

## ***The Weekly Observer***

September 18-22, 2023

*The 89<sup>th</sup> edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on the PM and FM at the UN General Assembly, the scheduled Japan-China-ROK trilateral high-level meeting next week, the MCAS Futenma relocation issue, the comprehensive economic policy package, Kishida's economic policy speech in New York, the BOJ monetary policy meeting, the Japan-Canada storage battery supply chain cooperation agreement, the Toshiba takeover bid, the CPI and household financial assets data, and more.*

## **By Content**

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

#### **Foreign Policy/Security**

1. PM Attends the UN General Assembly
2. Foreign Minister Kamikawa Makes Her Diplomatic Debut
3. Foreign Policy Developments
4. Defense/Security Developments

#### **Domestic Politics**

5. Political Developments

#### **Economics/Finance**

6. Kishida Delivers Economic Policy Speech in New York
7. BOJ Avoids Further Policy Changes at Monthly Meeting
8. Economic Security Developments
9. Key Developments
10. State of the Economy

### **II. Public Opinion Polls**

1. Mainichi Shimbun (9/18)

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

### **1. PM Attends the UN General Assembly**

- On Tuesday, Prime Minister Kishida Fumio departed Japan for the 78th United Nations General Assembly in New York. He departed New York on September 21.
- In his address to the General Assembly, Kishida pointed out that the world is at a historical inflection point and called for a focus on “human dignity” and a renewed commitment to strong and effective multilateralism, with the UN at its core.
- On nuclear disarmament, he emphasized four points, including regaining political momentum for the Fissile Material Cut-Off Treaty (FMCT) and establishing a ¥3 billion “Japan Chair for a world without nuclear weapons.” In a side event, he stated that the situation with the war in Ukraine makes it even more necessary to start early negotiations on the FMCT, which limits quantitative improvement of missiles.
- During the SDG Summit 2023, Kishida stated that the concepts of “Leave No One Behind” and “human security” is key to achieving the SDGs based on human dignity. He also stressed that the entire international community should support low-income and vulnerable countries that currently face the greatest difficulties to bridge gaps.
- On Wednesday, Kishida participated in the Security Council High Level Open Debate on maintenance of peace and security of Ukraine. He once again strongly condemned Russia’s aggression against Ukraine, expressed support for Ukraine, and called for the return to unshakable principles, like the UN Charter, for a world of cooperation.
- On Thursday, Kishida attended the UN General Assembly High Level Meeting on Universal Health Coverage (UHC), where he stated that Japan is determined to lead international efforts to achieve UHC by 2030. In the follow-up event, he announced a new ODA loan program for pandemic prevention, preparedness, and response (PPR) and the launch of the “Triple I for Global Health,” an impact investment initiative to accelerate mobilization of private financial resources.

### **2. Foreign Minister Kamikawa Makes Her Diplomatic Debut**

- On Monday, new Minister for Foreign Affairs Kamikawa Yoko departed Japan for the UN General Assembly and other events in New York.
- Kamikawa’s first major diplomatic task was hosting the G7 Foreign Ministers’ Meeting, mainly focused on discussing the situation in Ukraine. She announced that an in-person meeting will be held in Tokyo from November 7-8.

## *The Weekly Observer (9/18-9/22)*

- Kamikawa [attended](#) the Women, Peace, and Leadership Symposium co-hosted by the International Peace Institute, the Government of Ireland, and the Sasakawa Peace Foundation. She said that Japan is making progress in establishing a domestic framework to promote WPS and pointed out its importance for disaster response too.
- Kamikawa also [participated](#) in the UN General Assembly High-Level Meeting on Pandemic Prevention, Preparedness and Response. She stated that the international community must work together, with a sense of urgency, to develop the global health architecture and strengthen PPR for the entire world. The Political Declaration approved at the meeting demonstrated strong commitment for pandemic PPR, such as recognizing the role of primary health care for advancing UHC and SDGs.
- On Thursday, Kamikawa [attended](#) the foreign ministers' meeting of the G4 countries (Japan, Brazil, Germany, and India) on UN Security Council reform. They agreed to cooperate with relevant countries in Africa and the United States to achieve concrete progress as soon as possible toward reforming the weakened UN Security Council.
- On Friday, Kamikawa [attended](#) the Quad foreign ministers' meeting. The ministers reaffirmed their steadfast commitment to realize a “free and open Indo-Pacific,” the importance of adherence to international law, condemned North Korea, stated the importance of strengthening UN functions, reaffirmed unwavering support for ASEAN unity and centrality, and concurred to promote practical cooperation in areas like climate change, cybersecurity, as well as critical and emerging technologies.

