

## ***The Weekly Observer***

July 31-August 4, 2023

*The 83<sup>rd</sup> edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on Japan and China's argument at the NPT prep conference, Foreign Minister Hayashi's foreign travel, news on potential Japan-U.S.-ROK trilateral summit outcomes, the Prime Minister's announcement on the My Number Card merger, the GOJ's draft AI action guidelines, the LDP's attempt to rebrand its Osaka branch, a new political scandal, the GOJ's R&D vision for technologies critical to economic security, ten-year bond yield movement following the BOJ policy tweak, GOJ plans to tighten technology protection, the FSA's investigation into alleged price fixing by top insurance companies, wage hike and employment stats, and more.*

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## **I. News of the Week**

### **1. Japan and China Spar Over Fukushima Water Release**

- On Monday, Japan and China [traded](#) barbs over the former's plan to release ALPS-treated water from Fukushima Daiichi nuclear power plant into the sea.
- At a meeting of the Preparatory Committee for the 2026 Review Conference of the Parties to the NPT in Vienna, Austria, China noted the international community's concern about the release plan and stressed that Tokyo should withdraw it.
- In response, Ambassador Hikiyama Takeshi, Permanent Representative to the International Organizations in Vienna, [said](#) the IAEA has concluded that the plan is consistent with international safety standards and that the discharge will have negligible radiological impact.
- China then [questioned](#) the legitimacy of the IAEA's review, arguing that it was unknown whether the data was accurate. The Japanese side responded by saying China's claims were very dangerous because inaccurate information undermines IAEA authority.
- Following the meeting, Chief Cabinet Secretary Matsuno Hirokazu [criticized](#) China for making unfounded accusations not based on scientific evidence. The GOJ maintains its plan to release the wastewater over the summer.

### **2. Foreign Policy Developments**

- On Thursday, Minister for Foreign Affairs Hayashi Yoshimasa [concluded](#) his meetings abroad in India, Sri Lanka, the Maldives, South Africa, Uganda, and Ethiopia from July 27-August 4.
- In Africa, Hayashi [discussed](#) food security cooperation and the outcomes from the Russian-Africa Summit held in Russia on July 27-28, as well as cooperation to resume the Black Sea Grain Initiatives (BSGI). With the [Maldives](#) and [Sri Lanka](#), he discussed security cooperation for the peace and stability in the Indian Ocean and transparent and comparable debt restructuring with the latter in particular.
- The EU, Norway, and Iceland [announced](#) that they had lifted restrictions on Japanese food products implemented after the 2011 triple disaster in Fukushima. China, Hong Kong, South Korea, and Taiwan are the [key remaining parties](#) with restrictions.
- MOFA [announced](#) that all ten Japanese citizens who had requested evacuation from Niger were evacuated by early morning of August 3 to Paris on an aircraft arranged by the Government of France. Niger is in a state of disarray after members of the

Armed Forces [announced](#) on July 26 that they had detained President Mohamed Bazoum and others.

- Prime Minister Kishida Fumio [said](#) Tuesday that he will meet with U.S. President Joe Biden and South Korean President Yoon Suk-yeol separately on the sidelines of the trilateral summit scheduled for August 18 at Camp David near Washington, D.C.

