

## ***The Weekly Observer***

August 21-25, 2023

*The 85<sup>th</sup> edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on the Japan-U.S.-ROK summit last week, North Korea's latest satellite launch, Kishida's message for the Third Crimea Platform, the GOJ's inaugural meeting to utilize civilian technology for defense, FY 2024 budget requests, the release of treated radioactive water from Fukushima Daiichi, the likely extension of gas subsidies, LDP-Komeito election cooperation in Tokyo, legislation to establish a security clearance system, the Japan-ASEAN Economic Co-Creation Vision, the BOJ's measures of underlying inflation, and more.*

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

### **1. Japan, United States, and South Korea Elevate Trilateral Cooperation**

- On August 18, Prime Minister Kishida Fumio [met](#) with U.S. President Joe Biden and South Korean President Yoon Suk-yeol at Camp David. This was the first standalone summit between the three leaders.
- The three leaders marked a “new era of trilateral partnership” with the publication of the “[Camp David Principles](#)” and the [Japan-U.S.-ROK Joint Leaders’ Statement](#).
- The three leaders stated their commitment to the complete denuclearization of the DPRK, the importance of peace and stability across the Taiwan Strait, their commitment to consult each other to respond to regional challenges, the establishment of regular trilateral communications, coordination to counter disinformation, a new trilateral working group to drive cooperation on the DPRK, intention to hold annual multi-domain exercises on a regular basis, and commitment to launch an early warning system to respond to global supply chain issues.
- In the bilateral meeting with Biden, the leaders [agreed](#) to work closely in addressing issues related to China and welcomed the initiation of joint development of Glide Phase Interceptor for Japan-U.S. alliance deterrence and response capabilities.
- In the bilateral meeting with Yoon, the leaders [welcomed](#) the continued bolstering of a broad range of dialogue and cooperation and decided to continue communicating frequently in the second half of the year. They did not discuss the Fukushima water release plan, which has been strongly opposed by domestic actors in South Korea.

### **2. North Korea Conducts Another Satellite Launch**

- On Thursday, MOD [announced](#) that North Korea conducted a launch of multiple projectiles using ballistic missile technology. Pyongyang had [announced](#) earlier that it would be conducting what appears to be a spy satellite launch.
- The launch failed, but one of the three projectiles flew over airspace between mainland Okinawa and Miyako Island.
- In response, the G7 foreign ministers [issued](#) a statement condemning in the strongest terms the launch. They stated that the launch is a clear, flagrant violation of multiple UN Security Council Resolutions and poses a grave threat to regional and international peace and stability.

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- Minister for Foreign Affairs Hayashi Yoshimasa also [held](#) a phone call with Secretary of State Antony Blinken and Foreign Minister Park Jin. The three strongly condemned the launch and reaffirmed close cooperation on the matter.
- Director-General Namazu Hiroyuki of the Asian and Oceanian Affairs Bureau [held](#) a phone call with U.S. Special Representative for the DPRK Sung Kim and ROK Special Representative for Korean Peninsula Peace and Security Affairs Kim Gunn. The three strongly condemned the satellite launch and agreed to continue close trilateral cooperation on the matter.

### 3. Foreign Policy Developments

- On Friday, Hayashi [held](#) a phone meeting with Mexican Secretary of Foreign Affairs Alicia Bárcena Ibarra. The two exchanged views on issues ranging from North Korea to Ukraine to CPTPP to the Fukushima water release plan. Bárcena stated that she is confident that Japan will implement the plan according to international standards.
- On Thursday, Kishida [delivered](#) a video message to the Third Crimea Platform, a diplomatic summit initiated by the Government of Ukraine.
- He reiterated that Russia's aggression against Ukraine is an "outrageous act" that undermined the foundations of the international order and that Japan will continue to stand with Ukraine as it implements various assistance amounting to \$7.6 billion.
- On Tuesday, Kishida [held](#) a video teleconference meeting with President Dina Ercilla Boluarte Zegarra of Peru. They affirmed the importance of deepening friendly and cooperative relations by taking the opportunity of the 150th anniversary of bilateral ties, including the upcoming visit by Imperial Highness Princess Kako in November.
- The two leaders also confirmed strengthened trade and investment ties and the resilience of supply chains, as well as the importance of a free and open international order based on the rule of law.

### 4. Defense/Security Developments

- On Friday, the GOJ [held](#) its inaugural meeting on utilizing private sector technology for security. It identified nine areas — energy, sensors, computing, AI, information communication, information security, materials, autonomous machines (drones), and machinery (hypersonics) — useful for reinforcing defense and confirmed construction of public infrastructure like airports and seaports for contingencies.
- *Yomiuri* [reported](#) Thursday that the GOJ's draft "Public Infrastructure Maintenance Plan" identifies approximately 400 airports and seaports for new construction and

extensions/repairs in preparation for contingencies like a Taiwan crisis. The GOJ aims to include funding for maintenance in next fiscal year's budget.

