

The Weekly Observer

October 16-20, 2023

The 93rd edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on Japan's diplomatic efforts amid the Israel-Hamas conflict, the G7 draft on AI guidelines for developers, the upcoming Japan-China-ROK trilateral foreign ministers' meeting, the Japan-Australia defense ministers' meeting, the extraordinary Diet session, Kishida's contemplation of tax cuts, the draft of a new technical intern program, political party responses to the Unification Church dissolution, the Kioxia-Western Digital merger, the GOJ's response to speculation regarding the weak yen, the April-September preliminary trade statistics, and more.

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I. News of the Week

1. Japan Focuses on Humanitarian Assistance Amid Middle East Tensions

- On Tuesday, Minister for Foreign Affairs Kamikawa Yoko [hosted](#) a G7 foreign ministers' phone call to coordinate diplomatic efforts in the Middle East. Together, the foreign ministers condemned Hamas for its attacks on Israel and agreed to cooperate toward improving the humanitarian situation in the Gaza Strip.
- Kamikawa announced that Japan would be providing \$10 million in emergency humanitarian assistance to civilians in Gaza. She is also [heading](#) to Egypt for the “Cairo Peace Summit 2023” from October 20-22 to reaffirm humanitarian assistance cooperation among participants.
- Prime Minister Kishida Fumio and Kamikawa spoke with counterparts from [Egypt](#), [Qatar](#), [UAE](#), [Jordan](#), [Saudi Arabia](#), [France](#), the [United Kingdom](#), [Australia](#), [South Korea](#), and the [EU](#) to continue coordinating humanitarian assistance and defusing tensions between Israel and Hamas, and foreign ministers from Israel and Palestine to stabilize the situation. Kamikawa also [spoke](#) with Iranian Foreign Minister Hossein Amir-Abdollahian, asking Iran to play a role in calming the situation.
- To continue coordination efforts, the GOJ is [dispatching](#) Ambassador Uemura Tsukasa as special envoy for Middle Eastern Peace to Egypt, Jordan, and Qatar from October 18-22.
- Japan has also been working with its partners to evacuate Japanese nationals from the region. On Saturday, a Korean military aircraft [evacuated](#) fifty-one Japanese nationals to Seoul, while a GOJ-chartered jet [flew](#) eight nationals out from Tel Aviv to Dubai.
- MOD [announced](#) Friday that a JSDF transport aircraft flew eighty-three individuals from Israel to Jordan. It included sixty Japanese and eighteen Korean nationals. JSDF aircraft will stay on standby in Jordan and Djibouti for future evacuations.

2. Draft G7 Guidelines for Generative AI Developers Released

- *Nikkei* [reported](#) Tuesday that the EU [released](#) the draft guidelines for generative AI developers agreed upon by the G7.
- The guidelines include eleven principles, including taking appropriate measures to identify, evaluate, and mitigate risks across the development of AI products, and developing reliable technology to authenticate AI-generated content, likely a reference to originator profile technology floated as an idea by Japan.

- The G7 [plans](#) to craft a separate code of conduct that goes into more detail on how to regulate AI use. It also plans guidelines for AI users by the virtual leaders' summit sometime in the fall.
- The guidelines were released [prior](#) to the AI Safety Summit to be held on November 1-2 by the government of the United Kingdom. Japan [voiced](#) its opposition to inviting China to the Summit due to concerns about including Beijing before finalizing the G7's position on the issue.
- Domestically, Japan [plans to finalize](#) discussion points on protecting intellectual property (IP) related to AI by the end of the year. There are concerns similar AI-generated content will violate IP rights held by the original creators.

3. Foreign Policy Developments

- On Friday, Chief Cabinet Secretary Matsuno Hirokazu [said](#) that Japan will respond appropriately by WTO rules to China's [announcement](#) that it will require export permits for graphite, a key material for EV batteries, starting December 1.
- *Asahi* [reported](#) that Japan, China, and South Korea plan to hold a trilateral foreign ministers meeting on November 26 toward the resumption of the trilateral summit, which is looking more likely to be held early next year.
- Matsuno [said](#) Thursday that Japan will continue to request the release of the Astellas Pharma employee, a Japanese national in his fifties, who was [detained](#) in March and formally arrested this month over alleged espionage charges. So far, eighteen nationals have been detained, with twelve arrested. Kishida [said](#) that he believes it important to continue dialogue with China despite frosty ties.
- On Tuesday, the GOJ [held](#) its inaugural meeting of the council to promote cooperation with the so-called Global South. Kishida [instructed](#) his Cabinet to compile a basic approach around spring next year.
- Director-General of MOFA's Asian and Oceanian Affairs Bureau Namazu Hiroyuki [attended](#) a trilateral meeting with his counterparts from the United States and South Korea in Indonesia to discuss continued cooperation on tackling North Korea issues.
- *Yomiuri* [reported](#) Monday that Japan and Vietnam plan to elevate bilateral ties to the highest “comprehensive strategic partnership” (CSP) when President Võ Văn Thuồng visits Japan in November. The United States, China, Russia, India, and South Korea enjoy CSP level ties with Vietnam. Japan will also consider providing official security assistance (OSA) to Vietnam.