### 3. Defense/Security Developments

- *Jiji* [reported](#) Friday that the LDP will commence discussions this month on selling GOJ shares of Nippon Telegraph and Telephone to finance defense spending. It is likely to face opposition on economic security grounds, as telecommunications play a vital role in protecting information from malicious foreign actors.
- *Yomiuri* [reported](#) Wednesday that a new liaison organization between MOD and private businesses will be established in Yokosuka Research Park as early as the end of this year, to promote public-private cooperation to develop cybersecurity experts. The organization will also conduct research on global cyber-attacks and technologies to respond to attacks.
- *Financial Times* [reported](#) Tuesday that the United States is pushing Japan and South Korea to agree to a joint statement for the upcoming summit including a reference to mutual vulnerabilities (North Korea and China) and a trilateral leader-level hotline to strengthen trilateral coordination on defense and economic security.
- The GOJ [approved](#) an ordinance designating twenty-five fields including stealth technology for aircraft as targets of screening for the non-disclosure of patents under the Act Promoting Economic Security. The GOJ can keep innovations that could severely impact the nation or people's livelihood under wraps (patented technologies are disclosed after a year-and-a-half in normal cases).
- On Monday, Minister of Defense Hamada Yasukazu [met](#) Saudi Minister of Defense Salman Al-Saud. The two discussed bilateral defense cooperation and defense equipment and technology cooperation, and agreed to increase Military-to-Military Dialogue and exchanges at the unit-level.
- *Jiji* [reported](#) Sunday that while the prime minister and the LDP wants to conclude talks on revising the Three Principles on Transfer of Defense Equipment and Technology by the end of the year, Komeito still believes there are wide gaps in perception and are concerned about wrapping up "controversial" talks before a possible fall snap election.

### 4. PM Announces Extension of My Number Card "Grace Period"

- On Friday, Kishida [held](#) a press conference to explain the GOJ's policy regarding the merger of the health insurance card with the My Number Card.
- Kishida said that the three main actions the GOJ will take will be a comprehensive review of individual data, thorough prevention of data leaks, and promoting the use of My Number as part of digitalization and assuring citizens that the system is safe.
- He [avoided](#) a decision on whether to scrap the current schedule of abolishing the health insurance card in fall 2024, stating that he will make a decision after the comprehensive system review and revision process is complete in the fall.
- He announced that the GOJ will extend the “grace period” between the abolishment of the health insurance card and mandatory use of the My Number Card, allowing citizens a choice to use temporary “certificates of status” for five years — previously one — after the card is abolished and before My Number Cards must be used.
- Citizens can apply for the certificate as a temporary replacement for health insurance cards and still receive medical care. The GOJ will release its interim report and countermeasures to prevent similar issues on August 8.

#### 5. GOJ Presents AI Strategy

- On Friday, the GOJ [presented](#) draft action guidelines for generative AI use at its AI Strategy Council meeting. It aims to reflect these guidelines in a G7 document to be compiled by the end of the year.
- The guidelines indicate basic responsibilities for AI use, including preventing the violation of human rights and respecting diversity and the rule of law. It also includes firms' role in developing and using AI, such as publicly releasing information on functions and specifications for AI developed by the firms.
- It will also require firms to disclose risks associated with AI use. Firms will be expected to explain measures put in place to prevent inappropriate input/output that could lead to crime or discrimination. This includes things like setting up a function for users to request revisions to inappropriate AI generated output.
- The guidelines also [include](#) the creation of new technologies, like originator profiles, to combat disinformation, developing learning methods incorporating AI, and the implementation of a human development program to build AI expertise.
- The GOJ aims to present the guidelines to the G7 countries by September, ahead of the scheduled online summit on AI this fall and the [release](#) of a ministerial joint document for the “Hiroshima AI Process.”

6. LDP "Rebrands" Failing Osaka Branch with New Candidates

- On Wednesday, LDP Secretary-General Motegi Toshimitsu [held](#) a press conference in Osaka announcing its candidates for eight of ten Osaka SMDs it had opened applications for to rebrand the Osaka branch of the party following a blowout in recent elections.
- There will be five new faces, including a twenty-eight-year-old female office worker in Osaka-11, signs of the party looking for fresher faces in the re-selection. However, the party also re-selected three candidates in Osaka-8, -10, and -11 that had been deemed “unelectable” after losses in the last general election.
- This has led many to [question](#) the purpose of the re-selection process, given the entire reason for reselection was to ensure the new candidates could win in a prefecture becoming increasingly dominated by the rising *Ishin no Kai*.
- Many believe the remaining two candidates — Nakayama Yasuhide and Okashita Shinpei — are likely to get re-selected in their current districts. This again calls into question the reason for holding re-selections in ten districts deemed difficult to win.
- Motegi also [showed up](#) to a party hosted by Komeito Diet Affairs Chairperson Sato Shigeki, taking a photo with leader Yamaguchi Natsuo to appeal LDP-Komeito solidarity despite electoral troubles in Tokyo.

