

The Weekly Observer

June 3-7, 2024

The 123rd edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on the Shangri-La Dialogue sidelines meetings, upcoming diplomatic travel, the inaugural expert panel meeting toward introducing “active cyber defense,” media reports on the PM postponing dissolution of the Lower House, the revised Political Funds Control Act, news of the first political leaders’ debate since 2021, Japan’s tech innovation strategy, AI and LCD factories, the top automakers’ false testing scandal, record-low fertility rates, and more.

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I. News of the Week

1. Defense Minister Kihara Attends Shangri-La Dialogue

- Minister of Defense Kihara Minoru [traveled](#) to Singapore from May 31-June 2 for the IISS Shangri-La Dialogue. He met bilaterally with counterparts from the United States, the PRC, Singapore, France, and South Korea, among other countries.
- On Sunday, Kihara [met](#) with U.S. Secretary of Defense Lloyd Austin and ROK National Defense Minister Shin Won-sik for a trilateral meeting. The three agreed to conduct a new, multi-domain trilateral exercise in the summer and a trilateral tabletop exercise. They also agreed to institutionalize trilateral security cooperation through senior-level policy consultations, information sharing, and defense exchanges.
- Kihara [met](#) bilaterally with Austin, where they agreed to strengthen alliance capabilities through measures like upgrading of respective command and control frameworks, as well as extended deterrence and bilateral defense industrial cooperation.
- With Shin, the ministers [agreed](#) to hold director level meetings annually and resume the military-to-military dialogue and high-level exchanges between the JSDF and the ROK Military. The two sides also [signed](#) a document to prevent unplanned encounters at sea, aiming to avoid incidents like the 2018 radar lock-on dispute.
- Kihara also [participated](#) in the first-ever trilateral with Shin and Australian Defense Minister Richard Marles, where the three discussed common issues in the region. This comes as trilateral cooperation expands in scope.
- On Saturday, Kihara [met](#) with PRC Defense Minister Dong Jun, where he stressed the importance of candid discussions and expressed serious concerns about the East China Sea, South China Sea, and the Taiwan Strait. The ministers agreed that the defense hotline will be operated appropriately and reliably.

2. Foreign Policy Developments

- *Asahi* [reported](#) Friday that the Quad is expected to hold a foreign ministers' meeting (FMM) in late July, on the sidelines of the Japan-U.S. Security Consultative Committee ("2+2") meeting in Tokyo. The last FMM was held in September 2023.
- NHK [reported](#) that Prime Minister Kishida Fumio will meet Ukrainian President Volodymyr Zelenskyy on the sidelines of the G7 Summit from June 13-15 in Apulia, Italy. The two sides are expected to sign a document outlining economic support measures. A separate public-private conference will be [held](#) in Berlin next week.

- *Nikkei* [reported](#) Thursday that the GOJ will include in its Basic Policy (*Honebuto*) a commitment to marshal private investments for official development assistance (ODA). The Ministry of Foreign Affairs (MOFA) will [establish](#) a new division dedicated to “offer-style” ODA, where the GOJ proposes projects to the host country.
- The GOJ [revealed](#) that Kishida will travel to Italy and Switzerland from June 12-16 for the G7 Summit and the Ukraine Peace Summit. *Sankei* [reported](#) Wednesday that he may visit Mongolia in August to request support in resolving the abductions issue with North Korea. Mongolia has a historically friendly relationship with North Korea.
- On Monday, the G7 [issued](#) a statement on Gaza fully endorsing U.S. President Joe Biden’s ceasefire proposal. The short statement called on Hamas to accept the deal and urged countries with influence over Hamas to help ensure that it does.
- On Saturday, Vice Minister for Foreign Affairs Okano Masataka [met](#) with U.S. Deputy Secretary of State Kurt Campbell and ROK First Vice Minister of Foreign Affairs Kim Hong Kyun and [committed](#) to forming a coordinating body for trilateral cooperation in the Indo-Pacific region.