4. Defense/Security Developments

- On Thursday, Minister of Defense Kihara Minoru [held](#) a meeting with Australian Deputy Prime Minister and Defense Minister Richard Marles. The two welcomed the Australian Defense Forces' first full participation in the Japan-U.S. bilateral exercise "Yamasakura" from the end of November 2023 and "Keen Edge" in February 2024.
- Kihara [held](#) a virtual meeting with Ukrainian Defense Minister Rustem Umerov. He reiterated Japan's condemnation of Russia's aggression and its continued support for Ukraine in cooperation with the international community.
- Mitsubishi Electric [announced](#) Thursday that it agreed to the first-ever joint development agreement with a foreign government in the defense sector, [combining](#) its know-how in electronic and optical systems with cutting-edge laser technology developed by Australia's Defence Science and Technology Group to make equipment that can boost survivability and surveillance capability of Australian military assets.
- On Wednesday, CCS Matsuno [revealed](#) that the GOJ will craft an evacuation plan for citizens living in the Sakishima Islands, Okinawa, to Kyushu, in anticipation of a Taiwan contingency, next fiscal year. Matsuno [met](#) with the leaders of Kumamoto and Kagoshima governments this week to discuss the evacuation of the 120,000 residents.
- On Tuesday, Digital Minister Kono Taro [announced](#) that Japan established an international cooperation framework with twelve countries, including the United States and Israel, to craft guidelines toward requiring software developers to secure user protection and safety from a cybersecurity standpoint.
- *Jiji* [reported](#) Monday that the LDP and Komeito aim to restart working team discussions this month on loosening defense export rules. The LDP is keen to loosen rules on equipment exports to countries other than the country issuing the license for the product (namely the United States) to supplement U.S. efforts to provide Ukraine with defense equipment (Japan cannot provide things like 155 mm bullets directly).

5. Extraordinary Diet Session Begins on October 20

- On Friday, the Diet [convened](#) an extraordinary session, which will continue until December 13. Kishida will deliver his policy speech to open the session on October 23, after the by-elections in Nagasaki and Tokushima/Kochi on October 22.
- The session will [focus](#) on the GOJ's economic policy package to combat inflation and its response to the Unification Church issue. The ruling coalition [plans to submit](#) ten pieces of legislation, including one to raise public officials' salaries.

- The CDP has already submitted two pieces of legislation — one with the Japan Innovation Party to secure the Unification Church's assets and divert them to victim relief, and one to extend the deadline for merging the My Number identification card with the health insurance card (allow use of paper health insurance cards).
- On the first day of the session, the Lower House plenary session approved the resignation of Speaker of the House Hosoda Hiroyuki and voted to appoint ex-finance minister Nukaga Fukushiro as his successor.
- *Nikkei* reports that the GOJ is likely to submit the FY 2023 supplementary budget to finance the economic policy package in the latter half of November, likely making it difficult for Kishida to call a snap election by the end of the year given the diplomatic schedule and end-of-year discussions on FY 2024 tax reforms.

6. PM Instructs Ruling Coalition to Consider Tax Cuts

- On Friday, Kishida instructed the LDP and Komeito policy chiefs to consider a temporary income tax cut and cash handouts for low-income households for the economic policy package to be compiled in November.
- The GOJ and ruling coalition plan to begin discussions on October 26. LDP Tax Research Commission Chair Miyazawa Yoichi said that he believes the income tax cut would likely be for a one-year period.
- The GOJ aims to reflect these policies in its FY 2024 tax reform plan to be submitted to the ordinary Diet session in January next year to begin implementation in April. It will consider a flat and fixed-rate deduction — a flat rate would be easier to implement than a fixed-rate, which requires taking into account income levels.
- LDP policy chief Hagiuda Koichi indicated that the tax hike to fund defense spending will likely be postponed until after FY 2024. Though a tax cut may help boost Kishida's approval, past failures to produce a clear direction — leading to election defeats and shifts to cash handouts — calls into question the efficacy of such a move.
- On Tuesday, the LDP submitted its policy recommendations for the economic package, which included measures to support low-income households through cash handouts and to continue gas subsidies to suppress utility bills. It notably did not include mention of tax cuts given the time it would take to revise laws.
- On Wednesday, Komeito also submitted its recommendations, which included cash handouts and introducing subsidies for local governments to reimburse points to combat inflation. It, too, did not include tax cuts.

