

The Weekly Observer

November 4-8, 2024

The 145th edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on Ishiba congratulating president-elect Trump, movements to restart policy talks on active cyber defense, the ongoing LDP-Komeito-DPPF talks, growing discontent within the LDP over the election loss, the upcoming Ishin leadership race, Kioxia's plans for an IPO, the volatile foreign exchange market, the record-low number of newborn babies in 2024, and more.

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I. News of the Week

1. Foreign Policy Developments

- *Yomiuri* [reported](#) Friday that Prime Minister Ishiba Shigeru plans to stop by in the United States — either New York or Florida — during his visit to South America for the APEC and G20 summits mid-month to meet president-elect Donald J. Trump. Ishiba also [plans to meet](#) President Joe Biden and PRC President Xi Jinping.
- The Ministry for Foreign Affairs [announced](#) that the fifth meeting of the International Group of Eminent Persons for a World without Nuclear Weapons (IGEP) was held on November 6-7 to discuss the importance of norms and ethics surrounding nuclear weapons; strengthening existing regimes, and the impact of emerging technologies.
- On Thursday, Ishiba [congratulated](#) president-elect Donald J. Trump on the phone and agreed to work closely to bring the alliance to “new heights,” as well as realizing an in-person summit meeting at the earliest possible opportunity.
- The GOJ [announced](#) that it plans to back Metoki Masahiko, director-general of the UN’s Universal Postal Union, for re-election in September 2025. Metoki is the sole Japanese head of a UN agency.
- On Tuesday, the foreign ministers of Japan, Australia, Canada, France, Germany, Italy, Republic of Korea, New Zealand, the United Kingdom, the United States and the High Representative of the European Union [issued](#) a statement expressing “grave concerns” regarding the deployment of North Korean troops to Russia, potentially for the use on the battlefield against Ukraine.
- On Monday, Secretary General of the National Security Secretariat Akiba Takeo [met](#) with PRC Foreign Minister Wang Yi in Beijing, agreeing to continue dialogue at all levels. Akiba also expressed his serious concerns about deepening DPRK-Russia cooperation, given China has long served as a backer of the Kim regime.

2. Defense/Security Developments

- On Friday, Minister of Defense Nakatani Gen [said](#) that the GOJ is sharing information as appropriate with the Australian government, after news surfaced that the choices for its new navy frigate had been narrowed down to Japan and Germany.
- On Thursday, Ishiba [instructed](#) Minister in charge of Cybersecurity Taira Masaaki to restart expert panel talks at the earliest possible time on “active cyber defense.” The GOJ [determined](#) earlier in the week that it plans to delay submission of a bill to introduce active cyber defense to the ordinary Diet session starting next January.

- NHK [reported](#) Thursday that the Board of Audit of Japan found that the depreciation of the yen has increased the cost of acquiring U.S.-made defense equipment by approximately ¥123.9 billion, which may affect how flexible defense spending can be in the years to come, given that many payments will be made in future years.
- Nakatani became the first defense minister on record to [board](#) a South Korean naval vessel, the amphibious assault ship “Marado,” which made a port call at the JMSDF’s Yokosuka base. It symbolizes growing defense cooperation between the countries.
- *Nikkei* [reported](#) Wednesday that the Kirameki 3 communications satellite was successfully launched on Monday, marking the completion of a three satellite system dedicated to defense to enable faster communications between JSDF units.
- On Tuesday, the Ministry of Defense [announced](#) that North Korea launched multiple ballistic missiles, which landed outside Japan’s exclusive economic zone in the Sea of Japan. The missiles flew a maximum altitude of one hundred kilometers and a maximum distance of around four hundred kilometers.

