

The Weekly Observer

August 12-16, 2024

The 133rd edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on the LDP Youth Division's planned visit to Taiwan, the cross-party delegation's visit to Taiwan to talk security issues, the 79th anniversary of the end of World War II, Kishida's shocking decision to not seek re-election, potential and existing political scandals involving the LDP, new economic security measures on foreign acquisition, the volatile stock market, a record-high nominal GDP, and more.

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I. News of the Week

1. Foreign Policy Developments

- On Friday, the Liberal Democratic Party (LDP) [announced](#) that the Youth Division will send a delegation to Taiwan from August 19-23 to meet President Lai Ching-te and Taipei Mayor Chiang Wan-an. The visit will come as Taiwan [announced](#) Lee I-yang as the new representative to Japan, replacing Frank Hsieh.
- *Kyodo* [reported](#) that Beijing is demanding an independent sampling of seawater and treated wastewater from Fukushima Daiichi nuclear power plant, which Japan believes would not be impartial and is working toward reinforcing the existing testing mechanism where multiple countries sample under the IAEA's supervision.
- On Thursday, Minister for Foreign Affairs Kamikawa Yoko [held](#) a telephone talk with Acting Iranian Foreign Minister Ali Bagheri Kani, expressing serious concern over the deteriorating situation in the Middle East. Kamikawa is [expected to visit](#) Qatar and Bahrain from August 28-29 to de-escalate the situation as Iran declared retaliation against Israel.
- The Ministry of Foreign Affairs (MOFA) [announced](#) that the GOJ will [provide](#) ¥400 million in grant aid through the World Food Programme (at the request of the Palestinian Authority) to Palestine for food assistance.
- On Monday, MOFA Press Secretary Kitamura Toshihiro [stated](#) that the GOJ expresses its “deep concern” over numerous civilian casualties caused by the Israeli strike on al-Tabeen school in northern Gaza that took place over the weekend. The GOJ urged all sides to release hostages and work toward a sustainable ceasefire.
- On Sunday, MOFA [announced](#) that the GOJ strongly protested and urged the South Korean government to stop maritime survey vessels from conducting marine surveys within the exclusive economic zone (EEZ) around the Takeshima Islands.

2. Defense/Security Developments

- On Friday, the Ministry of Defense (MOD) [announced](#) that it had completed designing the multi-orbit observation satellite for space domain awareness and was ready to begin manufacturing demonstration equipment (project led by Canon).
- On Thursday, MOFA [announced](#) that Kamikawa and Minister of Defense Kihara Minoru will be traveling to India from August 19-21 for the Japan-India “2+2” in New Delhi.

- On Tuesday, former LDP Secretary General Ishiba Shigeru and a cross-party delegation of Diet members working on security issues [met](#) Taiwan's President Lai, where they exchanged views on cooperation on security and economic issues.
- *Sankei* [reported](#) Monday that the MOD has finalized plans to negotiate with the U.S. for the use of Camp Schwab or Camp Hansen as a training facility for JGSDF troop reinforcement in Okinawa. The 15th Brigade's expansion to a division requires more facilities to continue training and reinforce the "Nansei" shift.
- On Sunday, National Security Advisor Akiba Takeo [met](#) with A. Byambajarga, secretary of the Mongolian National Security Council and Defense Minister Gүrsediin Saikhanbayar to discuss regional affairs, including North Korea and China. They likely discussed the abductions issue, as Mongolia is historically friendly with North Korea.

3. Japan Commemorates 79th Anniversary of the End of World War II

- On Thursday, Japan commemorated the seventy-ninth year anniversary since the end of World War II. Prime Minister Kishida Fumio [delivered](#) remarks at the National Memorial Ceremony for the War Dead.
- In it, Kishida stated that "Taking the lessons of history deeply into our hearts, we have made all possible efforts for world peace and prosperity." He [did not mention](#) "deep remorse" or "condolences" like opposition prime ministers of the past.
- The political parties also [issued](#) statements, with the LDP emphasizing "realistic and practical efforts" toward a world without nuclear weapons, the CDP on peace and diplomacy over use of force, *Ishin* on the need to secure deterrence to prevent war, and Komeito on the need to join the Treaty on the Prohibition of Nuclear Weapons as an observer nation.
- On the same day, Minister in charge of Regional Revitalization Shindo Yoshitaka, Minister of Defense Kihara, and Minister in charge of Economic Security Takaichi Sanae [visited](#) Yasukuni Shrine to pay respects to those that lost their lives in the war. This was the third instance and first time [since](#) 2021 that a sitting defense minister visited the shrine, provoking ire in China and South Korea.
- Other prominent figures — some [seeking](#) to become the next prime minister — like Takaichi, ex-Environment Minister Koizumi Shinjiro, and ex-Economic Security Minister Kobayashi Takayuki also visited the shrine.

