

## ***The Weekly Observer***

August 19-23, 2024

*The 134<sup>th</sup> edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on the Japan-India “2+2,” Kishida’s last diplomatic travel schedule, the Japan-Taiwan ruling party “2+2,” the first formal candidacy announcements in the LDP presidential race, main opposition party election updates, Kioxia’s awaited listing, a one year update on the Fukushima seafood import ban, trade and consumer price data, and more.*

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

### **1. Japan and India Hold Third “2+2” Meeting**

- On Wednesday, Minister for Foreign Affairs Kamikawa Yoko and Minister of Defense Kihara Minoru attended the third Japan-India “2+2” meeting in Delhi, India.
- The ministers agreed to revise the 2008 Joint Declaration on Security Cooperation to reflect the widening scope of bilateral ties, as well as to deepen cooperation in areas like economic security, cyber, and space.
- The ministers agreed to explore future collaboration on ship maintenance in India and consider providing security assistance to third countries.
- The ministers also agreed to promote future cooperation in defense equipment and technology, especially the export of the UNICORN stealth antenna — used by Mogami-class frigates — to India. This would be the second case of finished equipment exports after the air defense radar sales to the Philippines.
- The ministers decided to hold the next “2+2” meeting in Japan and to prepare for Prime Minister Narendra Modi’s visit to Japan for a leader-level summit this year.

### **2. Foreign Policy Developments**

- Kamikawa co-chaired the Tokyo International Conference on African Development (TICAD) Ministerial Meeting (first time inviting private sector) from August 24-25 in Tokyo, issuing the first joint declaration emphasizing the importance of public-private coordination toward improving the business environment in Africa.
- On Thursday, the PRC Foreign Ministry admitted that authorities had arrested the local subsidiary executive of Astellas Pharmaceuticals — a Japanese national detained in March 2023 — on espionage charges. The Japanese Embassy in China confirmed that the man had been indicted in mid-August.
- *Jiji* reported Tuesday that Prime Minister Kishida Fumio will travel to New York late next month to attend the UN General Assembly general debate in what will be his last diplomatic trip before stepping down as leader at the end of next month.
- *Mainichi* reported that Kishida will also be arranging a visit to South Korea early next month to meet with President Yoon Suk-yeol before the end of his tenure. The two leaders are expected to reaffirm sustained efforts to build bilateral ties.
- On Monday, the cross-party Japan-China Parliamentary Friendship Association announced that Chairman Nikai Toshihiro will lead a delegation to Beijing from

August 27-29 in the hopes of meeting Xi Jinping and kickstarting lawmaker dialogue. This will be the first delegation visit since May 2019.

- On Sunday, Kishida, Yoon, and U.S. President Joe Biden [issued](#) a joint leaders' statement commemorating the progress in trilateral cooperation in the year since the Camp David Summit. The three countries are [planning to hold](#) a trilateral summit by the end of the year, regardless of leadership changes in the respective countries.

### 3. Defense/Security Developments

- *Nikkei* [reported](#) Saturday that the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) will establish an expert unit dedicated to responding to cyber attacks on social infrastructure like airports and railroads as early as FY 2025.
- On Thursday, the GOJ [released](#) the meeting minutes from the third expert panel meeting on active cyber defense held on August 6, which [indicated](#) that several members urged that the third-party body overseeing the GOJ's use of communications information be required to submit regular reports.
- On Wednesday, the LDP and Taiwan's Democratic Progressive Party (DPP) [held](#) the fifth ruling party "2+2" talks, where the two sides discussed growing concerns over China's military activities and [agreed](#) that a Taiwan contingency is a Japan contingency, and vice versa.
- NHK [reported](#) that the Ministry of Defense (MOD) is making final arrangements to request a record-high ¥8.4 trillion budget in FY 2025, including for missile-tracking small constellations and autonomous assets to [take out](#) enemy capabilities.
- *Nikkei* [reported](#) that industrial conglomerate ShinMaywa plans to reverse its decision to cease production of the amphibious rescue aircraft US-2, as rising costs will likely be covered by the GOJ's efforts to reinforce defense manufacturing.
- On Tuesday, the MOD's Okinawa Defense Bureau [commenced](#) shore protection works on the area on the Oura Bay side with soft ground, which will be utilized for the relocation of MCAS Futenma. Despite Okinawa's opposition, the MOD has been moving forward with construction here and also [commenced](#) boring surveys in the landfill area for the relocation of Naha Port Facility off the coast of Urasoe City.

