

The Weekly Observer

January 29-February 2, 2024

The 105th edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on the GOJ's plans to assist Ukraine's recovery and reconstruction, Defense Minister Kihara's expected first visit to Okinawa, the government's policy speeches to the Diet, the opposition's demands for a list of LDP lawmakers who underreported kickbacks, the future of the LDP's factions, indictments and resignations over political scandals, speculation that the BOJ may end negative interest rate policy, details on the security clearance bill, the proposed "digital nomad" visa, continued overpopulation in the greater Tokyo area, and more.

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I. News of the Week

1. Foreign Policy Developments

- On Friday, MOFA [announced](#) that Minister for Foreign Affairs Kamikawa Yoko will visit Samoa and Fiji from February 9-12 to attend the Ministerial Interim Meeting of the Pacific Islands Leaders Meeting (PALM). The PALM Summit is [scheduled](#) to be held in Tokyo from July 16-18, with a [focus](#) on countering China in the region.
- On Thursday, MOFA [announced](#) that Prime Minister Kishida Fumio will meet with Italian Prime Minister Giorgia Meloni when she visits Japan from February 4-6. The two are expected to discuss the transition of the G7 Presidency from Japan to Italy.
- On Tuesday, Kishida [convened](#) a meeting of its council to promote Ukraine's economic reconstruction and instructed his Cabinet to continue preparations for the Japan-Ukraine Conference for promotion of Economic Reconstruction to be held in Tokyo on February 19. The two countries are [expected](#) to sign at least two dozen memorandums of cooperation (MOC) toward Ukraine's economic reconstruction.
- Japanese Ambassador to China Kanasugi Kenji [met](#) with the Astellas Pharma employee, a Japanese national, who was detained by the Chinese authorities on espionage charges, for the first time since his appointment in December 2023.
- *Asahi* [reported](#) Monday that Kishida plans to visit Paris, France, from May 2-3 to attend the OECD ministerial meeting. There are plans for him to deliver a keynote speech as the leader of the OECD Chair.
- On Sunday, MOFA [announced](#) that it will temporarily suspend additional funding to the UN Relief and Works Agency (UNRWA) after reports surfaced that staff members were allegedly involved in the terror attack on Israel on October 7, 2023. The GOJ [appropriated](#) around \$35 million in the FY 2023 supplementary budget for them.

2. Defense/Security Developments

- *Jiji* [reported](#) Friday that Minister of Defense Kihara Minoru plans to visit the Okinawa mainland next weekend for the first time since his appointment. He is expected to meet with Okinawa Governor Tamaki Denny and local mayors amid the MOD's "forced" landfill construction, which commenced last month.
- On Wednesday, the LDP National Defense Division and Research Commission on Security [held](#) a joint session to discuss the revision of the three principles on transfer of defense equipment and technology. While the GOJ [maintains](#) the February deadline for concluding talks with Komeito, the latter continues to stall, and some LDP members called for the dissolution of the coalition to proceed on this matter.

- MOD [revealed](#) that the JASDF has deployed airborne early warning aircraft, maritime patrol aircraft, and patrol helicopters to China's air defense identification zone (ADIZ) around the Senkaku Islands, where multiple PLAN naval vessels have been spotted around in the last few years.
- On Tuesday, MOF/JSDF [hosted](#) the thirteenth Japan-ASEAN Defense Vice-Ministerial Forum in Tokyo. They confirmed commitment to moving forward with JASMINE's [four pillars](#): creating a security environment that denies unilateral attempts to change the status quo by force; expansion of defense cooperation; defense official exchanges; and defense cooperation with the Pacific Island nations.
- METI, MOD, other government agencies, and twenty-four companies and nine organizations [took part](#) in the inaugural tabletop exercise anticipating an unforeseen scenario in the space domain. The GOJ foresees risks of communications, logistics, and finance, among other areas, getting hindered if a crisis occurs in space.
- On Monday, the GOJ and German government [signed](#) the Acquisition and Cross Service Agreement (ACSA), facilitating reciprocal provision of supplies and services between the JSDF and the German Armed Forces. This is Japan's [seventh](#) ACSA.