### 3. Foreign Policy Developments

- On Tuesday, MOFA [announced](#) that Japan, China, and South Korea will hold a Senior Officials Meeting (SOM) in Seoul on September 26. Japan will send Senior Deputy Minister Funakoshi Takehiro. The three sides will likely discuss a pathway to a summit by the end of the year.
- Chief Cabinet Secretary Matsuno Hirokazu [said](#) that the GOJ formally protested China's decision in July to place a buoy inside Japan's exclusive economic zone (EEZ) in the East China Sea. The buoy was placed about eighty kilometers northwest of Uotsuri Island, one of the Senkaku Islands, on the Japanese side of the median line. The UN Convention on the Law of the Sea states that the coastal state must give permission for any structures inside their EEZs.
- Following the Russia-North Korea summit, Director-General Namazu Hiroyuki of MOFA's Asian and Oceanian Affairs Bureau [had](#) a phone call with U.S. Special Representative for the Democratic People's Republic of Korea Sung Kim and ROK Special Representative for Korean Peninsula Peace and Security Affairs Kim Gunn.

## *The Weekly Observer (9/18-9/22)*

- On Monday, Okinawa Governor Tamaki Denny [delivered](#) a speech at the UN Human Rights Council meeting in Geneva, Switzerland. He stated that the GOJ has forced through the relocation of MCAS Futenma to Henoko against the protest of the democratic process taken by Okinawans. This was the first speech delivered by an Okinawan governor at the UNHRC since 2015.

### 4. Defense/Security Developments

- *Asahi* [reported](#) Friday that Japan, the United Kingdom, and Italy plan to choose Britain as the headquarters for their next-generation fighter program — the Global Combat Air Program. The countries have not ruled out additional partners in a limited role, likely to bring in money, such as Saudi Arabia and the United Arab Emirates.
- *Nikkei* [reported](#) Thursday that the GOJ will release a new database as early as mid-2024 showing detailed maps of land designated as important to national security. The maps will help owners and real estate agents understand the boundaries between restricted land and unrestricted land.
- On Tuesday, Minister of Land, Infrastructure, Transport and Tourism Saito Tetsuo [“recommended”](#) that Okinawa Governor Tamaki approve the landfill request to proceed with the relocation of MCAS Futenma to Henoko, which was upheld by the Supreme Court on September 4. The GOJ will give Okinawa one week to comply — failing this, it will “instruct” Okinawa to comply and then “execute on behalf of the prefectural government” if it does not comply by the mid-October deadline.
- MOD [announced](#) that it will require ministry officials to be present when disposal companies take apart JSDF vehicles expected to become scrap metal, after it found that some vehicles were transported abroad without being torn apart. The current system only requires photo evidence, which can be of another vehicle. MOD will [continue](#) its investigation, which was started in April.
- *Jiji* [reported](#) Sunday that Exercise Orient Shield is being held between the JGSDF and U.S. Army around Hokkaido from September 14-23. The two countries held a practical exercise anticipating Sino-Russian passage through the Tsugaru Strait toward the Pacific Ocean. It involves 3,500 personnel and systems like HIMARS.

### 5. Political Developments

- On Wednesday, the GOJ’s Personal Information Protection Commission [issued](#) an administrative guidance against the Digital Agency over its mismanagement of personal information related to linkages between the My Number and bank accounts. It criticized the Agency’s lack of awareness regarding the leak and urged it to conduct

thorough follow through to ensure ID certification. The Agency and others issued the guidance must report on their response to the guidance by the end of October.

- The Supreme Court [concluded](#) that, of sixteen cases that plaintiffs argued the votes in some prefectures during the 2022 Upper House election were triple the value of others, one was unconstitutional, eight were “in a state of being unconstitutional,” and seven were constitutional. The Court will make a holistic ruling by the year-end.
- *Nikkei* [reported](#) that the official drug prices (NHI) will be reduced in FY 2024. At the end of the year, MHLW and MOF will revise medical fees received by medical institutions as compensation for medical care to reduce the burden on patients and to redistribute revenue toward other policies, such as child care policy.
- On Tuesday, Kishida [informed](#) LDP executives that he plans to instruct his Cabinet to compile the pillars of the comprehensive economic package to be finalized by mid-October. It will focus on inflation relief and promoting wage increases toward a positive cycle of growth and distribution.
- *Sankei* [reported](#) Sunday that the LDP’s Project Team exploring the sale of GOJ shares in NTT aims to finalize its recommendations as early as November, amid pushback from the Ministry of Internal Affairs and Communications and NTT’s competitors, who have an interest in seeing the company remain as is. The LDP wants NTT to improve international competitiveness in telecommunications and economic security.
- Last week, Kishida reshuffled his Cabinet and appointed fifty-four state ministers and parliamentary vice ministers. Surprisingly, while the Cabinet included a record-tying five women, there were no women among the fifty-four deputies. *Asahi* [reported](#) Saturday that none of the main factions had women in their preferred candidate lists.

