillion becquerels per year, is far stricter than other nations including China and South Korea.

- On Friday, the Nuclear Regulation Authority also [granted approval](#) for Tokyo Electric Power Co (TEPCO) to start releasing more than a million tonnes of radioactive water. Prime Minister Kishida [reiterated](#) that the discharge will likely start in the summer.

3. Foreign Policy Developments

- On Friday, Minister in charge of CPTPP negotiations Goto Shigeyuki [revealed](#) that Ukraine has submitted to New Zealand an application to join the CPTPP ahead of the ministerial meeting in Auckland on July 15-16. China, Taiwan, Ecuador, Costa Rica, and Uruguay have also applied to join the trade pact.
- The G7 Justice Ministers [met](#) in Tokyo and agreed to support anti-corruption efforts in Ukraine to push forward reconstruction work in the country. The joint declaration [included](#) the establishment of the Anti-Corruption Task Force for Ukraine” to bring together experts from the G7, Ukraine, and relevant international bodies.
- On Thursday, Minister of Justice Saito Ken [hosted](#) a special meeting of justice ministers with ASEAN nations. In the joint statement issued after the meeting in Tokyo, the ministers [reaffirmed](#) their commitment to the peaceful resolution of disputes and to uphold and promote shared values and fundamental principles.
- A delegation from the Association for the Promotion of International Trade, [led](#) by former Speaker of the House of Representatives Kono Yohei, met with Chinese Premier Li Qiang in Beijing. Okinawa Governor Tamaki Denny [joined](#) the delegation and agreed with CCP Chief of Fujian Zhou Zuyi to promote exchanges.
- *Yomiuri* [reported](#) Wednesday that Kishida may meet South Korean President Yoon Suk-yeol on the sidelines of the NATO Summit in Lithuania on July 11-12. It also reported that Minister for Foreign Affairs Hayashi Yoshimasa may [meet](#) his counterparts from China and South Korea on the sidelines of ASEAN-related meetings in Indonesia in mid-July.
- On Tuesday, Minister of Economy, Trade and Industry Nishimura Yasutoshi [signed](#) a Memorandum of Cooperation on Semiconductors with European Commission Commissioner for Internal Market Thierry Breton. The MOC describes how the two sides will enhance bilateral cooperation on an early warning mechanism for supply chain disruptions and R&D for next-generation semiconductors, among other things.

4. Defense/Security Developments

- On Friday, MOFA [lodged a protest](#) with South Korea over routine military drills it conducted on Takeshima Islands (Dokdo), saying it was “extremely regrettable.”

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MOFA summoned a senior diplomat at the ROK Embassy in Japan and the Japanese Embassy in Seoul also summoned a senior ROK official to protest.

- *Jiji reported* that the GOJ is considering law amendments for introducing active cyberdefense to detect signs of possible cyberattacks and make proactive responses. The GOJ aims to submit related legislation to next year's ordinary Diet session.
- *Nikkei Asia reported* Thursday that Japan and NATO have concluded negotiations over the Individually Tailored Partnership Program (ITPP) to be announced at the Vilnius Summit next week. It consists of sixteen cooperation areas with three strategic goals: strengthen dialogue, enhance interoperability, and bolster resilience.
- On Tuesday, Minister of Defense Hamada Yasukazu indicated that Japan can export defense equipment to Ukraine as long as it falls under five categories listed in the implementation guidelines of the three principles on transfer of defense equipment.
- Minister of Finance Suzuki Shunichi said that the GOJ will utilize ¥1.3 trillion leftover funds from the FY 2022 settlement of accounts to finance defense spending. MOF announced Monday that leftover funds amounted to ¥2.63 trillion. Half must be used for the redemption of GOJ bonds.