### 4. Candidates Begin Announcing Bids for LDP Presidency

- This week saw the formal announcement of candidacy by two LDP Diet members — ex-Economic Security Minister Kobayashi Takayuki and ex-LDP Secretary General Ishiba Shigeru — kicking off the race for Japan's premiership.

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- On Monday, Kobayashi became the first to formally announce his candidacy, focusing on his “youth” (fewer terms in office) and desire to bring about a “rebirth” of the party. He has so far garnered support from those seeking a “fresh face.”
- On Saturday, Ishiba became the second to formally announce his candidacy, telling reporters that this will be his fifth and final run at the presidency and “a culmination of my thirty-eight year political career.” The populist primarily draws support from the so-called “anti-establishment” and reform-minded party members.
- The LDP hopes that a crowded and diverse field of candidates will usher in a new leader who boosts poll numbers currently down at record lows. In the past, a change in leadership has led to anywhere from a ten to sixty-three point improvement.
- The party’s election commission decided on Tuesday that the election will take place on September 27, with a fifteen day campaign period — the longest period since the current rules were introduced in 1995. The commission will now determine the rules for the election, such as acceptable campaign activities and party-hosted debates.
- Media reports suggest that there could be more than five candidates who announce their bids for president soon, including ex-Environment Minister Koizumi Shinjiro, LDP Secretary-General Motegi Toshimitsu, and Economic Security Minister Takaichi Sanae. (*Note: Kono announced on August 26, which will be covered next week*).

### LDP Candidate Status (August 26)

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

## 5. Other Political Developments

- *Yomiuri* [reported](#) Sunday that former Prime Minister Noda Yoshihiko (2011-2012) is finalizing his decision to run for the main opposition Constitutional Democratic Party's leadership election scheduled on September 23.
- On Saturday, Kishida [revealed](#) in Fukushima that the GOJ will include measures to support the fisheries industry hit by China's seafood import ban in its economic policy package to be [compiled](#) in the fall. In the one year since the release of treated wastewater from Fukushima Daiichi, there has been an [estimated](#) ¥75.3 billion in damages resulting from the seafood import ban and subsequent negative press.
- The LDP's Iwate prefectoral branch [decided](#) that it will not field a candidate in October's by-election for the Upper House seat in Iwate vacated by C. Hirose Megumi, who left the party over allegations of defrauding the state and receiving money intended to pay the salary for a public secretary that did not exist.
- On Thursday, Komeito [decided](#) that it will hold its biennial party convention on September 28 — a day after the LDP presidential election. All eyes are on whether Chief Representative Yamaguchi Natsuo will continue on as leader for an unprecedented ninth term amid a slew of elections in the coming year.
- On Wednesday, former CDP leader Edano Yukio [formally announced](#) that he will be running in the party's leadership election next month. Edano promised to “put an end to old politics” and to focus on a “human-centric economy” and redistribution policy.
- Media reports on Tuesday [suggested](#) that the new LDP president and prime minister would likely only be able to call a snap election in November after the October by-election in Iwate. The most likely election date would be November 10, [avoiding](#) the long weekend a week prior and diplomatic travel the week after.

## 6. Economic Security and Tech Developments

- *Nikkei* [reported](#) Friday that computer memory manufacturer Kioxia — formerly known as Toshiba Memory Corporation — submitted a request for listing on the Tokyo Stock Exchange, aiming to become the largest IPO this year in October at a targeted market capitalization of ¥1.5 trillion.
- *Nikkei* [reported](#) that Seven & i's proposed buyout by Canadian convenience store giant Alimentation Couche-Tard will fall under the mandatory notification of foreign investors rule under the Foreign Exchange and Foreign Trade Act, as the Japanese conglomerate does business in core business sectors (dual use) covered by the rule.

- *Nikkei* [reported](#) that the world's top ten major chip equipment manufacturers expect an increase in profits in the second quarter of 2024, off the back of strong demand associated with generative AI chip investment. Tokyo Electron, for instance, expects a 20 percent increase compared to the average market estimate.
- On Tuesday, Mitsubishi Electric [announced](#) that it developed an optical device for next-generation optic fiber communications speeds, which can be used to connect data centers to each other. The company plans to begin distributing samples in October and manufacturing in January 2025.
- *Nikkei* [reported](#) that the Ministry of Economy, Trade and Industry (METI) will enhance its subsidy program during this fiscal year for grid-scale batteries necessary for the promotion of renewable energy. It aims to accelerate GX by lifting the one subsidy per company rule, which was implemented to avoid creating monopolies.
- *Mainichi* [reported](#) Saturday that Japan Advanced Semiconductor Manufacturing (JASM) — Taiwan Semiconductor Manufacturing Company's (TSMC) subsidiary in Japan — has signed cooperative agreements with local governments and cooperatives around its Kikuyacho facilities in Kumamoto to promote rice production and preserve rice paddies necessary to store much-needed water to run the facilities.