4. Kishida Announces Decision to Not Seek Re-election

- On Wednesday, Kishida [announced](#) that he would not be seeking re-election as LDP president, stating that the easiest way to signal change following the political scandals in the party would be electing a new leader.
- The prime minister's decision came as a shock, as many believed he was laying the groundwork for a re-election bid. Kishida is said to have [considered](#) the internal pressure from lawmakers who believed a new face was necessary to survive the next general election.
- Kishida leaves on September 30 having [served](#) the eighth longest tenure in the post-war era, achieving a record defense spending hike, Nikkei Average Index, and wage hike rates. He also left behind [questions](#) over funding ambitious government initiatives in defense, childcare, green transformation, and economic security.
- Kishida [said](#) on Thursday that he would like free and open discussions among likely successor candidates, opening a pathway for his Cabinet members to run for president. He refused to comment on who he believes should be the next leader.
- Several lawmakers have [expressed a desire](#) to run for the presidency, a race that will prove to be a test of the post-political faction era. So far, LDP Secretary General Motegi Toshimitsu, ex-Secretary General Ishiba, Digital Minister Kono Taro, Economic Security Minister Takaichi Sanae, Foreign Minister Kamikawa, Chief Cabinet Secretary Hayashi Yoshimasa, ex-Economic Security Minister Kobayashi, ex-CCS Kato Katsunobu are among the possible candidates.
- Kishida will likely shift to [play](#) a “kingmaker” role, alongside LDP Vice President Aso Taro and ex-Prime Minister Suga Yoshihide, in determining the next leader. Kishida commands fifty or so of his faction members, giving him significant bargaining power in the process of selecting a winner from the likely crowded field.

Potential Candidates



Fumio Kishida (67 years old)
Prime Minister
Hiroshima-1, 10 terms
Ran for president in 2020, 2021



Shigeru Ishiba (67 years old)
Former LDP Secretary-General
Tottori-1, 12 terms
Ran for president in 2008, 2012, 2018, 2020



Toshimitsu Motegi (68 years old)
LDP Secretary-General
Tochigi-5, 10 terms
First time running for president



Sanae Takaichi (63 years old)
Economic Security Minister
Nara-2, 9 terms
Ran for president in 2021



Taro Kono (61 years old)
Digital Minister
Kanagawa-15, 9 terms
Ran for president in 2009, 2021



Shinjiro Koizumi (43 years old)
Former Environment Minister
Kanagawa-11, 5 terms
First time running for president



Seiko Noda (63 years old)
Former MIC Minister
Gifu-1, 10 terms
Ran for president in 2021



Yoko Kamikawa (71 years old)
Minister for Foreign Affairs
Shizuoka-1, 7 terms
First time running for president



Katsunobu Kato (68 years old)
Former Chief Cabinet Secretary
Okayama-5, 7 terms
First time running for president



Takayuki Kobayashi (49 years old)
Former Economic Security Minister
Chiba-2, 4 terms
First time running for president



Ken Saito (65 years old)
METI Minister
Chiba-7, 5 terms
First time running for president



Yoshimasa Hayashi (63 years old)
Chief Cabinet Secretary
Yamaguchi-3, 1 term (5 in HoC)
Ran for president in 2012

Candidate Status (August 18)

Soon to announce			
	Takayuki Kobayashi	Shigeru Ishiba	Yoshimasa Hayashi
Securing endorsements			
	Taro Kono	Yoko Kamikawa	Katsunobu Kato
Expressed interest			
	Shinjiro Koizumi	Sanae Takaichi	Ken Saito
Unknown			
	Toshimitsu Motegi	Seiko Noda	

5. Other Political Developments

- *Nikkei* [reported](#) Friday that the LDP presidential election will either be held on September 20 or 27, with the former making it easier to hold an election in October, while the latter would make it easier to take attention away from the CDP's election.
- *Mainichi* [reported](#) that the family members of the LDP's Hirai Takuya, Chair of the Public Relations Headquarters, received inappropriate tax benefits for a total of ¥40 million "donated" to his district branch between 2020-2021. Hirai has already admitted to a ¥10 million donation to his own branch.
- On Thursday, LDP Upper House member Hirose Megumi [reportedly admitted](#) to prosecutors that she knew she was defrauding the state by receiving a salary for a public secretary (state-funded) that did not work for her office. Hirose left the party the same day — a by-election is scheduled for her seat in Iwate on October 27.
- On Tuesday, the ruling and opposition parties [agreed](#) to hold sessions in the Committee on Financial Affairs of both Houses on August 23 to discuss the volatile stock market trends with Minister of Finance Suzuki Shunichi and Bank of Japan (BOJ) Governor Ueda Kazuo.
- *Yomiuri* [reported](#) that the GOJ is considering setting medical reimbursements to medical institutions to "within ¥500,000" regarding the application of public medical insurance to childbirth expenses. It is also contemplating lowering the 30 percent out-of-pocket expenses for pregnant women to zero and providing cash handouts equivalent to the amount subtracting childbirth expenses from ¥500,000.

