

The Weekly Observer

October 14-18, 2024

The 142nd edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on the Japanese defense minister's first attendance at the NATO defense ministerial meeting, Japan-U.S.-ROK trilateral diplomatic engagements, the schedule for LDP discussions on the defense tax hike, the Lower House election preview, Ishiba's meeting with families of victims abducted by North Korea, additional industry investment in Rapidus, the yen's depreciation, Japan's trade deficit in the first half of FY 2024, and more.

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I. News of the Week

1. Nakatani Attends G7 and NATO Defense Ministerial Meetings

- On October 20, Minister of Defense Nakatani Gen [attended](#) the first-ever G7 Defense Ministerial Meeting in Napoli, Italy, where the ministers discussed the Middle East, Africa, the Indo-Pacific, Ukraine, and the need for defense readiness.
- On Friday, Nakatani also [became](#) the first defense minister to attend the NATO Defense Ministers' Meeting in Brussels, Belgium. He noted the importance of deepening cooperation with like-minded countries in NATO as “serious concerns” mount over China, Russia, and North Korea in the region.
- Nakatani was [tasked](#) by Prime Minister Ishiba Shigeru to investigate how NATO member states with Status of Forces Agreements with the United States are adjusting cooperation with Washington, as he proposes revisiting the Japan-U.S. Status of Forces Agreement for a more equal partnership.
- On Thursday, Nakatani [held](#) a Defense Authorities' Meeting among the Indo-Pacific Four (IP4) of Japan, Australia, New Zealand, and South Korea. He emphasized that NATO-IP4 cooperation is significant, as the security of the Euro-Atlantic and the Indo-Pacific becomes inseparable.
- Nakatani [paid](#) a courtesy call to NATO Secretary General Mark Rutte, re-emphasizing the importance of NATO involvement in the Indo-Pacific region. Both sides agreed to further promote practical cooperation in areas like cyber, space, strategic communication, and enhancement of interoperability.
- Nakatani [met](#) with Ukrainian Defense Minister Rustem Umerov, reiterating Japan's strong support for Ukraine and Japan's grave concern over increasing Russia-China military cooperation. He also informed Umerov that Japan will provide additional JSDF vehicles to Ukraine.

2. Foreign Policy Developments

- On Wednesday, Vice Minister for Foreign Affairs Okano Masataka [held](#) a trilateral vice ministerial meeting with U.S. Deputy Secretary of State Kurt Campbell and ROK 1st Vice Minister of Foreign Affairs Kim Hong-kyun in Seoul. They discussed a range of issues from North Korea's nuclear and missile activities to economic security.
- Director-General Iwamoto Keiichi of the Consular Affairs Bureau [met](#) with PRC Vice Minister Deng Li and other officials in Beijing, urging the government to share

information with Japan on the attacks on Japanese nationals in Shenzhen and Suzhou “as soon as possible.” The Chinese side did not reveal any new information.

- Okano spoke separately with Kim and Campbell on Thursday and Tuesday, respectively. With Kim, the two reiterated continued dialogue between the Ishiba and Yoon governments, while with Campbell, the two discussed cooperation on various challenges and expanding the network of like-minded countries to further promote a “free and open Indo-Pacific.”
- On Wednesday, Minister for Foreign Affairs Iwaya Takeshi held his first telephone conference with U.K. Foreign Minister David Lammy, where the two recognized the security of the Euro-Atlantic and the Indo-Pacific as inseparable and agreed to further promote economic and people-to-people exchanges between the two countries.
- Iwaya also held a telephone meeting with Egyptian Foreign Minister Badr Abdelatty, in which Iwaya expressed his serious concern about the deteriorating situation in the Middle East and concurred on the importance of urging all parties to defuse tensions.