7. Japan Drafts New System to Ease Foreign Worker Rules

- On Wednesday, the GOJ's expert panel exploring the revision of the Technical Intern Trainee Program (TITP) finalized a draft of its final report recommending the abolishment of the TITP for a new system to “secure human capital.”
- The current TITP does not allow job changes except in extraordinary circumstances. It is being scrapped amid criticism of how trainees are treated, from low pay to human rights abuses.
- The draft sets the goal of developing foreign talent to reach the Specified Skilled Worker (i) status within three years of training. The aim is to secure human capital to address the labor shortage.
- The new system will limit acceptance of foreign talent to areas covered under the Specified Skilled Worker system, including construction and agriculture.
- It would allow trainees to move on to a different employer in the same field after spending more than one year at a company if they pass a basic skills test and the Japanese Language Proficiency Test at N5, the lowest level.
- The proposal, which will be finalized before submitting legislation in next year's Diet session, lets workers stay longer than three years and up to five years if they pass a more advanced skills assessment and N4 level of Japanese proficiency.

8. Political Developments

- On Friday, the GOJ decided to adhere to the National Personnel Authority's recommendation and raise the starting salary for college and high school graduates entering public service by more than ¥10,000, as well as raise monthly wages and bonuses. This is the first time in thirty-three years that base salaries have been raised.
- The Immigration Bureau of Japan announced policies to support people who fall under “semi-refugee” status, including those that fled conflict zones. The new system, to be enacted on December 1, will grant “permanent residency” to evacuees and provide them subsidies for living costs and Japanese language education. Support for Ukrainians without a guarantor will be extended for two years starting December 1.
- On Thursday, the LDP's working group (WG) exploring the current state of the NTT Act, which states that the GOJ must hold at least a third of the company's stock, heard from top mobile carriers NTT, KDDI, SoftBank, and Rakuten Mobile. While NTT supports abolishing the NTT Act to free itself of disclosure of research enshrined in the law, the other three companies oppose it on grounds of unfair competition. The WG plans to compile recommendations next month.

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- On Wednesday, the LDP and Komeito [agreed](#) to consider measures to secure financial assets from the Unification Church for victim relief. Some believe legislation to secure assets could violate the Constitution's freedom to secure financial assets. The opposition have already submitted legislation to allow the courts to seize assets.
- The Supreme Court's Grand Bench [ruled](#) that the 2022 Upper House election, which saw a discrepancy of 3.03 times between prefectoral voting power (based on population), was "constitutional," rejecting claims that the election should be voided.

9. Economic Security Developments

- On Friday, the Cabinet Office [announced](#) that it will provide up to ¥155 billion in subsidies for R&D into advanced technologies relevant to economic security, including cybersecurity systems using AI and underwater UAVs.
- *Nikkei* [reported](#) that Kioxia Holdings secured ¥1.9 trillion from financial institutions for its merger with the chip division of U.S.-firm Western Digital (WD). The deal requires South Korean firm SK Hynix, an indirect stakeholder in Kioxia, to agree. Kioxia and WD rank third and fourth in the world in chip flash memory.
- SK Hynix [reportedly](#) is seeking to work with the SoftBank Group to form a joint venture with Kioxia to prevent the merger with Western Digital. The company wants to avoid being leapfrogged by Kioxia and WD as the second largest shareholder in chip flash memory.
- On Thursday, the Financial Services Agency [commenced](#) a cybersecurity exercise for 165 financial institutions to reinforce cyber defense capabilities. The eighth iteration, running until October 26, includes banks, credit unions, securities companies, fund transfer companies, crypto asset managers, and insurance companies.
- Semiconductor company Socionext [announced](#) Wednesday that it will enter a joint venture with Taiwan Semiconductor Manufacturing Company (TSMC) and British chip and software design company Arm to design and develop cutting-edge two nanometer chips as early as 2026.

10. Key Economic/Financial Developments

- On Friday, Vice Minister of Finance for International Affairs Kanda Masato [held](#) an economic dialogue with Australian Deputy Secretary for International and Foreign Investment Roxanne Kelley and agreed to continue cooperation on developing supply networks in the decarbonization sector.

- Minister of Economy, Trade and Industry Nishimura Yasutoshi [indicated](#) that the GOJ will continue measures to suppress gas prices beyond the end of the year. Though the GOJ plans to include this in its economic package, the subsidies have amounted to ¥9 trillion, calling into question the effectiveness of Japan's green energy transition.
- On Thursday, Vice Minister of Finance for International Affairs Kanda [reiterated](#) that the GOJ will respond appropriately to any speculative behavior in the market over the weakening yen. The exchange rate is still floating around ¥149 to the dollar.
- On Wednesday, the Bank of Japan [announced](#) that it will be conducting a temporary JGB purchase operation (open market operation) to purchase ¥300 billion and ¥100 billion worth of bonds with "greater than five, less than ten years" and "greater than ten, less than twenty-five years" maturity left. This was done in response to interest on newly-issued ten-year JGBs reaching 0.815 percent for the first time since 2013.
- *Nikkei* [reported](#) Tuesday that the Financial Services Agency (FSA) plans to double the amount of money retail investors can spend on unlisted startups to one million yen in a bid to expand the funding pool for new growth sectors. The FSA also plans to let startups raise as much as ¥500 million through crowdfunding (¥100 million now).