7. Other Political Developments

- On Friday, MOFA [announced](#) that Parliamentary Vice Foreign Minister Akimoto Masatoshi resigned from his position. This comes after prosecutors [searched](#) his office over bribery allegations involving Japan Wind Development Co., a company that could have paid him for his advocacy on renewable energy. He is [expected to leave](#) the LDP over the scandal.
- Minister of Justice Saito Ken [announced](#) that the GOJ plans to give special residence permission to foreign children who were born and raised in Japan but do not qualify as Japanese residents. It is viewed as a relief measure for roughly a few hundred children who might be deported to their parent’s countries under the revised immigration control law, which enables forced repatriation if they have made more than three refugee status applications.
- On Tuesday, the LDP HQ for Implementing Party Reform [approved](#) new initiatives [under](#) the basic plan to raise female party representation in the Diet to 30 percent, including ¥1 million in [activity fees](#) for female candidates in Lower House elections, ¥1 million for [hiring](#) babysitters and elderly care during elections, and the

[establishment](#) of a harassment consultation window for all female candidates running for any level election.

- On Monday, MOF [announced](#) there was a ¥12.47 trillion surplus in the FY 2022 special account. The GOJ will use two-thirds of the ¥2.8 trillion to be appropriated to the FY 2023 general account on the “defense reinforcement fund.” The general account surplus [transferred](#) to FY 2023 was ¥17.9 trillion, the third highest recorded due to multiple supplementary budgets to finance economic packages.
- *Yomiuri* [reported](#) that the GOJ plans to revise its National Strategic Special Zones (NSSZ) guidelines as early as the fall to allow foreign workers providing housekeeping services in NSSZs (designated areas to boost international competitiveness and encouraging global business activities) to stay a maximum seven years (currently five) in an attempt to retain foreign labor amid shortages. In general, foreigners cannot obtain a visa for housekeeping services — NSSZs covering Tokyo, Osaka, Kanagawa, Hyogo, Aichi, and Chiba City allow that to happen. The GOJ will consider expanding these areas too.

#### 8. GOJ Presents New Technologies to Support for Economic Security

- On Tuesday, the GOJ [presented](#) a draft of its Second R&D Vision to an expert panel of the “Key and Advanced Technology R&D through Cross Community Collaboration Program” (K Program), an initiative under the Act Promoting Economic Security [designed](#) to provide sustained financial support over five to ten years toward the operationalization of “specific critical technologies.”
- Under the program, public and private research institutes and firms that pass the selection process can [receive](#) financial assistance to undertake projects the government designates as important to economic security.
- The list includes twenty-three technologies in four fields — marine, space and aviation, cross domain and cyberspace, and biology — ranging from AI technology to detect disinformation to next-gen semiconductor manufacturing technology.
- The Second Vision [updates](#) the first vision compiled last September, which identified twenty-seven fields for intensive R&D. The purpose of the vision is to [ensure](#) the GOJ can capture swiftly emerging new technologies that may be critical to Japan’s technological advancement or foundational to multiple facets of society.
- The GOJ may [finalize](#) the list this month at a joint meeting of the Council for Promotion of Economic Security and the Integrated Innovation Strategy Promotion Council, chaired by the prime minister and chief cabinet secretary, respectively.