3. Defense/Security Developments

- On Friday, the GOJ’s expert panel toward introducing “active cyber defense” [met](#) for the first time. Kishida instructed the panel to finalize a report on 1) public-private information sharing, 2) identifying cyber attacks, and 3) empowering the GOJ in “a few months” toward submitting legislation in the fall extraordinary Diet session.
- On Thursday, the Japan Coast Guard [held](#) its first trilateral exercise in the Sea of Japan with the U.S. Coast Guard and Korea Coast Guard. The three countries agreed last month to reinforce maritime security cooperation.
- On Wednesday, the U.S. Department of Defense [announced](#) that Under Secretary of Defense for Acquisition and Sustainment William LaPlante will visit Japan for the inaugural Forum on Defense Industrial Cooperation, Acquisition and Sustainment (DICAS) meeting in Tokyo on June 10. LaPlante will also [visit](#) a F-35 assembly facility in Aichi prefecture.
- The Diet [approved](#) the treaty establishing a liaison body to coordinate the development of the Global Combat Air Program (GCAP) with the United Kingdom and Italy. The body will be located in the U.K. and have a Japanese chief.
- During a LDP National Defense Division and Research Commission on Security session, several members [criticized](#) the GOJ for effectively “shelving” the radar

lock-on dispute and not requiring a reinvestigation into the matter. Some pointed out that future ROK administrations could reverse any political agreement on the issue.

- *Asahi* [reported](#) Monday that U.S. Secretary of Defense Austin told the media that plans to elevate the U.S. Forces in Japan Commander from a Lieutenant General to a General are “in consideration.” If implemented, this would elevate the USFJ into an equal counterpart of the JSDF Joint Command.

4. PM Reportedly Calls Off Plans for Early Dissolution of Lower House

- *Nikkei* [reported](#) Thursday that Kishida will likely postpone dissolution of the Lower House and calling a general election during the current Diet session.
- The prime minister’s calculus to call an election by June 23 is increasingly unlikely as Cabinet approval remains low. Kishida is looking increasingly likely to focus on political reform and economic policy to see a bump in approval.
- Kishida [stated](#) on Tuesday that he is not thinking about anything other than political reform and addressing other challenges that cannot be postponed.
- Realistically, he [does not have time](#) until September, when his term as LDP president comes to an end, to call an election. He is also getting pushback from within the LDP and Komeito, many of whom want to head into an election under a new leader.
- The prime minister may reshuffle his Cabinet and party leadership over the summer to freshen up the lineup and potentially box in rival candidates by bringing them into the leadership. However, a reshuffle close to a presidential election may be risky, as Diet members may refuse appointments to wait until a new leader is in place.

5. LDP Compromises with Komeito and Ishin to Pass Political Reform Bill

- On Thursday, the Lower House [passed](#) the revised Political Funds Control Act, after the LDP compromised with Komeito and Ishin on certain provisions in the bill.
- The opposition parties [criticized](#) the LDP for leaving “loopholes” in the bill, including blacking out donors and amounts on receipts for “policy activity fees,” which Ishin demanded be fully disclosed ten years after bill enactment.
- The Lower House Special Committee on Political Reform [passed](#) the bill on Wednesday, after the initial vote on Tuesday was [postponed](#) following Ishin’s abrupt opposition to the LDP’s proposed bill.

- Ishin [reportedly assumed](#) that the LDP's revised bill would include the full disclosure of "policy activity fees" paid from political parties to Diet members. However, the LDP's bill as of Tuesday only committed to disclosure of payments over ¥500,000.
- Though Kishida has been criticized from within his party for giving up too much, the bill is expected to be [enacted](#) as early as June 19, ahead of the end of the Diet session.

6. Political Developments

- On Thursday, the ruling and opposition parties [agreed](#) to arrange for the first leaders' debate under the Kishida administration during this Diet session. The first debate since June 2021 is expected to be held on June 19.
- The LDP [proposed](#) drafting amendments to the Constitution during the Lower House Commission on the Constitution meeting, after reports [suggested](#) on Tuesday that it could move forward with drafting without the CDP and others opposing the move.
- *Yomiuri* [reported](#) that the revised "new form of capitalism" action plan to be finalized this month will push for the normalization of price transfers to promote wage hikes among SMEs and reinforce GOJ leadership to promote the "contents industry."
- On Wednesday, the Diet [enacted](#) the revised children and childcare support bill, which scraps the income restrictions and doubles the childcare allowance to ¥30,000 monthly for families with more than three children.
- The GOJ [held](#) a meeting of its Project Team to Promote Womens' Empowerment in the Workplace, where it compiled an interim report [requiring](#) the finance, food manufacturing, retail, electronics, and air transportation industries — the top five industries with a low female executive ratio — to craft an action plan by the end of the year toward redressing the gender inequality.
- At the Council on Economic and Fiscal Policy meeting on Tuesday, Kishida [announced](#) that the GOJ will compile a New Economic and Fiscal Plan for the 2025-2030 period, which [guides](#) economic and fiscal policy until the year population decline is expected to seriously kick in.