11. State of the Economy

- On Thursday, MOF [released](#) preliminary trade statistics from April-September 2023, which showed that the trade balance was a ¥2.72 trillion deficit, [down](#) 75.1 percent from the deficit amount in the same period last year. This is a result of higher auto export sales and lower import costs due to a flattening of resource costs.
- Exports [grew](#) 1.4 percent from the same period last year to ¥50.24 trillion, with more than 40 percent of sales heading to America. Auto sales reached a record-high since 1979 of ¥8.74 trillion, up 37.9 percent. Meanwhile, exports to China fell 8.2 percent to ¥8.91 trillion, down for the tenth consecutive month.
- [According](#) to the BOJ's Regional Economic Report (Sakura Report) for October, the Bank raised its economic assessment in six out of nine regions [due](#) to an improvement in demand from the pandemic period and an increase in foreign tourists. The Bank maintained its assessment in the Tokai, Kinki, and Kyushu/Okinawa regions.
- The Japan National Tourism Organization [announced](#) Wednesday that the number of foreign tourists entering the country in September was 2.18 million, reaching 96.1 percent of pre-pandemic levels. The most tourists came from South Korea and Taiwan. However, twenty-five prefectures have [only recovered](#) less than 60 percent of pre-pandemic numbers.

- *Nikkei* [reported](#) Tuesday that the Japanese Trade Union Confederation (RENGO) aims to request an increase in base salary (bears) and regular salary of at least five percent in next year's spring wage negotiations. It is more ambitious than the "close to five percent" target it aimed for in this year's negotiations.

II. Public Opinion Poll

- An *Asahi* poll [released](#) on Monday showed Cabinet approval rating was 36 percent, the same as September, while disapproval was 44 percent, up one point.
 - 50 percent of respondents said that they support the Kishida Cabinet because it's better than other alternatives; 23 percent said because it's centered around the LDP; and 16 percent said because of its policies.
 - 55 percent of respondents said that they do not support the Cabinet because of its policies; 21 percent said because it's centered around the LDP; and 13 percent said because other alternatives seem better.
 - 48 percent of respondents said that they believe Kishida should not call an election by the end of the year, while 37 percent said he should.
 - 46 percent of respondents said that they believe the prime minister's authority to call an election whenever they want should be restricted, while 45 percent said it should remain as is.
 - 59 percent of respondents said that they have not felt Kishida's passion to pursue his policy goals in the last two years, while 35 percent said that they have.
 - 69 percent of respondents said that they believe Kishida lacks the ability to explain his policies, while 23 percent said that he does.
 - 62 percent of respondents said that they do not trust Kishida based on his accomplishments, while 30 percent said that they do trust him.
 - 69 percent of respondents said that they have low expectations for the GOJ's economic policy package, while 24 percent said that they have expectations that it will be effective.
 - 68 percent of respondents said that they believe the LDP cannot sever ties with the Unification Church, while 24 percent said that the LDP can.
 - 78 percent of respondents said that they believe Speaker of the House Hosoda did not adequately explain his ties to the Church, while 6 percent said it was adequate.
 - 81 percent of respondents said that they approved of the GOJ's decision to request the dissolution of the Church, while 9 percent said that they disapproved.
 - 71 percent of respondents said that they cannot accept the ballooning costs for the Osaka 2025 EXPO, while 24 percent said that they can accept it.
 - 47 percent of respondents said that they feel some concern about the Israel-Hamas conflict's impact on the world economy; 39 percent said they feel strong concern; 10 percent said they feel little concern; and 3 percent said they feel no concern.

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- 28 percent of respondents said that they would vote for the LDP in the proportional block of the upcoming general election; 19 percent said undecided; 15 percent said Ishin; 10 percent said the CDP; 7 percent said Reiwa Shinsengumi; 6 percent each said Komeito and the JCP; 3 percent each said the DPFP and the Suffrage Party; and 1 percent said the SDP.
- 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	4 (± 0)
Japan Innovation Party	6 (-1)
Komeito	3 (± 0)
Japan Communist Party	3 (± 0)
Democratic Party for the People	1 (-2)
Reiwa Shinsengumi	2 (± 0)
Social Democratic Party	0 (± 0)
Suffrage Party (Sanseitō)	1 (± 0)
Seijika Joshi 48 Party	0 (± 0)
Independent (No Party)	45 (+2)