3. Defense/Security Developments

- *Nikkei* reported Friday that the Ishiba administration will consider establishing a new organization to support the reemployment of retired JSDF officers in jobs related to back-end support in the defense industry. Ishiba has committed to improving the working conditions of existing JSDF officers as a key pillar of his defense policy.
- On Thursday, the Joint Staff announced that the JASDF scrambled jets against foreign aircraft, possibly violating Japanese airspace, 358 times between April and September 2024, sixty-six times fewer than the same period last year. Chinese and Russian aircraft account for most of the instances the JASDF scrambled jets.
- The JGSDF held an open session of its largest exercise yet at Yokohama Port, simulating movements in a hypothetical contingency in the southwestern region. The exercise has been ongoing since early September and includes all fifteen master divisions and brigades of the JGSDF.
- On Tuesday, Ishiba said on a TV program that the LDP plans to conclude talks on when to begin the tax hike for defense spending by the end of the year. The party has already postponed the tax hike once.
- LDP Secretary General Moriyama Hiroshi echoed this point, stating on October 20 that the tax hike would be part of the year-end tax system reform talks. Komeito Secretary General Nishida Makoto said that the tax hike would cover costs that cannot be covered by budget cuts.

4. LDP and Komeito Face Tough Test to Maintain Lower House Majority

- The Lower House election kicked off on Tuesday, with 1,344 candidates competing for 465 seats. A record number of 314 women are running. The key question will be whether the LDP and Komeito maintain over 233 seats for a majority.
- The key issues of the election include political reform and economic policy, amid the LDP's scandals and increasing costs of living. LDP President Ishiba positions this election as an opportunity to "revitalize Japan," while main opposition Constitutional Democratic Party leader Noda Yoshihiko aims for a change in government.

	Ruling Coalition	Opposition Parties
Economic Policy	<ul style="list-style-type: none"> • Handouts to low-income households affected by rising costs of living • Addressing utility and gas costs 	<ul style="list-style-type: none"> • "Tax deductions with handouts" [CDP] • Lowering consumption tax to 8% [Ishin]
Foreign Policy & Security	<ul style="list-style-type: none"> • Toward "desired state" of the Japan-U.S. Status of Forces Agreement • Improving JSDF officer work environment, supporting re-employment 	<ul style="list-style-type: none"> • Japan-U.S. alliance the foundation, no need for defense tax hike [CDP] • Scrap relocation of MCAS Futenma to Henoko [CDP]
Education	<ul style="list-style-type: none"> • Expanding free higher education • Improving work conditions for teachers • Reducing burden on parents like lunch fees 	<ul style="list-style-type: none"> • Free education for national universities [CDP] • Free nursery and higher education
Regional Revitalization	<ul style="list-style-type: none"> • Distributing core government and private sector functions from greater capital area • Distributing tourism across the country 	<ul style="list-style-type: none"> • Transfer central government authorities to local governments [Ishin]
Political Reform	<ul style="list-style-type: none"> • Securing transparency of policy activity fees with eye toward future abolition • Disclosing use of so-called correspondence fees 	<ul style="list-style-type: none"> • Ban corporate/organizational donations [CDP, Ishin, JCP] • Ban policy activity fees [CDP, Ishin, DPFP]
Constitution	<ul style="list-style-type: none"> • Hold referendum toward swift amendment • Four provisions: inserting JSDF, emergency situation, dissolving at-large districts, enhancing education 	<ul style="list-style-type: none"> • Proceed "discussions on the Constitution" [CDP] • Establish emergency situations clause [Ishin, DPFP] • Oppose amendments [JCP]

- The LDP would likely need a majority on its own for stable government, which has been achieved in the last four Lower House elections. In all four races, the LDP secured over 261 seats, which is necessary to appoint all standing committee chairs and a majority of committee members in the Lower House.
- While the CDP aims for a change in government, the opposition parties are competing in over 80 percent of 239 single-member districts, while only securing a one-on-one battle with ruling coalition candidates in forty-seven districts. This could help the ruling coalition win seats that would otherwise have gone to the opposition.
- Media surveys ahead of the election suggest a tough battle for the majority between the ruling and opposition parties, with many indicating losses for the LDP and

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significant gains for the CDP. Some of the minor parties may also gain seats at the expense of the larger parties, suggesting discontent with the existing parties.