3. Government Delivers Policy Speeches to the Diet

- On Tuesday, Kishida [delivered](#) his policy speech to the Diet, which emphasized his commitment to realizing higher income than inflation and leading his party toward implementing political reform in the face of the political funding scandal.
- Kishida also announced the establishment of a new GOJ HQ for recovery and reconstruction of the Noto Peninsula. Following the speech, he [revealed](#) an emergency tax cut and [subsidies](#) of up to ¥6 million for households that lost their homes in the disaster.
- In her foreign policy speech, Kamikawa [emphasized](#) women, peace and security (WPS) initiatives, serious concerns about the humanitarian situation in the Gaza Strip, and a commitment to seek mutually beneficial and constructive and stable relations with China.
- In his fiscal policy speech, Minister of Finance Suzuki Shunichi [reiterated](#) the GOJ's desire to balance spending to revive the Japanese economy and fiscal consolidation for the sustainable financial health of the country.
- In his economic speech, Minister in charge of Economic Revitalization Shindo Yoshitaka [said](#) that the GOJ aims to realize a "positive cycle" of increases in income and economic growth toward a complete exit from the deflationary period.

4. Opposition Demands More Commitment to Political Reform

- On Wednesday, the Q&A session between the leaders of the political parties started. CDP leader Izumi Kenta [demanded](#) that the LDP conduct an investigation of all its Diet members and publicly announce which members have underreported kickbacks.
- The LDP [agreed](#) with the opposition that it would provide a list of Diet members who underreported kickbacks in their expense reports by February 5, the deadline the opposition set, at which point it would stall discussions on the FY 2024 budget.
- During the second day of Q&A, Kishida [said](#) that the GOJ/ruling coalition would consider proposals by the opposition to introduce new legislation to reinforce party governance over political funding and to implement a rule that would implicate lawmakers for their association with arrested accountants.
- Kishida also [revealed](#) that the party would begin hearings with Diet members over their involvement in the underreporting of fundraising party revenue. General Council Chair Moriyama Hiroshi will [lead](#) a task force with policy chief Tokai Kisaburo and Election Strategy HQ Chair Obuchi Yuko and begin hearings with Abe and Nikai faction members on Friday. Disciplinary measures [may come](#) from its findings.
- Kishida [indicated](#) that the task force will involve external experts and that the hearings will contribute to unraveling the full extent of the scandal.

5. Factions Consider Their Future

- *Nikkei* [reported](#) Friday that the LDP Political Reform HQ will begin working group discussions as early as next week on three topics — 1) regulatory reform including legal revisions to tighten rules and punishments, 2) strengthening party oversight functions, and 3) revising the Party Constitution.
- Amid these developments, the Aso faction [decided](#) that it will maintain certain functions of political factions like weekly meetings as it transitions into a policy group without the political organization, which serves as its fundraising arm.
- Meanwhile, the Motegi faction said it would reconsider factional operations as it transitions into a policy group, but is unlikely to dissolve its political organization. Following this decision, several key members [decided](#) to leave, [like](#) ex-Justice Minister Furukawa Yoshihisa and members of the LDP's Upper House leadership.
- The existence of political organizations will be a key point to determine whether factions are indeed transitioning into policy groups. *Sankei* [reports](#) that factions can still collect individual (not corporate) contributions through political organizations.

- The Abe faction [held](#) its last meeting on Thursday, where senior members who avoided indictment did not indicate whether they would be resigning as lawmakers. The faction was busy this week, with two parliamentary vice ministers [resigning](#) over their involvement in the scandal, as well as [revising](#) its expense report to reflect ¥430 million in underreported fundraising party income.

6. Political Developments

- On Thursday, ex-State Minister of Justice Kakizawa Mito [submitted](#) his resignation letter to Speaker of the House Nukaga Fukushima, following his indictment in a bribery scandal over the Koto ward mayoral race last April. There will [now](#) be three by-elections for Lower House seats in Tokyo, Shimane, and Nagasaki on April 28.
- *Asahi* [reported](#) that the GOJ plans to levy around ¥600 billion in FY 2026, ¥700 billion in FY 2027, and ¥1 trillion in FY 2028 to finance its “child/child care assistance grants,” which will in turn finance the ¥3.6 trillion annual spending for childcare policies (other pillars being social security cuts and existing budget).
- On Tuesday, the Tokyo Summary Court [ordered](#) ex-Lower House lawmaker and Abe faction member Tanigawa Yaichi and the former staff in charge of accounting at the Kishida faction to pay a fine of ¥1 million. The lawmaker and staff involved in the slush fund scandal will also lose the right to run for public office for three years.
- *Mainichi* [reported](#) Monday that 552 public secretaries (up to three paid for with taxpayer money per office) hired by 273 Diet members are working without proper documentation by the political parties. The rule mandates parties to provide information on secretaries to prevent lawmakers from committing fraud and collecting the salaries of secretaries that did not exist.
- On Sunday, Chief Cabinet Secretary Hayashi Yoshimasa [held](#) a meeting with Okinawa Governor Tamaki and local mayors and indicated that the GOJ would establish a working group with the prefecture and Ginowan City to discuss the relocation of MCAS Futenma in Ginowan to Henoko in Nago City.
- *Mainichi* [reported](#) that the GOJ’s bill to establish a “talent development visa” replacing the Technical Intern Trainee Program (TITP) will loosen restrictions on changing employers from three years to one/two years. The bill is expected to be submitted to the ongoing ordinary Diet session.