9. Ten-Year Bond Yields Hit Nine Year High After BOJ Policy Tweak

- On Thursday, the benchmark ten-year JGB for long-term rates [hit](#) 0.605 percent, the highest level in almost nine years since June 2014. Yields [rise](#) when bond prices fall.
- This comes after the Bank of Japan effectively raised the permitted range for long-term yield fluctuations to 1 percent at its monetary policy meeting last week.
- The BOJ's meeting minutes from 2013 [released](#) on Monday showed that former BOJ Governor Kuroda Haruhiko [said](#) the Bank should “do all that we can” to enter a “new dimension” in monetary easing policy, paving the way toward the current policies.
- The Bank on Wednesday [conducted](#) a JGB purchasing operation (open market operations) for bonds “greater than five years and lower than ten years” amounting to ¥675 billion. It raised the ceiling for purchases from ¥875 billion to ¥900 billion.
- The summary of discussions from the June monetary policy meeting [showed](#) that the Bank did not see an imminent need to tweak yield curve control (YCC), as some pointed out that market functions have improved somewhat amid YCC operation.
- Deputy Governor Uchida Shinichi [said](#) Wednesday that the aim of the Bank's policy tweak was to allow for flexible operation of monetary easing, not one with an eye toward an exit from the policy.

10. Economic Security Developments

- *Yomiuri* [reported](#) Thursday that the Cabinet Office plans to survey starting this month about 370 universities and research institutions to discern whether they have taken measures to prevent leaks of advanced technology. This comes after a Chinese researcher allegedly leaked information from the National Institute of Advanced Industrial Science and Technology to a Chinese company.
- *Nikkei* [reported](#) that the GOJ amended regulations related to the agricultural law, which will now require foreign owners and buyers of farmland to register their nationalities on the registry and documents when applying to purchase land. This is consistent with measures to restrict land purchases by foreigners for security reasons.
- *Nikkei* [reported](#) Tuesday that Japan will work with Zambia, Congo, and Namibia to develop supply chains for cobalt and other minerals critical to making EV batteries. The Japan Organization for Metals and Energy Security (JOGMEC) plans to sign a MOU to start the projects as early as this year to diversify minerals sources.



- On Tuesday, China [introduced](#) new export restrictions requiring prior approval for exports of germanium and gallium, rare metals critical to semiconductor manufacturing. Japan relies on China for about 40 percent of gallium exports.
- *Nikkei* [reported](#) Monday that Japanese ink producer DIC has developed new materials for semiconductors that do not use organic fluorine chemical compounds called PFAS, which have long-term impacts on the environment. DIC is responding to potential new regulations in Europe as an opportunity to develop alternatives.

## 11. Key Economic/Financial Developments

- On Friday, the Financial Services Agency [ordered](#) Japan's four major insurers, including Tokio Marine & Nichido Fire Insurance, to submit records of contracts for which they allegedly arranged premium levels to avoid competition. The FSA has [uncovered](#) multiple cases of collusion beyond their initial investigation into a contract with Tokyu Corp. and look to expand their investigation into oil refiners, steel companies, and public transportation operators.
- The National Institute of Population and Social Security Research [announced](#) that social security benefits in FY 2021 amounted to a record-high ¥138.74 trillion, up 4.9 percent from last year. MHLW [announced](#) that the National Pension System fund also hit a record-high of ¥207.99 trillion on a market-value basis.
- On Wednesday, Japan and Ukraine [held](#) the inaugural finance dialogue in Kyiv. Vice Minister of Finance for International Affairs Kanda Masato [said](#) that Japan will continue to support Ukraine and that Japan is ready to give additional support via the World Bank aimed at repairing and rebuilding war-damaged buildings.
- Chugoku Electric Power Co. [proposed](#) building an interim storage facility in Kaminoseki, Yamaguchi Prefecture, to temporarily store spent nuclear fuel. The town asked the company to come up with an idea to revive nuclear-plant related subsidies, which had dwindled since the Fukushima accident in 2011.
- *Nikkei* [reported](#) that METI plans to add waters off Aomori and Yamagata — in addition to seven areas off the coasts of Akita, Chiba, Niigata, and Nagasaki — as sites for offshore wind generation up to 1 million kW, equivalent to one nuclear power plant, by the end of the year. The GOJ aims to generate 36-38 percent of domestic electricity via renewable energy sources in FY 2030.
- MHLW [announced](#) that a record-high 17.13 percent of eligible male workers at more than 3,300 surveyed businesses and entities took paternity leave in FY 2022. This is far below the GOJ's target of 50 percent by 2025. The stats showed that men working for larger companies and in the financial and insurance sectors took more leave.

