



# The Weekly Observer

July 24-28

YOUR WEEKLY RECAP OF POLITICAL DEVELOPMENTS IN JAPAN!

THIS WEEK IN NUMBERS

## Defense White Paper 2023

On Friday, the Ministry of Defense released this year's "**Defense of Japan**," the annual defense white paper.

MOD **changed its assessment** of China from "strong concerns" to "**an unprecedented and the greatest strategic challenge**." It also wrote that Taiwan affairs are a "**growing concern** among the entire international community."

On the PRC-ROC military balance, MOD said it is **tipping rapidly toward China**. It also expressed "**strong security concerns**" about the China-Russia military exercises.

## Japan Implements New Chip Equipment Export Controls

On Sunday, the GOJ implemented export controls announced back in May regarding **23 items**, including advanced semiconductor manufacturing

equipment. Under the measures, **licenses will be required** to export the items, which include **extreme UV lithography equipment** essential to manufacturing advanced chips.

The GOJ will also **simplify the approval process** for exports to **42 "friendly" countries and regions**, notably excluding China. So-called **legacy chips**, which Japanese manufacturers sell to China, will not be affected.

## BOJ Tweaks YCC Framework

On Friday, the BOJ held a meeting and **tweaked its monetary policy**, a potential step to end **yield curve control (YCC)** policy.

The BOJ will **allow the long-term interest rate to float above 0.5%** depending on the market, though it **kept the upper limit "around" 0.5%**. It also voted to **allow 10-year GOJ bond yields to rise up to 1%** (but not boundless) to maintain bond market stability.

## Cabinet Approval



**28%** (-5 pts.)

**65%** (+7 pts.)

Mainichi Shimbun (July 24)

## State of the Economy

**Monthly Economic Report (July):**  
"Recovering at a moderate pace"  
(3<sup>rd</sup> consecutive month)

Raised assessment of business conditions and public investment

**BOJ Inflation Projections:**  
2.5% in FY 2023 (up from 1.8%)  
1.9% in FY 2024

## MOF Regional Economy Assessment:

"Recovering at a moderate pace"  
(first time in 1.5 years) & upgraded  
9/11 regions' assessment