6. Economic Security and Tech Developments

- NHK [reported](#) Friday that the GOJ added six items — including chip manufacturing equipment, advanced electronic parts, multifunction devices — to its list of business areas required to report to the GOJ if foreigners acquire more than a 1 percent stake in the business. Of the six, four items are also designated as "specified critical products" under the Economic Security Promotion Act. The measure takes effect September 15.
- *Nikkei* [reported](#) that precision tools maker DISCO will set up a local subsidiary in India as early as next month to engage in sales and technical support services. It aims to take advantage of New Delhi's efforts to attract chip manufacturers to India.
- NEC [announced](#) that it established a "joint research group" with ten financial institutions like regional banks to explore ways to utilize AI in the finance sector. The

group will utilize NEC's large language model "cotomi" to analyze data and summarize documents.

- *Nikkei* [reported](#) Wednesday that Isuzu Motors, Sojitz, and thirteen other Japanese companies plan to launch thirteen pilot programs in growth sectors like chips and next-generation fuel to establish a supply chain in Southeast Asia. The ¥100 billion scale project will be partially funded by the GOJ — pitching in around ¥35 billion — in an effort to support the so-called Global South and counter Chinese influence.
- *Nikkei* [reported](#) Tuesday that the Ministry of Internal Affairs and Communications will begin testing the practical application of roaming to connect to alternative telecommunications networks in the event of a communication failure. The test will examine whether the core network of a disrupted operator can be connected to the core network of an active operator.
- *Nikkei* [reported](#) last Friday that U.S. chip giant Broadcom invested in TOPPAN Holdings' chip package substrate facility to begin operations in Singapore at the end of 2026. Broadcom has a 49.9 percent stake in the operating company the two sides will create to run the facility.

7. Key Economic/Financial Developments

- *Nikkei* [reported](#) Friday that the Ministry of Health, Labor, and Welfare (MHLW) plans to launch a survey on whether foreigners are paying insurance fees for things like pensions and medical fees, given the fact that there are a growing number of "taxable" foreign residents in the country.
- On Tuesday, the Nikkei Stock Average (Nikkei 225) [rose](#) ¥1,207.51 (3.45 percent) to ¥36,232.51, the second largest jump this year and recovering from the ¥884 decrease recorded last week. Chip-related stocks led, while investors took more risk as they perceived the yen appreciation to have subsided.
- *Nikkei* [reported](#) that the Japan Investment Corporation (JIC) will begin investing in "medium-sized enterprises" of fewer than two thousand employees — likely through private funds — as early as this year to support the GOJ's industrial competitiveness policy in targeted sectors like semiconductors and storage batteries.
- *Nikkei* [reported](#) that the Financial Services Agency (FSA) will craft guidelines as early as in spring 2025 for when regional financial institutions provide loans by pledging a security interest in corporate values like technological capabilities and growth potential. The new system incorporated in a June legislation would enable startups and companies looking to restructure their businesses to receive loans.

- The Ministry of Economy, Trade, and Industry (METI) [announced](#) the criteria for financial support of technology development by companies that will help drive Japan toward a decarbonized society. The GX Promotion Organization will [provide](#) loan guarantees and loans for risks that cannot be covered solely by the private sector.
- *Sankei* [reported](#) Monday that the FSA will investigate around four thousand listed companies to determine whether they have properly disclosed cross-shareholdings (holding stocks in businesses they have ties with) in annual securities reports, after allegations surfaced that companies are hiding the purpose of holding shares.

8. State of the Economy

- On Thursday, the Cabinet Office [announced](#) that the provisional real GDP growth rate in the first quarter of FY 2024 rose 0.8 percent from the previous quarter, up 3.1 percent on an annual basis, as employer compensation went positive for the first time in three years and individual consumption increased for the first time in five quarters.
- Real GDP [hit](#) a positive growth rate for the first time in two quarters, while nominal GDP rose 7.4 percent year-on-year. The nominal GDP amount hit ¥607 trillion, the first time Japan has exceeded ¥600 trillion.
- On this, Kishida [stated](#) that the numbers indicate a transition to a growth-oriented economy driven by wage increases and investment. The ¥600 trillion target was set by then-Prime Minister Abe Shinzo in September 2015.
- On Tuesday, the BOJ [announced](#) that the corporate goods price index (CGPI) in July rose 3 percent from the same month last year, reaching the 3 percent mark for the first time in eleven months, as the end to GOJ utility subsidies in July pushed prices up.
- The GOJ has since [restarted](#) subsidies until October and coupled with the yen appreciation, this could push prices down although other non-policy factors remain in play, such as rising fertilizer and transportation costs for imports.

II. Public Opinion Poll

- None this week.