- On Wednesday, the GOJ [communicated](#) to the ruling coalition its position on relaxing the Three Principles on Transfer of Defense Equipment and Technology. It plans to permit exports of co-developed equipment to third countries, exports of lethal weapons within the confines of the five permitted categories, and exports of non-lethal parts that will be used to develop lethal weapons.
- On Tuesday, the LDP's working group exploring the sale of the GOJ's NTT shares to finance defense spending [met](#) for the first time. Discussions center around whether privatizing NTT by selling stock will lead to economic security issues and whether the sale would adequately finance defense. The WT aims to submit recommendations to the GOJ in the fall.
- NHK [reported](#) that MOD plans to establish a joint headquarters — comprising around 240 land, sea, and air personnel — at Ichigaya next year to unify command of the three branches of the JSDF to respond to multi-domain warfare needs. An Integrated Task Force will also be established for contingency response.

## 5. FY 2024 Budget Requests

- *Nikkei* [revealed](#) Thursday that the budget requests from ministries and agencies for FY 2024 will amount to more than ¥110 trillion, possibly exceeding the record-high ¥111.66 trillion recorded in FY 2022.

Ministry/Agency	Estimated Amount (*Not entire budget for some)	Key Budget Items
N/A	<a href="#">¥1.2 trillion</a> (¥2 trillion + including FY 2025)	Green Transformation (METI, MOE, MOF, etc.)
Cabinet Office	<a href="#">*¥66.6 billion</a>	S&T Innovation policies Startup R&D support Space development Okinawa vitalization
Cabinet Secretariat	<a href="#">*¥120 million</a>	Public infrastructure Shelter construction
MOD	<a href="#">¥7.7 trillion</a>	Joint HQ establishment Aegis-equipped destroyers Ammunition storage
MOFA	<a href="#">¥81.3 billion</a>	Official Security Assistance

		Disinformation response Reinforcing embassy presence
MHLW	<a href="#"><u>¥33.7 trillion</u></a>	Social security spending My Number merger DX in health care
METI	<a href="#"><u>*¥687.6 billion</u></a>	GX/energy-related expenses
MLIT	<a href="#"><u>¥7.39 trillion</u></a>	Public infrastructure maintenance Disaster resilience
MEXT	<a href="#"><u>¥5.92 trillion</u></a>	Education reform Science research subsidies
MIC	<a href="#"><u>¥17.86 trillion</u></a>	Emerging technology R&D Digital infrastructure maintenance
MOE	<a href="#"><u>¥186.2 billion</u></a>	Renewable energy implementation subsidies Renewable energy infrastructure
MAFF	<a href="#"><u>¥2.72 trillion</u></a>	Food security response
Digital Agency	<a href="#"><u>¥582 billion</u></a>	GOJ system maintenance GOJ cloud and My Number portal upgrade
Children and Families Agency	<a href="#"><u>¥4.88 trillion</u></a>	Child care policies Child allowance expansion
Reconstruction Agency	<a href="#"><u>*¥431.3 billion</u></a>	Fukushima-related expenses

## 6. Japan Begins Release of Treated Radioactive Water from Fukushima Plant

- On Tuesday, the Cabinet [approved](#) the plan to begin releasing ALPS-treated radioactive water from the Fukushima Daiichi nuclear power plant on August 24. TEPCO [commenced](#) the release at 1 PM on Thursday.
- Ahead of the release, Kishida [met](#) with President Sakamoto Masanobu of the National Federation of Fisheries Co-operative Associations on Monday. Sakamoto reiterated his opposition to the plan but noted that understanding of the plan is “progressing.”
- The release [follows](#) the following process: removal of cesium and strontium via the cesium adsorption device, removal of sixty-two radioactive materials via ALPS

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(tritium remains), and then storing the remaining material in tanks inside the plant, which will be released into the sea after dilution with seawater.