## 12. State of the Economy

- According to the Japan Business Federation's final tabulation on spring wage negotiations [released](#) on Friday, large companies raised wages 3.99 percent on average, up 1.72 points from FY 2022. The average rate of increase was ¥13,362, also up ¥5,800. Both statistics reached high levels unseen in decades.
- MAFF [announced](#) that food exports in Jan.-June 2023 amounted to a record-high ¥714.4 billion, up 9.6 percent from the same period last year. This is the first time exports exceeded ¥700 billion in the first half of a year, but there are [concerns](#) about the Fukushima water release plan negatively impacting trade to China and Hong Kong, Japan's top food destinations.
- MHLW [announced](#) Tuesday that the jobs-to-applicants ratio in June was 1.30 times, down 0.01 point from May due to an increase in job searchers amid a rise in costs of living. MIC [announced](#) that the unemployment rate was 2.5 percent, down 0.1 point.
- METI [announced](#) Monday that the industrial production index for manufacturing and mining sectors stood at 105.3 (base 2020), up 2 percent. The electronics, device engineering and auto industries [led](#) the first surge in two months. METI assessed that output is slowly recovering.
- METI [released](#) the 2022 survey on the state of the manufacturing sector, which showed that there were a total of 7.71 million employees at 222,770 businesses and that output amounted to ¥330.22 trillion in 2021, with value-added amounting to ¥106.61 trillion. Manufacturing of transportation machinery/equipment led output.
- The Japan Tourism Agency [announced](#) that a total of 4.63 million Japanese and foreign tourists stayed at hotels and other accommodation facilities in June, up 1 percent from June 2019. This is the first time monthly numbers [topped](#) pre-COVID-19 numbers, indicating that tourism is slowly but surely recovering.

## II. Public Opinion Poll

- A *Nikkei* poll [released](#) on Monday showed Cabinet approval rating was 40 percent, up one point from [June](#), while disapproval stayed the same at 51 percent.
  - 41 percent of respondents each said that they want the prime minister to prioritize economic recovery and pensions, health care, and elderly care; 38 percent said child rearing and child care; 27 percent said fiscal consolidation; 22 percent said foreign policy and security; and 16 percent said regional revitalization.
  - 58 percent of respondents said that they supported the GOJ's decision to release water from the Fukushima plant, while 30 percent said they opposed it.

- 72 percent of respondents said that they disapproved of the GOJ's response to the My Number Card issue, while 19 percent said that they approved.
  - 60 percent of respondents said that the GOJ should be cautious about accepting more foreigners to Japan to address population decline, while 36 percent said that it should promote more acceptance of foreigners.
  - 69 percent of respondents said that they believe the GOJ should promote the use of foreign workers in fields like elderly care to secure labor, while 21 percent said that it should not promote this to maintain current service levels.
  - 51 percent of respondents said that they oppose the loosening of defense equipment export rules, while 38 percent said they support it.
  - 81 percent of respondents said that they did not change their support or favoritism toward a political party in the last year, while 14 percent said that they did.
  - 33 percent of respondents said that they would vote for the LDP in the next general election; 16 percent said *Ishin*; 13 percent said undecided; 9 percent said CDP; 5 percent each said the JCP and Reiwa Shinsengumi; 4 percent said Komeito; 3 percent said the DPFP; and 2 percent said Sanseitō.
- The survey also collected data on the latest approval ratings of political parties.

Political Party	Approval Rating (%)
Liberal Democratic Party	36 (+2)
Constitutional Democratic Party	6 (-3)
Japan Innovation Party ( <i>Ishin no Kai</i> )	10 (-2)
Komeito	4 (+1)
Japan Communist Party	6 (+3)
Democratic Party for the People	3 (±0)
Reiwa Shinsengumi	3 (±0)
Social Democratic Party	0 (±0)
Seijika Joshi 48 Party	0 (±0)
Suffrage Party (Sanseitō)	1 (-1)
Independent (No Party)	27 (±0)