

## ***The Weekly Observer***

September 16-20, 2024

*The 138<sup>th</sup> edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on the Japanese schoolboy's death in China, Kishida's last diplomatic trip to the United States, North Korea's latest missile launch, the LDP presidential election, Komeito's change in leadership, the BOJ's decision to maintain interest rates, the reported Japan-U.S. agreement on chip-related export controls related to China, the AI Safety Institute's AI safety guide, the GOJ's Monthly Economic Report, and more.*

## **By Content**

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

#### **Foreign Policy/Security**

1. Concerns Mount Following Japanese Schoolboy's Death in China
2. Foreign Policy Developments
3. Defense/Security Developments

#### **Domestic Politics**

4. Three Candidates Lead in LDP Presidential Election
5. Other Political Developments

#### **Economics/Finance**

6. BOJ Maintains Interest Rates
7. Economic Security and Tech Developments
8. Key Developments
9. State of the Economy

### **II. Public Opinion Polls**

1. Sankei Shimbun (9/16)

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

### **1. Concerns Mount Following Japanese Schoolboy's Death in China**

- On Thursday, the Consulate-General of Japan in Guangzhou, China, [announced](#) that a ten-year-old Japanese schoolboy was stabbed to death by a forty-four-year-old Chinese man in Shenzhen on Wednesday.
- Following his death, Prime Minister Kishida Fumio [commented](#) that this is a “serious incident” and an “extremely despicable crime.” Vice Minister for Foreign Affairs Okano Masataka [summoned](#) Ambassador to Japan Wu Jianghao and requested that appropriate measures be taken to prevent recurrence of similar tragedies.
- Meanwhile, Minister for Foreign Affairs Kamikawa Yoko [said](#) on Friday that the GOJ will dispatch a state minister for foreign affairs to Beijing to communicate Japan's position on the incident and ask that the Chinese government take safety measures to protect foreign nationals, including Japanese nationals in China.
- The Chinese foreign ministry [commented](#) that the incident was “regrettable” but that this kind of incident could happen anywhere. The Chinese media has only [reported](#) that the suspect has admitted to committing the crime but not on his motives.
- The incident — partly caused by anti-Japanese sentiment — has led to [growing concerns](#) among Japanese nationals in China. Though not directly connected, the Japanese Chamber of Commerce and Industry in China has [announced](#) that around 60 percent of surveyed firms believe the Chinese economy is “worsening” (+10 pts.).

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

- On Friday, the Ministry of Foreign Affairs [announced](#) that Tokyo and Beijing have come to an agreement to gradually relax the seafood import ban related to the release of treated wastewater from Fukushima Daiichi in exchange for additional monitoring measures under the IAEA framework, including China's participation in monitoring.
- Kishida [said](#) during a press conference that the GOJ has agreed with the IAEA to allow additional measures, including sample collection by experts from three countries including China and comparison of data by research institutions.
- *Nikkei* [reported](#) Wednesday that Kishida plans to deliver a speech in front of investors calling for more investment in Japan during his visit to the United States from September 22-24 for the UN General Assembly and G7 summit.

- On Tuesday, MOFA announced that Kamikawa will [visit](#) New York for the UN General Assembly from September 23-24. This is an [unprecedented decision](#) during her campaign to become the next LDP president.
- On Saturday, the G7 foreign ministers [issued](#) a statement condemning in the strongest possible terms Iran's export and Russia's procurement of Iranian ballistic missiles, which were used to kill Ukrainian civilians and strike critical infrastructure.