7. GOJ Reveals Tech Innovation Strategy

- On Monday, the GOJ's Science & Technology/Innovation Council [finalized](#) a draft of the 2024 Integrated Innovation Strategy, which maps out the GOJ's priorities for technology promotion in the coming year.
- It has [three pillars](#): an integrated strategy on critical technologies, reinforcing coordination globally, and ensuring a safe and secure, competitive AI sector.

- The first involves measures like developing core technologies and promoting startup innovation; the second involves leading international rulemaking on critical technologies; and the third involves balancing AI innovation and safety.
- *Nikkei* [reported](#) Wednesday that the GOJ's Basic Policy (*Honebuto*) to be finalized later this month is expected to push for legislation to promote manufacturing of next-generation semiconductors, in an apparent nod to Rapidus.
- *Nikkei* [reported](#) Monday that the GOJ aims to increase funding for startups working on advanced technologies by 30 percent to ¥140 billion in FY 2024. The new funding is expected to fund research in new areas like space and nuclear fusion.
- The GOJ will also protect research related to advanced technologies like AI and quantum, [requiring](#) firms and research institutes to take measures to protect technology prior to receiving government subsidies.

8. Economic Security and Tech Developments

- *Nikkei* [reported](#) Friday that Intel and fourteen Japanese companies plan to utilize Sharp's liquid-crystal display (LDC) factory to conduct research on "back-end" chip production technology. This is a win-win situation where the chipmakers cut costs, while LCD manufacturers make profit on the back of its dwindling industry.
- SoftBank [announced](#) that it obtained exclusive negotiation rights for part of Sharp's LCD factory land and facilities in Sakai City, Osaka. KDDI and three other partners also have [plans to negotiate](#) separately to construct an AI data center on the site.
- On Thursday, the fourteen countries of the Indo-Pacific Economic Framework for Prosperity (IPEF) [held](#) a ministerial meeting and signed documents to promote decarbonization efforts like renewable energy use. The IPEF agreement's four pillars would contribute to raising the economic security of the member states.
- On Wednesday, the GOJ [drafted](#) a new infrastructure strategy for the period until 2030. It aims to win infrastructure contracts through public-private partnerships on 5G, space, undersea cables, and other critical areas related to economic security.
- Rapidus and Hokkaido University [announced](#) that they will cooperate on a wide range of areas from talent development to research on advanced semiconductors. They aim to create a chip evaluation center on campus as early as this year.
- On Tuesday, the GOJ's Intellectual Property (IP) Strategy HQ [approved](#) the "IP Promotion Plan 2024," which committed to protecting IP rights alongside any copyrights related to information used for AI machine learning. The GOJ will also require firms and institutions to take measures to protect IP.

9. Key Economic/Financial Developments

- At the Meeting on Digital Administrative and Fiscal Reform on Thursday, Digital Minister Kono Taro [presented](#) a schedule for the introduction of autonomous driving, which [positioned](#) FY 2025-2026 as the “advanced commercialization stage” to commercialize “robo-taxis” and other services. The “full-scale” stage will include the commercialization of autonomous bus services.
- The Ministry of Economy, Trade and Industry (METI) [held](#) industry hearings toward the crafting of the next Basic Energy Plan. Some urged for cost reductions by utilizing decarbonized power as data centers and AI usage is expected to exponentially raise electricity consumption.
- The Ministry of Land, Infrastructure, Transport and Tourism (MLIT) [plans](#) to commence safety assessments regarding the falsification of testing data by Toyota Motor, Matsuda, Yamaha Motor, and three other manufacturers that has resulted in shipment halts. The MLIT held on-site inspections at Suzuki HQ on Thursday.
- On Tuesday, Kishida [announced](#) that the GOJ designated Fukushima and Nagasaki as national strategic special zones related to drone technology, Miyagi and Kumamoto as zones related to chip manufacturing hubs, and Hokkaido as a new financial special zone in addition to existing zones Tokyo, Osaka, and Fukuoka.
- The Cabinet [approved](#) the FY 2023 Annual Report on Energy, which pointed out that crises-induced energy price hikes have raised the necessity for a resilient energy supply network. It also positioned Japan as a leader on green transformation (GX) technologies and toward a reduction in use of fossil fuels.
- On Monday, METI Minister Saito Ken [met](#) with European Commissioner for Energy Kadri Simson, where they agreed to cooperate on clean energy sectors, first in wind, solar, and hydrogen. The focus will be on fair competition as China oversupplies cheap solar panels on the global market through government subsidies.