Early Media Surveys on Election Outlook (as of October 17)					
	Seats	Nikkei	Yomiuri	Mainichi	Kyodo
LDP Komeito	279	LDP loses sole majority, Komeito to lose seats	Likely to keep majority	Likely to keep majority	Battle to maintain majority
CDPJ	98	Likely to increase	Around 128 seats	Likely to increase	Very likely to increase
Ishin	43	Struggle outside Kansai	Battle to maintain current seats	Could fall below 43	Could fall below 43
JCP	10	Likely to maintain 9 PR seats	On course to secure 10 PR seats	Could fall below 9 PR seats	Could get around 10
DPFP	7	Expected to gain over 7	Likely to gain from 5 PR seats	On course to get 14	Likely to gain over 7
Reiwa	3	On course to gain	Could get seat	Likely to get 6	Could get multiple seats
SDP	1	Battle to keep seat	Could get seat	Aim to get 1 seat	All efforts to get 1 seat
Sanseito	1	On course to get seats	Could get seat	N/A	Difficulty gaining support

- A *Mainichi* [survey](#) of forty-four races where candidates were either unendorsed by the LDP or denied PR listing (can be resurrected depending on margin of defeat in single-member district) finds that ruling coalition-affiliated candidates are winning in eighteen races, ten are toss-ups, while sixteen are leaning toward the opposition.

5. Political Developments

- On Thursday, Ishiba [met](#) with members of the Association of the Families of Victims Kidnapped by North Korea, where he pledged to work on the return of victims through summit-level discussions with Pyongyang.
- Association leader Yokota Takuya, younger brother of Yokota Megumi, [strongly opposed](#) the prime minister's idea of setting up liaison offices in Tokyo and Pyongyang, indicating that the North would "waste time" and not resolve the issue.
- On Wednesday, the Tokyo District Court [sentenced](#) former Abe faction staff in charge of accounting Matsumoto Junichiro to three years in prison, suspended five years, for deliberately underreporting ¥675 million in party ticket sales in the faction's political expense reports.
- On Tuesday, Ishiba [delivered](#) a stump speech in Iwaki City, Fukushima, where he indicated that this fiscal year's supplementary budget would likely be larger than the ¥13.2 trillion appropriated in FY 2023.

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- Ishiba argued that the budget would be used to “create a new Japanese economy,” such as through policies like promoting rural, mountain, and fishing villages and creating employment in the semiconductor industry.

6. Economic Security and Tech Developments

- *Nikkei reported* Friday that Toyota Motor Corp. and Denso plan to provide additional funding to chip foundry Rapidus, as it aims to secure funding from existing shareholders like NTT, Sony Group, and others for its two nanometer chipmaking.
- On Thursday, Okuma Diamond Device, a startup spun out of Hokkaido University and the National Institute of Advanced Industrial Science and Technology (AIST), [announced](#) that it secured approximately ¥4 billion to construct a diamond semiconductor manufacturing facility in Okuma, Fukushima.
- On Wednesday, Japan Advanced Semiconductor Manufacturing (JASM) CEO Horita Yuichi [revealed](#) that Taiwan Semiconductor Manufacturing Company’s (TSMC) second chip manufacturing facility in Kumamoto will begin construction by year-end.
- Recruit [announced](#) that the number of applications for semiconductor engineers in FY 2023 rose over sixfold in Kyushu/Okinawa and almost sixfold (5.90 times) in Hokkaido/Tohoku from FY 2017, as these areas have become hubs with TSMC and Rapidus’s chip facilities there.
- On Tuesday, the Ministry of Economy, Trade and Industry (METI) [announced](#) that the G7 Ministerial Meeting on Technology and Digital was held in Cernobbio, Italy. The countries [committed](#) to moving forward the OECD Pilot Hiroshima AI Process Reporting Framework by the end of the year, including adjusting questions asked to major AI developers and AI-related organizations in ten countries.
- *Nikkei reported* Saturday that Rapidus and Denos plan to jointly design advanced semiconductors to combine technologies and expedite the process of development by utilizing common chips with the same wiring. Eight companies, including Siemens and Zuken Automotive, are part of this project led by industry association SEMI.