7. BOJ Could End Negative Interest Rate Policy in March-April

- On Wednesday, the Bank of Japan (BOJ) [released](#) a summary of opinions from its monetary policy meeting held last month from January 22-23.

- The summary included a statement that there is “increasing momentum” toward achieving a virtuous cycle between wages and prices, as wage hikes at the spring wage negotiations this year are expected to exceed that of last spring.
- The summary also said that though there are still uncertainties, conditions are slowly being met toward the termination of the negative interest rate policy.
- The BOJ [decided](#) last month that it would maintain ultra-loose monetary policy, including negative interest rate policy, yield curve control, and the purchase of ETFs.
- The market [speculates](#) that the BOJ could end negative interest rate policy after its meeting from March 18-19 or April 25-26, depending on whether it wants to wait until balance sheets for the March period come out.

8. Economic Security Developments

- *Nikkei* [reported](#) Friday that the GOJ’s bill to establish a security clearance system will set penalties at five years imprisonment for confidential information and up to ten years for secret and top secret information. The bill, expected to be submitted to the Diet session, also establishes an agency within CAO to conduct background checks.
- On Wednesday, METI [announced](#) that it will subsidize up to ¥45.2 billion for NTT, Intel, and SK Hynix’s trilateral partnership in developing next-generation semiconductors using optical technology. The gamechanger technology would [reduce](#) power consumption by 30-40 percent and be useful for massive data transfers.
- On Tuesday, Minister in charge of Economic Security Takaichi Sanae [said](#) that the GOJ would be adding advanced electronic components (multilayer ceramic chip condensers) to its list of specified critical materials. Firms procuring the twelve materials can receive subsidies by submitting plans to secure stable supplies.
- On Monday, the GOJ [explained](#) at its expert panel meeting on the economic security bill that it would begin operating the patent non-disclosure portion of the bill starting May 1, subsidizing the costs of taking patents critical to economic security private. Patents for dual-use technologies are usually made public after a year-and-a-half.
- *Nikkei* [reported](#) that Taiwan Semiconductor Manufacturing Company (TSMC) will construct its second plant in Kumamoto in Kikuyo, the same location as its first plant. The GOJ [said](#) Wednesday that it will provide Kumamoto ¥2.96 billion for the project.
- *Nikkei* [reported](#) Sunday that the GOJ will tighten export control restrictions on dual-use technologies made in Japan by requiring prior approval by the METI minister for exports even to countries on the “normal list” (China/Russia) that may transfer the technologies over to countries utilizing it for military use.

9. Key Economic/Financial Developments

- On Friday, the Immigration Services Agency [announced](#) a six-month “digital nomad” visa to facilitate the flow of high-level foreign IT engineers, with conditions like income over ¥10 million, visa-exempt countries, and requiring insurance plans. It will begin accepting public comments on February 3.
- *Nikkei* [reported](#) Thursday that METI will pay ¥8.4 billion to loan out Google’s advanced cloud service for free use by seven startups, universities and research institutions that will work to develop a domestic foundational AI model by August. The seven include ABEJA, Preferred Elements, Stockmark, Sakana AI, Turing, the Research Organization of Information and Systems, and the University of Tokyo.
- Japan Business Federation Chairman Tokura Masakazu [met](#) with RENGO Chair Yoshino Tomoko to discuss their approaches to spring wage negotiations. A key will be raising part-time worker wages (40 percent of workforce) from the current level of 70 percent of full-time workers.
- *Nikkei* [reported](#) Wednesday that the GOJ plans to appoint Murakami Akiko, Chief Digital Officer at Sampo Japan, as the first chief of the AI Safety Institute (AISI) to be established within METI’s Information-technology Promotion Agency this month. She was responsible for the technological development of IBM’s AI “Watson.”
- *Nikkei* [reported](#) Monday that the GOJ will invest ¥3 trillion over the next fifteen years to develop a domestic clean hydrogen supply chain, in an effort to complement subsidies to reduce the price gap with LNG. Subsidies will be given to companies that successfully reduce CO₂ emissions during manufacturing by 70 percent.
- *Nikkei* [reported](#) last Friday that the GOJ plans to add the motor transport industry, rail, forestry, and the timber industry as new additions to the twelve categories of specified skilled foreign workers it accepts to redress labor shortages in key industries. Hurdles [exist](#) like Japanese language skills, but it would add several tens of thousand workers.