- The GOJ and TEPCO plan to release the water over the next thirty years. TEPCO confirmed there were no malfunctions when it tested water near the release point. The IAEA also announced that tritium levels were far below the maximum allowed level.
- In response to the release, China announced that it would be banning all seafood imports from Japan. Kishida stated at a press conference that the GOJ requested that the Chinese government immediately withdraw the ban. The GOJ also plans to expand its subsidies for seafood processing companies to combat future bans (not covered in the 80 billion fund for the domestic fisheries industry).
- For more information, check MOFA's official document on the release plan: <https://www.mofa.go.jp/files/100521833.pdf>

## 7. GOJ to Consider Extending Gas Subsidies Amid High Prices

- On Tuesday, Kishida said that he instructed LDP policy chief Hagiuda Koichi and Komeito policy chief Takagi Yosuke to prepare preliminary policy prescriptions to tackle inflation, especially high fuel prices including gasoline prices.
- He further stated that the GOJ is preparing an economic policy package to be finalized at the end of September to combat inflation. Gas prices had been suppressed through subsidies since last year, but recently have risen to as high as ¥185/liter.
- The GOJ plans to extend the subsidies, which will end at the end of September, to suppress gas prices that have risen to a fifteen-year high. The GOJ provides subsidies to oil importers, who then pass on lower costs to gas stations. The plan is to extend until the end of the year or the end of the fiscal year.
- The GOJ plans to finance the extended subsidies through outstanding amounts appropriated in the FY 2023 budget to tackle volatile fuel prices.
- The GOJ decided against initiating the “trigger clause,” which lowers regular gasoline prices by temporarily freezing the ¥25 gas tax if prices exceed ¥160/liter for three consecutive months. It would require a legislative amendment (more time).

## 8. Other Political Developments

- On Thursday, Kishida said that he instructed the Cabinet to complete the comprehensive My Number system review by the end of November. The Digital Agency announced that 400-500 municipalities will require individual data reviews. MHLW said that there were as many as 770,000 errors in linking health card data.

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- *Asahi* [reported](#) that though the opposition agree with the Fukushima water release, they believe that the GOJ can do better to explain the plan and reach an understanding with locals including fishermen. There will likely be an out-of-session deliberation next month to discuss the matter.
- Kishida and Komeito leader Yamaguchi Natsuo [agreed](#) to sign a document next month outlining the revival of election cooperation in Tokyo. Despite issues around Komeito fielding an additional candidate in Tokyo, the ruling coalition [seems to agree](#) that cooperation in the capital is necessary to maximize seats in the next election, especially amid the rise of *Ishin* as a competitor.
- On Wednesday, Kishida [instructed](#) his Cabinet to finalize sector-specific investment strategies and a five-year GX action plan by the end of the year. Priorities include carbon pricing, investment promotion, livelihood GX, industrial GX, and GX finance.
- On Monday, LDP Upper House lawmaker Matsukawa Rui [resigned](#) as Director of the Women's Affairs Division over criticism of the Division's business trip to France in late July, which turned out to be more of a sightseeing trip than for business.

### 9. Economic Security Developments

- *Nikkei* [reported](#) Friday that METI plans to introduce next fiscal year a new subsidy program — a “bounty type” that provides benefits only if goals are met — to support R&D in advanced technologies like AI. It will request ¥1 billion next year.
- On Thursday, Minister in charge of Economic Security Takaichi Sanae [said](#) on a Radio Nikkei podcast that the GOJ aims to submit legislation in next year's ordinary Diet session to establish a security clearance system, which will include a penalty of about “up to ten years imprisonment” for information leaks.
- *Nikkei* [reported](#) that the GOJ aims to sign an agreement with ASEAN to cooperate on resource recycling and secure key minerals from “urban mines.” The environment ministers agreed to this arrangement at a meeting on Thursday.
- This covers e-waste from smartphones and other devices, which have continued to increase. The GOJ will craft rules for the disposal of e-waste, such as introducing a new approval system for recovery and dismantling contractors to retrieve said waste.
- On Monday, METI Minister Nishimura Yasutoshi [indicated](#) that the GOJ plans to support infrastructure maintenance and other expenses at the TSMC chip factory being built in Kumamoto Prefecture, which will support industry revitalization.

### 10. Key Economic/Financial Developments

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- On Friday, the G20 Trade and Investment Ministers' meeting [concluded](#) in Jaipur, India. The countries failed to adopt a joint statement due to disagreements over the response to Russia's invasion of Ukraine.
- Japan [sent](#) State Minister for Foreign Affairs Yamada Kenji and Vice Minister for International Affairs (METI) Hosaka Shin to the meeting. Both [emphasized](#) the importance of WTO reform and fair market practices (presumably about China).
- On Wednesday, the yield on newly issued ten-year JGBs, an indicator of long-term interest rates, [rose](#) to 0.675 percent in the domestic bond market. Gaps in foreign central bank interest rates and the BOJ's interest rate contributed to the high yield not seen since January 2014.
- On Tuesday, Japan and ASEAN signed the Economic Co-Creation Vision and the Action Plan to deepen economic cooperation on the fiftieth anniversary of friendship. The vision [emphasizes](#) four efforts — sustainability, cross-border open innovation, cyber-physical connectivity, and co-creating innovative human capital to create "Globalized Asians."
- The Action Plan [touches](#) on areas of cooperation in four pillars, including digitalization of trade, establishing a young business leaders' network, promoting business exchanges, and realizing the Asia Zero Emissions Community.