### 3. Defense/Security Developments

- On Friday, the Ministry of Defense [announced](#) that the GOJ and U.S. government established a working group toward improving joint command and control functions, ahead of the creation of a JSDF Joint Command in Ichigaya by the end of the year.
- Minister of Defense Kihara Minoru [announced](#) that the ministry aims to "swiftly conclude" its request to one hundred defense firms to self-inspect contractual issues, following Kawasaki Heavy Industries' bribery scandal over defense equipment.
- On Wednesday, the MOD [announced](#) that North Korea launched multiple ballistic missiles, which was [reportedly conducted](#) to test capability upgrades to its short-range ballistic missiles. This was the [eleventh](#) missile launch this year.
- The MOD [announced](#) that PLAN aircraft carrier Liaoning and three missile destroyers entered Japan's contiguous zone between Yonaguni and Nishinoomote islands on Tuesday, marking the first entry into the zone by a PLAN aircraft carrier.
- The MOD [announced](#) that it signed contracts with Mitsubishi Heavy Industries and Japan Marine United for two Aegis-equipped vessels in the last month. The plan is to deploy the first vessel in FY 2027 and the second vessel in FY 2028.
- The leaders of Australia, the United Kingdom, and the United States [issued](#) a joint statement marking the third anniversary of AUKUS, which included language indicating that the three countries are exploring opportunities to work with Japan initially on maritime autonomous systems.

### 4. Three Candidates Lead in LDP Presidential Election

- The LDP presidential election entered the campaign period last Thursday, with the nine candidates taking part in debates over the last week in an attempt to secure voters ahead of the election on September 27.
- The campaign [kicked off](#) with the first policy debate on Saturday, where candidates discussed their positions on political reform, nuclear policy, foreign policy/security, separate surnames for married couples, among other issues.

- The debates have illuminated respective candidates' policy priorities and serve as a litmus test for voters to determine which candidate is best prepared to lead the country in a difficult domestic and international environment.
- At the moment, Koizumi Shinjiro, Ishiba Shigeru, and Takaichi Sanae [seem to be leading](#) the pack, each having their strengths with Diet members or local party members and supporters.
- In the latest *Yomiuri* survey [released](#) on Tuesday, Takaichi leapfrogged Koizumi to tie Ishiba for first place, suggesting the race is much closer between the three candidates than initially expected. Kobayashi Takayuki and Hayashi Yoshimasa are distant fourth, though their votes could matter in a run-off between the top two candidates.

#### 5. Other Political Developments

- On Thursday, the Diet affairs chiefs of the opposition CDP, Ishin, JCP, and DFPF [met and agreed](#) to oppose the LDP proposal to abolish the Special Committee on Political Reform in both Houses of the Diet, arguing that political reform is still high on the agenda and has not been resolved.
- On Wednesday, LDP Diet Affairs Chairperson Hamada Yasukazu [met](#) with CDP Diet Affairs Chairperson Azumi Jun and informed him that the LDP plans to convene the fall extraordinary Diet session on October 1 to elect a new prime minister.
- During the meeting, Azumi [requested](#) that the LDP re-investigate its ties with the Unification Church, following *Asahi* reports that then-prime minister Abe Shinzo had met with senior Church officials ahead of the 2013 Upper House election. The CDP is demanding that the new prime minister explain ties during the Diet session.
- Komeito Secretary General Ishii Keiichi [filed](#) for candidacy in the upcoming leadership election slated for September 28. Ishii is the sole candidate running to replace outgoing Chief Representative Yamaguchi Natsuo.
- Yamaguchi [said](#) on a TV program on Saturday that the earliest date for a general election would be October 27, though he remained open to the possibility of the election taking place on November 10.

#### 6. BOJ Maintains Interest Rates

- On Friday, the Bank of Japan (BOJ) held its monthly monetary policy meeting and [decided](#) to maintain policy interest rates at 0.25 percent.

- In the post-meeting press conference, BOJ Governor Ueda Kazuo [said](#) that there is still time to determine whether to hike rates further, following the last rate hike in July. The BOJ will consider economic and price outlooks in Japan and the world.
- Ueda [remained cautious](#) about further rate hikes given some uncertainty in the future of the international economy, including in the United States, where consumption is improving but where there are signs of weakness in the labor market.
- The governor pointed out that the 0.25 percent rate is “very low,” suggesting that the rate could be hiked over multiple meetings.
- Ueda also commented that the financial markets “continue to be in a state of uncertainty.” The yen-dollar exchange rate fell from ¥141 to ¥144 to the dollar as investors speculated that the possibility of further rate hikes was low.