5. LDP's Abe Faction Disagrees on Future Leadership Structure

- On Thursday, the LDP's Abe faction held a meeting to discuss its future leadership structure. The faction has no leader since the death of ex-Prime Minister Abe Shinzo.
- During the meeting, Diet Affairs Chairperson Takagi Tsuyoshi proposed a temporary five-man leadership structure including himself, policy chief Hagiuda Koichi, Upper House Secretary General Seko Hiroshige, METI Minister Nishimura Yasutoshi, and CCS Matsuno Hirokazu. Seko agreed.
- Meanwhile, the faction's Deputy Leader Shionoya Ryu and Acting Leader Shimomura Hakubun argued that the faction should choose a new president. The two constitute the temporary leadership of the faction.
- The five members met on Thursday night and agreed that the best option for the faction would be to have the five lead in a group.
- The faction fears it is losing influence in party matters, such as during LDP-Komeito discussions over Tokyo SMDs, where around 40 percent of Abe faction members represent. The faction will reconvene discussions after July 8, which marks a year since Abe's death.

6. Other Political Developments

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- *Yomiuri* [reported](#) Friday that Kishida is considering a Cabinet and party leadership reshuffle in the first half of September, likely to ride boosted approval after planned overseas trips for the Japan-U.S.-ROK summit meeting scheduled for late August.
- *Kyodo* [reported](#) that the Digital Agency will be investigated by the Personal Information Protection Commission over the My Number issue after a number of IDs were erroneously registered with information of other people.
- The Commission will consider issuing an administrative guidance after conducting on-site inspections as early as this month.
- On Wednesday, the LDP [decided](#) it will open applications for candidates to field in Osaka's 4th, 8th, 9th, 10th, 11th, 12th, 14th, 15th, 17th, and 18th districts. Six of these SMDs already have district chiefs, who usually run for the seats in the district.
- The LDP cares about electability and [decided](#) the six, who lost their seats in the last general election, were not fit to run in the next election. The six met with Secretary General Motegi Toshimitsu on Tuesday to urge the party to reverse the decision. They will be allowed to apply for the seats.

7. BOJ Releases June TANKAN

- On Monday, the Bank of Japan [released](#) its quarterly TANKAN (Short-Term Economic Survey of Enterprises in Japan), which [showed](#) business sentiment improved in the second quarter.
- The headline index measuring large manufacturers' mood stood at +5 in June, bouncing back from a two-year low of +1 in March as firms recovered from the hit from rising raw material costs and supply disruptions.
- The sentiment index for large non-manufacturers improved to +23 from +22 three months ago, increasing for the fifth consecutive quarter and hitting the highest level since June 2019.
- Average capital expenditure in FY 2023 is [expected to increase](#) by 11.8 percent, as companies ramp up investment postponed during the pandemic.
- Inflation expectations stood at 2.2 percent in three years, down from 2.3 percent in March, and 2.1 percent five years from now, unchanged from the March projection.

8. Key Economic/Financial Developments

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- On Friday, the GOJ [said](#) it would provide ¥5.3 billion to SoftBank to create a machine capable of developing generative AI models. The subsidy will cover about a quarter of the money SoftBank is budgeting for a supercomputer.
- The Government Investment Pension Fund (GPIF), the world's largest pension fund, [said](#) it made an investment gain of ¥10.3 trillion in January-March, ending a four quarter losing streak. Robust gains in domestic and international equity markets pushed GPIF's annual return to hit ¥2.95 trillion.
- Bank of Japan Deputy Governor Uchida Shinichi [told Nikkei](#) in an interview that corporate behavior is finally shifting from the deflationary period and contributing to the current wage and price situation. He said the Bank would make a balanced decision on whether to revise the yield curve control policy.
- On Thursday, Toyota [sold](#) sustainability bonds for the first time in two years on the U.S. investment-grade market as it looks to boost production of EVs and compete with Tesla. It priced \$1.5 billion bonds in three parts, including a ten-year security yielding 1.08 percentage points above Treasurys.
- On Monday, MOF [announced](#) that the general account tax revenue for FY 2022 was a record-high ¥71.14 trillion [due](#) to higher consumption tax revenues resulting from high prices and higher corporate and income taxes resulting from strong corporate earnings and wage increases.