3. LDP and Komeito Begin Policy Talks with the DPFP

- On Friday, LDP and DPFP policy chiefs Onodera Itsunori and Hamaguchi Makoto [held](#) the first round of talks toward aligning policy on the FY 2024 supplementary budget and FY 2025 tax system reform, [agreed upon](#) earlier in the week.
- The DPFP reportedly demanded that the LDP consider measures to increase take home pay, such as revising the ¥1.03 million income barrier (amount income tax kicks in), and a gas tax cut and utility subsidies in the supplementary budget.
- The policy chiefs look to continue talks into next week, as President Ishiba and DPFP leader Tamaki Yuichiro plan to meet on November 11. Meanwhile, Japan Innovation Party leader Baba Nobuyuki [informed](#) Ishiba on November 10 that his party has no plans to consult on policy, after the LDP “broke the trust” by walking back on an agreement on political reform in May.
- The DPFP has [focused](#) on the ¥1.03 million income barrier as a way to increase take home pay for citizens and will not take “no” for an answer in negotiations. Tamaki [noted](#) that the anticipated loss in tax revenue can be covered by excess budget and the tax revenue surplus, which was calculated to be ¥7 trillion last fiscal year.
- On Wednesday, the LDP Tax Research Commission [held](#) an “inner” meeting of top executives, which agreed to discuss raising the income barrier ahead of tax system reform talks with Komeito and the DPFP. The DPFP [argues](#) that the ¥1.03 million

standard should be raised to ¥1.78 million to reflect the increase in minimum wage by 1.73 times from 1995 levels.

- Meanwhile, Tamaki also [met](#) with main opposition Constitutional Democratic Party (CDP) leader Noda Yoshihiko on Tuesday, agreeing to work toward political reform. Noda offered to cooperate on the ¥1.03 income barrier, though Tamaki demanded that he first consolidate the party's view on the issue.

4. LDP Grapples with Election Defeat

- Ishiba was [forced to make changes](#) to his Cabinet following last week's election, replacing Ozato Yasuhiro with Eto Taku as ag minister, Saito Tetsuo with Nakano Hiromasa as transportation minister, and Makihara Hideki with Suzuki Keisuke as justice minister. The new lineup will be announced after the prime minister confirmation vote on November 11.
- On Thursday, LDP Political Reform HQ Chair Tokai Kisaburo [revealed](#) that the HQ will hold its first meeting next week, attended by the prime minister, to discuss policy activity fees, third party oversight body, correspondence fees, and other issues.
- The LDP and Komeito, having lost their majority in the Lower House, have been [forced to give up](#) many committee chairmanship positions to schedule the special Diet session from November 11-14. The opposition will [now control](#) seven of the seventeen standing committees, four of the special committees, and the Commission on the Constitution, where constitutional amendments would be discussed.

Standing Committees	
Ruling Parties (10)	Opposition Parties (7)
Cabinet, Public Management, Foreign Affairs, Financial Affairs, Education, Health/Labor/Welfare, Agriculture, Economy, Transportation, Steering	Judicial Affairs, Environment, Security, Fundamental National Policies, Budget, Audit and Oversight, Discipline
Special Committees	
Ruling Parties (3)	Opposition Parties (4)
Disasters and Reconstruction, Nuclear Power, Regional/Children/Digital	Political Reform, Okinawa and Northern Problems, Abductions Problem, Consumer Problems
Commissions	

Ruling Parties (2)	Opposition Parties (1)
Information Protection, Political Ethics	Constitution

- As the party grapples with this new reality, the LDP held an all-member gathering on Thursday to [defuse](#) tensions, especially among conservative Abe faction members who aired their displeasure over HQ's election strategy. The gathering [focused](#) more on party unity, as members [recognized](#) in-fighting would topple the government.
- The LDP HQ's election strategy, which involved unendorsing or denying PR listing of Abe faction members, has clearly put pressure on Upper House Abe faction members, who on Wednesday [voiced](#) a desire to testify in front of the Political Ethics Hearing Committee to prevent losing endorsements in next summer's election. Members who refused to testify were unendorsed or denied PR listing.