### 11. State of the Economy

- Nippon Travel Agency Co. [announced](#) Wednesday that consolidated net income for January-June 2023 was ¥5.5 billion, up 1.9 times from last year and a [record high](#) for the same period, due to the recovery of socioeconomic activity and inbound tourism.
- On Tuesday, MHLW [announced](#) that the Gini coefficient, summarizing the dispersion of income, in 2021 was 0.57, the same level as the record high 2014, which [indicates](#) that inequality is widening. The ministry assesses that the number of people with initially lower incomes have increased as the population ages.
- The Bank of Japan [released](#) its measures of underlying inflation, which comprehensively examines various core inflation measures to identify trends of price movements more accurately.
- The [trimmed mean](#), which cuts out the top and bottom 10 percent of items from CPI, showed a 3.3 percent rise in July from the same month last year. More than 80 percent of measured items [saw](#) an increase in prices.

- The weighted median, which adds the weighted measurements of the highest priced items, rose 1.6 percent, while the mean rose 3 percent, both record highs. This indicates that prices have continued to rise when excluding volatile items.

## **II. Public Opinion Poll**

- A *Sankei/FNN* poll [released](#) on Monday showed Cabinet approval rating was 41 percent, the same as July, while disapproval was 54 percent, up one point.
  - 49 percent of respondents said that they support the Kishida Cabinet because there are no alternatives; 24 percent said because it is centered around the LDP; and 14 percent said because they trust the prime minister.
  - 40 percent of respondents said that they do not support the Cabinet because its policies are not good; 32 percent said because it lacks executive ability; and 16 percent said because it is centered around the LDP.
  - 52 percent of respondents said that they want Kishida to continue as prime minister until his term as LDP president ends in September 2024; 24 percent said they want him out immediately; and 20 percent said they want him to continue beyond the end of his term as prime minister in September.
  - 40 percent of respondents said that they believe the GOJ's policy to merge the health insurance cards with the My Number Card next fall should be scrapped; 35 percent said it should be postponed; and 23 percent said the merger should happen as scheduled.
  - 52 percent of respondents said that they approve of Kishida's plan to issue "certificates of status" for up to five years for people without My Number health cards, while 43 percent said they disapprove.
  - 84 percent of respondents said that they do not believe the GOJ's comprehensive My Number system review, to be concluded at the end of November, will resolve issues with the system, while 11 percent said they believe it will.
  - 52 percent of respondents said that they want Kono Taro to continue as Digital Minister after the Cabinet reshuffle, while 38 percent said they want him reshuffled out.
  - 44 percent of respondents said that rising gas prices are having a great impact on their lives; 34 percent said there is some impact; 12 percent said there is little impact; and 10 percent said there is no impact.
  - 78 percent of respondents said that they believe the GOJ should continue gas subsidies beyond the September deadline, while 18 percent said they believe it should not.
  - 68 percent of respondents said that they believe the prime minister's announcement of a new financial aid system for married women will help improve the "million yen barrier" they face, while 23 percent said they do not believe it will improve things.

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- 56 percent of respondents said that they support the GOJ's release of wastewater from the Fukushima Daiichi nuclear power plant, while 37 percent said that they oppose the plan.
- 14 percent of respondents said that they want Ishiba Shigeru as the next prime minister; 11 percent said Kono Taro; 10 percent said Koizumi Shinjiro; 8 percent each said Kishida Fumio and Suga Yoshihide; 6 percent said Takaichi Sanae; 2 percent each said Hayashi Yoshimasa and Motegi Toshimitsu; and 0.4 percent said Izumi Kenta.
- The survey also collected data on the latest approval ratings of political parties.

<b>Political Party</b>	<b>Approval Rating (%)</b>
Liberal Democratic Party	35 (+4)
Constitutional Democratic Party	5 (-1)
Japan Innovation Party ( <i>Ishin no Kai</i> )	7 (-2)
Komeito	2 (-1)
Japan Communist Party	2 (-1)
Democratic Party for the People	2 (±0)
Reiwa Shinsengumi	3 (±0)
Social Democratic Party	0 (-1)
Seijika Joshi 48 Party	0 (±0)
Suffrage Party (Sanseitō)	2 (+1)
Independent (No Party)	40 (±0)