9. State of the Economy

- According to MHLW's [release](#) on Friday, real wages fell 1.2 percent in May from the same month last year. This is the fourteenth consecutive month real wages have [fallen](#) as inflation outpaces wage growth. Data also showed that the nominal base salary rose 1.8 percent, at the fastest pace in twenty-eight years.
- Average nominal wage per worker was ¥273,868, [up](#) 2.5 percent from the same month last year, reflecting higher wages due to successful spring wage negotiations.
- According to MIC's [Household Survey](#), consumption expenditure for a household of more than two people in May was ¥286,443, down 4 percent from the same month last year. Consumption [fell](#) as transportation and communication expenses fell.
- According to CAO's [release](#), the composite index of coincident economic indicators for May was 113.8, [down](#) 0.4 points from the previous month and the first drop in two months. Though the index is "improving," chip shortages hit automobile production.

- On Wednesday, RENGO [released](#) its final tally for the spring wage negotiations. Wages rose 3.58 percent on average, up 1.51 points from last year. This is the [first time](#) the rate of increase has surpassed 3 percent in twenty-nine years.

II. Public Opinion Poll

- A Social Survey Research Center poll [released](#) on Sunday showed Cabinet approval rating was 26 percent, down five points from June, while disapproval was 59 percent, up five points.
 - 33 percent of respondents said that they approve of the Cabinet because it includes the LDP; 21 percent said for some reason or the other; and 17 percent said because they trust the prime minister.
 - 57 percent of respondents said that they disapprove because the policies are not promising; 25 percent said because they don't trust the prime minister; and 7 percent each said because it includes the LDP and because it's an LDP-Komeito coalition.
 - 61 percent of respondents said that certain restrictions due to COVID-19 are unavoidable, while 31 percent said they want to return to pre-pandemic life.
 - 79 percent of respondents said that they believe global warming will seriously affect their lives, while 11 percent said it is not serious.
 - 81 percent of respondents said that they have My Number Cards, while 16 percent said that they don't.
 - 44 percent of respondents said that they believe the drawbacks of having a My Number, such as the leak of personal information, outweigh the benefits, while 27 percent said the merits, such as streamlined administrative services, outweigh the drawbacks.
 - 50 percent of respondents said that they oppose abolishing the health insurance card to merge it with the My Number Card next fall, while 30 percent said they support it.
 - 61 percent of respondents said that the Cabinet's policies addressing the declining birth rate have promise, while 16 percent said there is no promise.
 - 75 percent of respondents said that they believe political heredity/succession is problematic, while 9 percent said it is not.
 - 46 percent of respondents said that they care whether the person they vote for in an election is a second-generation politician, while 43 percent said they don't care.
 - 55 percent of respondents said that they believe the LDP-Komeito coalition should be disbanded, while 16 percent said it should continue.
 - 35 percent of respondents said that they don't know who they'll vote for in the PR block in the next Lower House election; 21 percent said the LDP; 15 percent said *Ishin*; 10 percent said the CDP; 4 percent said the DPFP; 3 percent each said

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Komeito, the JCP, and Reiwa Shinsengumi; 1 percent each said the SDP and Sanseitō; and 0 percent said Seijika Joshi 48.

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

Political Party	Approval Rating (%)
Liberal Democratic Party	25 (± 0)
Constitutional Democratic Party	8 (+1)
Japan Innovation Party (<i>Ishin no Kai</i>)	11 (-1)
Komeito	3 (± 0)
Japan Communist Party	3 (± 0)
Democratic Party for the People	3 (± 0)
Reiwa Shinsengumi	3 (± 0)
Social Democratic Party	1 (+1)
Seijika Joshi 48 Party	0 (-1)
Suffrage Party (Sanseitō)	1 (± 0)
Independent (No Party)	41 (± 0)