## 7. Economic Security and Tech Developments

- On Friday, flash memory maker Kioxia Holdings [announced](#) that it set ¥120 billion as the commitment line for new loans from financial institutions. The loans will be used to mass-manufacture advanced memory chips for AI use in Iwate starting September 2025 and to increase manufacturing at its Yokkaichi plant in Mie.
- Minister of Economy, Trade and Industry (METI) Saito Ken [said](#) that it is becoming “increasingly difficult” to submit legislation to the extraordinary Diet session designed to financially support Rapidus’s efforts to mass-manufacture next-generation semiconductors. The GOJ aims to submit a bill next year.
- *Nikkei* [reported](#) Wednesday that the United States has extended its national security review of Nippon Steel’s buyout bid for U.S. Steel, likely pushing the Committee on Foreign Investment in the United States’ (CFIUS) review until after the presidential election in November. This extends a lifeline to Nippon Steel to assuage concerns.
- *Nikkei* [reported](#) that chip equipment maker KOKUSAI ELECTRIC opened its first domestic facility in thirty-five years, aiming to take advantage of AI-related demand for semiconductors. The company’s production efficiency is expected to double.
- The *Financial Times* [reported](#) Tuesday that the U.S. and Japan are closing in on a deal to curb tech exports to China’s semiconductor industry, including a measure forcing non-U.S. companies to obtain licenses to sell products to China in related sectors. Japan remains concerned about retaliation from China.
- *Nikkei* [reported](#) that startup Sakana AI is expected to receive investments from ten domestic companies, including the three megabanks, NEC, and Itochu. The companies are expected to provide around ¥10 billion for AI development.

## 8. Key Economic/Financial Developments

- On Wednesday, the GOJ's AI Safety Institute [released](#) a guide to evaluating AI safety, identifying ten items that developers should keep in mind when developing AI models, including control of toxic output, fairness and inclusion, and privacy.
- METI [announced](#) that the GOJ and the Government of the United Arab Emirates (UAE) have decided to launch negotiations for an Economic Partnership Agreement, in addition to the Free Trade Agreement with the Gulf Cooperation Council.
- The Japan Fair Trade Commission [announced](#) that it plans to investigate corporate compliance with the Anti-Monopoly Act among the approximately 1,640 listed companies on the Prime Market, including price setting utilizing AI.
- *Nikkei* [reported](#) Sunday that the G7 plans to present guidelines related to information disclosure over the misuse of generative AI and require developer firms to self-inspect compliance. The questionnaire will be publicly available on the OECD website and will be a voluntary mechanism to test compliance.
- On Saturday, the Ministry of Agriculture, Forestry and Fisheries (MAFF) [announced](#) that a joint declaration was [signed](#) for the first time in three years at this year's G20 meeting in Brazil. The declaration voices concern over food security as agriculture and fisheries faces a crisis due to climate change.

## 9. State of the Economy

- On Friday, the Ministry of Internal Affairs and Communications (MIC) [announced](#) that the consumer price index in August excluding volatile fresh food items was 108.7, up 2.8 percent from the same month last year. The rate of increase [rose](#) for the fourth consecutive month as food and electricity prices went up.
- On Wednesday, the GOJ [released](#) its Monthly Economic Report for September, which maintained the assessment that the economy is "recovering at a moderate pace, although it remains pausing in part," for the second consecutive month.
- The Ministry of Finance [announced](#) that Japan ran a ¥695.2 billion trade deficit in August, the second consecutive month in the red, though the deficit amount [fell](#) 26 percent from August 2023 as exports related to semiconductors grew.
- The Cabinet Office (CAO) [announced](#) that seasonally adjusted machinery orders, a leading indicator of capital investment, fell 0.1 percent to ¥874.9 billion in July. This is the [first decline](#) in two months as there was a reactionary drop in orders from the shipbuilding industry for internal combustion engines and other products.