7. Key Economic/Financial Developments

- On Friday, Vice Minister of Finance for International Affairs Mimura Atsushi [said](#) that the ministry will continue to monitor market trends, including speculative activity, “with a high sense of urgency,” as the yen depreciated to ¥150 to the dollar.
- On Wednesday, the Ministry of Finance (MOF) [compared](#) fiscal spending amid the normalization of socioeconomic activity in the post-pandemic era, which found that

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Japan's public spending has only decreased 5 percent since 2020, while the United States cut back spending by 17 percent. Among G7 countries, four cut back more than 10 percent, while France (7 percent) and Germany (5 percent) joined Japan.

- The Japan Business Federation (*Keidanren*) [announced](#) that the ratio of women in board positions among the 1,637 prime market listed companies on the Tokyo Stock Exchange rose 2.8 points from last year to 16.1 percent, with challenges remaining especially appointing in-house talent as Japan aims for over 30 percent by 2030.
- The Japanese Trade Union Confederation (RENGO) [announced](#) that it aims for an “over 5 percent” wage hike during next year’s spring wage negotiations, the same rate as this year’s negotiations amid increasing costs of living.
- On Tuesday, Chugoku Electric Power Co. [announced](#) that it plans to load fuel for the nuclear reactor at Shimane Nuclear Power Station No. 2 unit in Matsue City, Shimane, taking steps toward restarting the power plant in early December.
- The Nikkei Stock Average (Nikkei 225) at one point [rose](#) over ¥600 from the previous week, rising above ¥40,000 for the first time in three months, as high U.S. stock prices and the yen depreciation pushes stock prices up.

8. State of the Economy

- On Friday, the Ministry of Internal Affairs and Communications [announced](#) that the consumer price index excluding volatile fresh food items in September rose 2.4 percent from the same month last year to 108.2, with the rate of increase [narrowing](#) for the first time in five months as the rise in energy prices contracted.
- On Thursday, the MOF [announced](#) that Japan ran a ¥3.11 trillion trade deficit in the first half of FY 2024 (April-September), the seventh consecutive quarter in the red as import costs [increased](#) 14 percent from the same period last year due to the weak yen.
- On Wednesday, the Japan Tourism Agency [announced](#) that the consumption amount by foreign tourists between July and September was ¥1.95 trillion, up ¥1.38 trillion from the same period last year. China accounted for 30 percent, at ¥517.7 billion.
- Meanwhile, the January-September period consumption [hit](#) a record-high of ¥5.86 trillion, overtaking the consumption amount of the entirety of 2023. The number of visitors also reached 26.88 million, more than the entirety of 2023.
- The Cabinet Office [announced](#) that seasonally adjusted machinery orders in August, a leading indicator of capital investment, [fell](#) 1.9 percent to ¥858.1 billion, the second consecutive month numbers have declined. The level of foreign demand [fell](#) for the

first time in five months, down 15.3 percent from July as capital investment in the United States and Europe fell.

II. Public Opinion Poll

- A *Jiji* poll [released](#) on Monday found that the Ishiba Cabinet's approval rating was 28 percent, up 9 points from September, while disapproval was 30 percent, up 27 points. This is the lowest approval for a new Cabinet since the turn of the century.
 - 9 percent of respondents said that they support the Cabinet because they trust the prime minister; another 9 percent said there are no alternatives; and 5 percent said they have a good impression of him.
 - 18 percent of respondents said that they do not support the Cabinet because they have no expectations; 10 percent said they do not trust the prime minister; and 8 percent said its policies are no good.
 - 45 percent of respondents said that they want the LDP to remain the core of the government after the election, while 28 percent said they want a change in government led by the opposition.
 - 26 percent of respondents said that they plan to vote for the LDP in the PR block; 10 percent said the CDP; 5 percent said Komeito; and 4 percent said the Japan Innovation Party (*Ishin*).
- The survey also collected data on the latest approval ratings of political parties.

Political Party	Approval Rating (%)
Liberal Democratic Party	18.9 (-2.2)
Constitutional Democratic Party	4.6 (+0.6)
Japan Innovation Party	2.2 (-)
Komeito	4 (-)
Japan Communist Party	1.5 (-)
Democratic Party for the People	1.2 (-)
Reiwa Shinsengumi	1.5 (-)
Social Democratic Party	0.3 (-)
Suffrage Party (Sanseitō)	0.4 (-)
Independent (No Party)	62.2 (-)