10. State of the Economy

- On Friday, the Ministry of Internal Affairs and Communications (MIC) [announced](#) that real consumption in April rose 0.5 percent from the same month last year to ¥313,300, the [first positive value](#) in fourteen months.
- On Wednesday, the Ministry of Health, Labor and Welfare (MHLW) [announced](#) that the base salary for full-time employees in April rose 2.3 percent from the same month

last year, a rate of increase [last seen](#) almost thirty years ago. The impact of the spring wage negotiations are expected to be reflected in the summer months.

- The base salary came to ¥264,503 in April, a larger rate of increase [compared](#) to March by 0.6 points and a high point last observed in October 1994. Meanwhile, real wages fell for a record-high twenty-fifth consecutive month.
- The MHLW [announced](#) that the total fertility rate in the 2023 national survey was 1.20, a record-low and down 0.06 point from 2022. Tokyo became the [first prefecture](#) to fall below 1.0 in the country. Annual birth rate also fell to a record-low 727,277.
- The Japan Chamber of Commerce and Industry (JCCI) [announced](#) that the weighted average of wage hikes by SMEs as of April 2024 (compared to April 2023) was 3.62 percent. This is a [smaller hike](#) compared to larger companies, which raised wages by a thirty-three year record high of 5.58 percent.
- On Monday, the Ministry of Finance [announced](#) that the current profit of all industries in the January-March 2024 period rose 15.1 percent from the same period last year to ¥27.43 trillion. Services [performed](#) better as socioeconomic activity recovered. This was a record-high for this period and the fifth consecutive quarter on the rise.

II. Public Opinion Poll

- A JNN poll [released](#) on Monday showed Cabinet approval at 25 percent, down five points from May, while disapproval was 72 percent, up four points.
 - 60 percent of respondents said that they disapprove of the GOJ's fixed income tax cut, while 37 percent said they approve of it.
 - 70 percent of respondents said that they disapprove of the LDP's revised Political Funds Control Act, while 28 percent said they approve of it.
 - 54 percent of respondents said that corporate and organizational donations should be banned, while 28 percent said it should be permitted.
 - 73 percent of respondents said that they are dissatisfied with Diet members attempting to hold political fundraising parties, while 25 percent said they are satisfied and can accept it.
 - 48 percent of respondents said that they oppose the full opening of ridesharing services in Japan, while 38 percent said they support it.
 - 48 percent of respondents said that they would like a change in government after the general election, while 39 percent said they want the LDP to remain in power.
 - 24 percent of respondents said that they would vote for the LDP in the PR portion of the upcoming general election; 17 percent said the CDP; and 10 percent said the Japan Innovation Party (*Nippon Ishin no Kai*).
- The survey also collected data on the latest approval ratings of political parties.

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Political Party	Approval Rating (%)
Liberal Democratic Party	23.8 (+0.4)
Constitutional Democratic Party	7.3 (-2.9)
Japan Innovation Party (<i>Ishin</i>)	4.3 (-0.3)
Komeito	3.1 (+0.2)
Japan Communist Party	3 (+0.1)
Democratic Party for the People	2.3 (± 0)
Party to Realize Free Education	0 (-0.2)
Reiwa Shinsengumi	2 (+0.2)
Social Democratic Party	0.2 (± 0)
Suffrage Party (Sanseitō)	1 (+0.7)
Independent (No Party)	48.2 (+1.3)