- The Japan National Tourism Organization (JNTO) [announced](#) that the number of tourists in Japan in August hit a record-high for the month at 2.93 million. The number [fell](#) below three million as a reaction to the end of summer break and delays and cancellations of flights due to the typhoon.
- On Tuesday, the CAO [announced](#) that the demand-supply gap (GDP gap) in the first quarter of FY 2024 was -0.6 percent, or a ¥4 trillion demand shortage. The shortage [increased](#) from the ¥3 trillion projection made prior to the revision of GDP numbers.

## **II. Public Opinion Poll**

- A *Sankei*/FNN poll [released](#) on Monday found that the Kishida Cabinet's approval rating was 26 percent, the same as August, while disapproval was 69 percent, down one percent.
  - 26 percent of respondents said that they want Ishiba Shigeru as the next LDP president; 22 percent said Koizumi Shinjiro; 17 percent said none of the candidates; 13 percent said Takaichi Sanae; 6 percent said Kamikawa Yoko; 5 percent said Kono Taro; 4 percent said Hayashi Yoshimasa; 3 percent said Kobayashi Takayuki; 2 percent said Motegi Toshimitsu; and 0 percent said Kato Katsunobu.
  - 35 percent of respondents said that they like the candidate they chose above because they trust the candidate's character; 30 percent said their executive ability; and 25 percent said hopes for their policies.
  - 46 percent of respondents said that they want the candidates to deepen discussions on inflation relief and wage hike measures; 34 percent said pensions, medical, and elderly care; and 25 percent said children and childcare support.
  - 52 percent of respondents said that they believe the LDP should not endorse Diet members implicated in the slush fund scandal; 40 percent said it should endorse if the candidates fulfill their responsibilities to explain the situation; and 6 percent said it should endorse those Diet members.
  - 47 percent of respondents said that they believe the same surname for married couples should be maintained, while enhancing the use of surnames prior to marriage through legislation; 39 percent said they support separate surnames for married couples; and 12 percent said they oppose it.
  - 50 percent of respondents said that they somewhat support regulatory reform to loosen rules related to firing for the purpose of encouraging labor mobility; 22 percent said they somewhat oppose it; 11 percent said they strongly support it; and 10 percent said they strongly oppose it.
  - 35 percent of respondents said that none of the four candidates are a good choice for CDP leader; 31 percent said Noda Yoshihiko; 15 percent said Edano Yukio; 7 percent said Izumi Kenta; and 6 percent said Yoshida Harumi.



- 48 percent of respondents said that they believe the opposition parties should unite behind candidates in the next general election, while 43 percent said there is no need for uniting behind a single candidate.
  - 48 percent of respondents said that they want the LDP and Komeito to maintain the government, while 41 percent said they want a change in government.
  - 42 percent of respondents said that they believe the next general election should take place immediately after a new prime minister is elected; 20 percent said by the end of the year; 15 percent said at the same time as the summer 2025 Upper House election; 13 percent said closer to the end of the Lower House member terms in October 2025; and 7 percent said early next year.
  - 33 percent of respondents said that they plan to vote for the LDP in the PR block of the general election; 32 percent said others; 12 percent said the CDP; 6 percent said the Japan Innovation Party; 4 percent said Komeito; 3 percent said the JCP; 2 percent each said Reiwa Shinsengumi and the DFP; 1 percent said Sanseitō; and 0 percent said the SDP, the Party to Realize Free Education, and the Collaborative Party (ex-NHK Party).
- The survey also collected data on the latest approval ratings of political parties.

Political Party	Approval Rating (%)
Liberal Democratic Party	31 (-2)
Constitutional Democratic Party	8 (+1)
Japan Innovation Party	3 ( $\pm 0$ )
Komeito	3 (-1)
Japan Communist Party	2 ( $\pm 0$ )
Democratic Party for the People	1 ( $\pm 0$ )
Reiwa Shinsengumi	1 (-1)
Party to Realize Free Education	0 ( $\pm 0$ )
Social Democratic Party	0 ( $\pm 0$ )
Suffrage Party (Sanseitō)	0 ( $\pm 0$ )
The Collaborative Party (ex-NHK Party)	0 ( $\pm 0$ )
Independent (No Party)	47 (+2)