## 6. Kishida Delivers Economic Policy Speech in New York

- On Thursday, Kishida [delivered](#) remarks to the Economic Club of New York and held a dialogue with U.S. business executives.
- Kishida [announced](#) that Japan will establish special business zones tailored specifically for asset management businesses where administrative procedures can be completed in English, in an effort to encourage new entry from abroad.
- He noted that funds managed in the Japanese asset management sector have skyrocketed by 50 percent in the last three years and now stands at ¥800 trillion. He said that the business zones are the first step to rectify Japan’s unique business practices and resolve barriers to entry.

## *The Weekly Observer (9/18-9/22)*

- Kishida also stated that Japan will strengthen the effectiveness of corporate governance reforms to encourage businesses to place importance on price book-value ratio (PBR), as well as to promote formulation, disclosure, and implementation of their business reform plans.
- *Nikkei* [reported](#) that Kishida's "seriousness" to attract foreign investment was felt by participants at the event. Investors noted that it would be easier to invest in Japan if the language barrier were resolved.

### 7. BOJ Avoids Further Policy Changes at Monthly Meeting

- On Friday, the Bank of Japan (BOJ) [decided](#) at its monthly monetary policy meeting to maintain its current policies — mainly the yield curve control, negative interest rate policy, and ETF purchases.
- The BOJ [noted](#) that while inflation has slowed down due to the GOJ's economic policy, the estimated rate of increase is back on the rise. It also maintained language that the Bank will not hesitate to take additional easing measures, if necessary.
- During his press conference, Governor Ueda Kazuo [played down](#) speculation that the Bank was moving toward tightening monetary policy, saying the economy has yet to reach a condition where price stability targets will be achieved. This comes after he was quoted in a *Yomiuri* interview saying there is a "non-zero" possibility of the BOJ getting sufficient data to determine sustainability of the 2 percent target by year-end.
- Ueda [reiterated](#) that the Bank cannot foresee when it will change policy (notably negative interest) — though some view his statement in the interview as a gaffe. *Nikkei* reports that Ueda may have hinted at year-end as a way to dispel market speculation that the Bank would wait until next spring's wage negotiations to determine whether inflation and wages are rising in tandem (i.e., end easing).
- Analysts [pointed out](#) that the Bank could still decide to end easing at the end of the year, now that Kishida is unlikely to call a snap election in the fall. The BOJ tends to avoid overlapping major policy shifts with political events. Some believe the earliest Kishida can call an election now is the end of the ordinary Diet session in June 2024.

### 8. Economic Security Developments

- On Friday, Minister of Economy, Trade and Industry Nishimura Yasutoshi [signed](#) a Memorandum of Cooperation with Canada on storage battery supply chains. The two countries will promote Japanese investment in Canada and cooperate during crises on critical minerals supply chains, including storage batteries. The two sides also [signed](#)

## *The Weekly Observer (9/18-9/22)*

a MOC to promote cooperation in advanced manufacturing, AI, clean technology and clean energy technologies, life sciences, quantum, and semiconductors.

- On Thursday, Panasonic Energy [announced](#) that it has confirmed technical feasibility to utilize Canadian natural graphite in its EV batteries. It signed a long-term contract with Nouveau Monde Graphite in October 2022 to obtain the material for high-capacity, fast-charging batteries.
- *Nikkei* [reported](#) that computer memory manufacturer Kioxia is planning to ask for early retirees to reduce employee numbers amid a business downturn resulting from a long-term decline in semiconductor demand.
- On Tuesday, most chip-related stocks [traded](#) at the Tokyo Stock Exchange fell in share price, following reports that TSMC requested business partners to delay chip-related equipment deliveries. This comes as chip demand continues to fall.
- *Nikkei* [reported](#) that chip manufacturers like Renesas and Rohm are aggressively investing in power chips necessary to control electricity circuits. Renesas will launch high-efficiency products using silicon carbide (SiC) in 2025, with Rohm and Mitsubishi Electric also looking to increase production as well.
- *Mainichi* [reported](#) Monday that the GOJ is preparing to submit legislation in the next ordinary Diet session in early 2024 to establish a security clearance system, an effort to prevent critical technology leaks from the country's R&D base.

### 9. Key Economic/Financial Developments

- On Friday, the Nuclear Regulation Authority [resumed](#) the safety screening process for the Tsuruga No. 2 nuclear power plant, which had been on hold since March 2023 due to documentation errors. The key question the NRA has is whether the fault directly under the reactor building is an active fault.
- On Thursday, the domestic coalition including Japan Industrial Partners (JIP) [announced](#) that its takeover bid for Toshiba succeeded. With this, Toshiba will go private — *Nikkei* [reports](#) that the company plans to reintegrate its main four businesses like rail and power generation to improve efficient management.
- On Wednesday, Vice Finance Minister for International Affairs Kanda Masato [said](#) that Japan and U.S. finance authorities are in constant communication amid speculation that the GOJ will intervene in the foreign exchange market to control the weakening yen. The yen at one point [reached](#) ¥148 against the U.S. dollar.