10. State of the Economy

- On Thursday, MOF [finalized](#) the economic conditions report for January, which maintained the assessment that the economy is slowly recovering. It maintained assessments in all regions, [pointing out](#) that recovery may be stalled in the Hokuriku region due to the Noto Peninsula earthquake.
- On Wednesday, CAO [released](#) the Consumer Confidence Survey, which found that the confidence index rose 0.8 point from the previous month to 38, [showing](#) an

improvement for the fourth consecutive month. CAO raised its assessment of overall consumer confidence to “improving.”

- MHLW [announced](#) Tuesday that the effective jobs-to-applicants ratio in 2023 was 1.31 times, up 0.03 point from 2022 and [improving](#) for the second straight year. Unemployment, according to MIC, [remained](#) the same at 2.6 percent.
- According to MIC’s annual report on internal migration, thirty-one prefectures [saw](#) more people leave than come in, while the neighboring prefectures to Tokyo shifted to excess exits. New people coming into the greater Tokyo area [topped](#) 1.2 million.
- MAFF [announced](#) that total exports of agricultural, forestry, and fisheries products in 2023 increased 2.9 percent from 2022 to ¥1.45 trillion, a [record high](#) for the eleventh straight year. While exports to China declined, exports to the United States (6.4 percent) and Hong Kong (13.4 percent) increased.

II. Public Opinion Poll

- A *Mainichi* poll [released](#) on Monday showed that the Cabinet approval rating was 21 percent, up five points from December, while disapproval was 72 percent, down seven points.
 - 41 percent of respondents said that they somewhat approve of the GOJ’s response to the Noto Peninsula earthquake; 33 percent said they do not really approve; 15 percent said they do not approve at all; and 11 percent said they strongly approve.
 - 61 percent of respondents said that they do not believe Kishida is executing leadership in the Noto Peninsula earthquake response, while 20 percent said they believe that he is.
 - 55 percent of respondents said that they are reconsidering their preparation for natural disasters in light of the earthquake; 29 percent said they already have; and 16 percent said they have no plans to.
 - 78 percent of respondents said that they do not believe the Tokyo Public Prosecutors Office made the right call on not indicting senior faction members over the slush fund scandal, while 11 percent said that it was the right call.
 - 91 percent of respondents said that they do not believe the senior faction members have fulfilled their responsibilities to explain the scandal, while 4 percent said that they believe the members have.
 - 44 percent of respondents said that they disapproved of Kishida’s announcement to dissolve his faction before others did, while 40 percent said that they approved.
 - 84 percent of respondents said that they do not believe the LDP’s efforts following the scandal will not restore faith in politics, while 8 percent said they believe it will.

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- 55 percent of respondents said that they disapprove of the interim report compiled by the LDP on political reform, while 27 percent said they approve.
 - 87 percent of respondents said that the Political Funds Control Act should be amended to introduce guilty-by-association for lawmakers tied to accountants, while 6 percent said they felt it unnecessary.
 - 48 percent of respondents said that they want Kishida to quit as soon as possible; 30 percent said he should stay on until the end of his term as LDP president in September; and 11 percent said they want him there as long as possible.
- The survey also collected data on the latest approval ratings of political parties.

Political Party	Approval Rating (%)
Liberal Democratic Party	23 (+6)
Constitutional Democratic Party	14 (± 0)
Japan Innovation Party	9 (-4)
Komeito	3 (± 0)
Japan Communist Party	8 (+3)
Democratic Party for the People	4 (± 0)
Reiwa Shinsengumi	7 (± 0)
Party to Realize Free Education	0 (± 0)
Social Democratic Party	1 (± 0)
Suffrage Party (Sanseitō)	2 (± 0)
Independent (No Party)	27 (-4)