## 7. Key Economic/Financial Developments

- On Friday, Bank of Japan (BOJ) Governor Ueda Kazuo [appeared](#) before a joint session of the Diet's Finance Committees and explained that the Bank will not stray from its basic position of "gradually adjusting monetary loosening" if economic and price outlooks continue to remain on track as expected.
- The GOJ [indicated](#) support measures for expanding agricultural, forestry, and fisheries exports — to be included in the FY 2025 budget request — including the development of manufacturing and logistical hubs, securing certification in foreign markets, and focusing support around products where export increases are expected like rice and beef.
- *Nikkei* [reported](#) Thursday that the Financial Services Agency plans to include in its financial administration guidelines to be released this month a requirement to disclose changes to reasons for holding shares in other companies and whether listed firms have approval to sell shares, looking to avoid questionable cross shareholdings.
- On Wednesday, member states of the Asia Zero Emissions Community (AZEC) [met](#) for a ministerial meeting in Jakarta, Indonesia, where they established a research body for policies related to decarbonization and agreed to coordinate decarbonization policies in the areas of electricity, transport, and industry.

- On Monday, Tokyo Electric Power Company (TEPCO) [announced](#) that it will test the removal of debris from the second generator at Fukushima Daiichi nuclear power plant, which has faced a three year delay from the initial plan. Meanwhile, TEPCO also [announced](#) on Thursday that it will push forward a decision on partially decommissioning generators one to five at the Kashiwazaki-Kariwa nuclear power plant to reduce local burden in exchange for restarting generators six and seven.
- On Monday, Taiwan's CTBC Financial Holding [signed](#) a comprehensive cooperation agreement with Kumamoto prefecture to promote exchanges in economy, tourism, sports, and other areas, as the Taiwanese side aims to deepen its presence in the Kyushu area following TSMC's massive investment there.

## 8. State of the Economy

- On Friday, the Ministry of Internal Affairs and Communications [announced](#) that the consumer price index in July excluding volatile fresh food items [rose](#) 2.7 percent since the same month last year to 108.3, the thirty-fifth consecutive month on the rise as energy in general pushed prices up.
- On Wednesday, the Ministry of Finance [announced](#) that Japan ran a ¥621.8 billion trade deficit in July, the [first deficit](#) in two months as imports of medicine and communications devices increased. The deficit grew tenfold compared to last year.
- The Japan National Tourism Organization [announced](#) that the number of tourists hit a record high of 3.29 million in July, the fifth consecutive month numbers have topped three million. China has [returned](#) to top inbound travelers for the first time since Japan relaxed pandemic-induced border restriction in October 2022.
- *Nikkei* [reported](#) Tuesday that a record-high 441 companies — around 20 percent of the total — hit record net profits in the first quarter of FY 2024, led by the chip equipment makers and automakers and the sale of cross-held shares.
- On Monday, the Cabinet Office [announced](#) that seasonally adjusted machinery orders in the first quarter of FY 2024 fell 0.1 percent from the previous quarter to ¥2.62 trillion, the first drop in two quarters. Shipbuilding [helped](#) machinery orders return to positive value in June at 2.1 percent.

## II. Public Opinion Poll

- An emergency *Kyodo* poll [released](#) on Monday showed Cabinet approval at 26 percent, up 2 points from July, while disapproval was 67 percent, up 7 points.
  - 78 percent of respondents said that Kishida's decision to not seek re-election did not recover trust in the LDP after the political scandal.

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- 67 percent of respondents said that Kishida should have not sought re-election, while 25 percent said he did not have to make that decision.
- 34 percent of respondents said that they want the next general election by the end of the year; 30.3 percent said right after the LDP presidential election next month; and 12.6 percent said closer to the end of Lower House members' terms in October 2025.
- The survey also collected responses on the upcoming LDP presidential election.
  - 25 percent of respondents said that they want Ishiba Shigeru as the next LDP president; 20 percent said Koizumi Shinjiro; and 10 percent said Takaichi Sanae.
  - 51 percent of respondents said that they want the presidential election to focus on the economy, employment, and inflation relief.
  - In contrast, 24 percent of LDP respondents said that they want Koizumi as the next president; 21 percent said Ishiba; and 11 percent said Kono Taro.
  - 37 percent of LDP respondents said they want the presidential election to focus on pensions, medical care, and elderly care; 26 percent said childcare and the declining population; and 20 percent said politics and money.