- METI [announced](#) that it will continue financial support to electric and gas utilities to suppress high utility costs until the GOJ implements its comprehensive economic policy package to be prepared next month. This will lower costs for consumers.
- *Nikkei* [reported](#) that the Japan Patent Office will quadruple experts on AI patents from ten to forty next month, in an effort to prepare for an influx of AI-related patents. It will also establish new screening divisions for robotics and bio-related patents.
- On Tuesday, METI Minister Nishimura [said](#) that the comprehensive economic package will also include measures to support SMEs respond to the anticipated BOJ interest rate hike. He [added](#) that the package will strategically promote private sector investment in key areas like AI and digitalization.

## 10. State of the Economy

- On Friday, MIC [announced](#) that August's consumer price index excluding volatile fresh food items was 105.7, up 3.1 percent from the same month last year. Though the rate has [remained](#) stable since July, it has stayed above 3 percent for the last year.
- On Wednesday, the BOJ [announced](#) that household financial assets as of June 2023 was a record-high ¥2.12 quadrillion, up 4.6 percent from the same period (April-June) last year. Though cash and deposits [accounted](#) for the majority (52.8 percent), stock and mutual fund holdings expanded mainly due to higher stock prices.
- MOF [announced](#) that the provisional trade balance in August was a ¥930.4 billion deficit, [falling](#) below private sector estimates [due](#) to a 10 percent decline in exports to China for the third straight month. Though this is the second consecutive month in the red, the deficit amount shrunk 66.7 percent from the same month last year.
- The Japan National Tourism Organization [announced](#) that the number of foreign tourists in August was 2.16 million, 85.6 percent of pre-pandemic numbers recorded in August 2019. Chinese tourists [fell](#) to 36.4 percent of pre-pandemic numbers.
- On Tuesday, CAO [announced](#) that the demand-supply gap in April-June was 0.1 percent, [maintaining](#) the assessment that demand shortages have been resolved despite the downward revision of real GDP from provisional numbers. This is the first time in fifteen quarters that demand has recovered above supply levels.
- On Sunday, MIC [announced](#) that the number of elderly citizens above 65 years of age fell 10,000 to 36.23 million. This is the first decline [since](#) 1950, while the ratio of this age group to the total population rose to a record-high of 29.1 percent. The number of employed people in this age group [also hit](#) a record-high of 9.12 million.

## II. Public Opinion Poll

- A *Mainichi* poll [released](#) on Monday showed Cabinet approval rating was 25 percent, down one point from August, while disapproval remained unchanged at 68 percent.
  - 77 percent of respondents said that the cabinet and party leadership reshuffle did not raise their expectations for the Kishida Cabinet, while 10 percent said it did.
  - 28 percent of respondents said that they believe having five women in the Kishida Cabinet is inadequate, while 23 percent said it was adequate.
  - 56 percent of respondents said that they disapproved of the appointment of Obuchi Yuko as LDP Election Strategy HQ Chair, while 21 percent said that they approved.
  - 47 percent of respondents said that they do not have expectations for the re-appointed Digital Minister Kono Taro, while 40 percent said that they do have expectations.
  - 76 percent of respondents said that they disapproved of the Kishida administration's inflation relief policies, while 9 percent said that they approved.
  - 86 percent of respondents said that they support the GOJ's decision to seek a request to dissolve the Unification Church, while 4 percent said that they oppose.
  - 51 percent of respondents said that they want Kishida to step down as prime minister as soon as possible; 25 percent said they want him in until the end of his term as LDP president in September 2024; and 12 percent said that they want him to continue for as long as possible.
  - 77 percent of respondents said that they feel concerned about deepening Russia-North Korea ties, while 16 percent said that they do not feel concerned.
- The survey also collected data on the latest approval ratings of political parties.

| Political Party                                | Approval Rating (%) |
|--|---------------------|
| Liberal Democratic Party                       | 26 (+1)             |
| Constitutional Democratic Party                | 11 (+2)             |
| Japan Innovation Party ( <i>Ishin no Kai</i> ) | 13 (-2)             |
| Komeito  | 2 (-1)              |
| Japan Communist Party                          | 5 (+1)              |
| Democratic Party for the People                | 5 (-1)              |
| Reiwa Shinsengumi                              | 5 (-1)              |
| Social Democratic Party                        | 1 (±0)              |

*The Weekly Observer (9/18-9/22)*

|                           |               |
|---------------------------|---------------|
| Seijika Joshi 48 Party    | 0 ( $\pm 0$ ) |
| Suffrage Party (Sanseitō) | 3 (+1)        |
| Independent (No Party)    | 25 (-1)       |