5. Political Developments

- *Yomiuri* [reported](#) Friday that the GOJ is arranging to resume gas and utility subsidies at an early date, after the current subsidy program came to an end in October, resulting in higher gas and utility fees across all utility companies.
- Ishiba [convened](#) the inaugural session of the “HQ to Create a New Regional Economy and Living Environment,” where the GOJ [agreed](#) to focus regional revitalization efforts around five policies — improving living environments, addressing overconcentration in Tokyo, value-added local economies, utilizing digital and new technologies, and cooperation among all stakeholders. The GOJ aims to compile a ten-year plan in next June's Basic Policy (*Honebuto*).
- On Wednesday, Japan Innovation Party (*Ishin*) leader Baba Nobuyuki [announced](#) that he will not seek re-election on December 1 to retain his position as leader, following the party's underwhelming election performance outside of Osaka. Osaka Governor and co-leader Yoshimura Hirofumi is [expected](#) to be the strongest successor to Baba.
- The Board of Audit [submitted](#) its audit report for FY 2023, which [found](#) that the GOJ “wasted taxpayer money” on 345 items, or approximately ¥64.8 billion, both higher than last fiscal year. Of these, 294 items were deemed to be “inappropriate,” such as legal violations, amounting to around ¥7.74 billion (around 12 percent).
- *Sankei* [reported](#) Monday that the LDP plans to re-amend the Political Funds Control Act during the extraordinary Diet session expected in December to ban the purchase of political fundraising party tickets by foreigners and foreign corporations. Foreigners cannot donate money but can buy party tickets — a clear loophole.

- On Monday, the Tokyo Fifth Committee for the Inquest of Prosecution [ruled](#) that the prosecution's decision to drop charges against former Abe faction executives Seko Hiroshige and Hagiuda Koichi were "appropriate," though it deemed the staff responsible for accounting at Seko's political organization and [Hagiuda's secretary](#) at the time should be reinvestigated for their involvement in the slush fund scandal.

6. Economic Security and Tech Developments

- *Nikkei* [reported](#) Friday that computer memory manufacturer Kioxia Holdings plans to launch an initial public offering between December 2024-June 2025, becoming the first company to file a securities registration before listing. The company [aims](#) to explore a partnership with chip foundry Rapidus in flash memory.
- Nippon Steel Vice Chairman Mori Takahiro [said](#) Thursday that the Committee on Foreign Investments in the United States (CFIUS) review of its buyout of U.S. Steel is expected to be completed by the end of the year under the Biden administration.
- On Wednesday, Kioxia [announced](#) that it will invest a maximum of ¥36 billion in the next three years — with ¥18 billion from the Ministry of Economy, Trade and Industry (METI) — to develop energy-saving next-generation memory chips for AI.
- *Nikkei* [reported](#) that the Financial Services Agency will develop legislation to prevent domestic assets from leaving the country when a foreign-based crypto asset exchange goes bankrupt, in a measure to protect investor assets from unlawfully leaving Japan.
- The Japan Patent Office [indicated](#) that it will explore new regulations to prevent the violation of intellectual property rights by new technologies like generative AI and virtual reality. The Office also [plans to expand](#) the scope of domestic patent rights to cover internet services utilizing foreign servers, previously uncovered by the law.
- On Tuesday, the Leading-edge Semiconductor Technology Center — comprised of members like Rapidus and The University of Tokyo — [announced](#) that it will begin a talent development program with U.S. startup Tenstorrent, with plans to nurture two hundred skilled workers in the five years.

7. Key Economic/Financial Developments

- On Friday, Minister of Finance Kato Katsunobu [said](#) that the government is monitoring the foreign exchange market with "an extremely high sense of urgency, including speculative trends," as the yen depreciated to ¥154 to the dollar this week.
- On Thursday, the newly-issued ten year government bond yield — an indicator of long-term interest rates — [hit](#) 1.015 percent, the first time in three months that the

rate went over one percent, affected by the U.S. long-term interest rate rising following Donald J. Trump's victory in the presidential election.

- On Wednesday, the nation's first temporary storage facility for spent nuclear fuel [began](#) operations in Mutsu City, Aomori, first to store fuel from Kashiwazaki-Kariwa nuclear power station in Niigata. This comes as Tokyo Electric Power Co. [announced](#) the successful removal of debris from the No. 2 power plant at Fukushima Daiichi nuclear power station in a pilot program.
- *Nikkei* [reported](#) that the GOJ plans to enter a partnership with the Polish government to support the construction of nuclear power plants — small modular reactors and high temperature gas-cooled reactors — utilizing technology by Japanese firms like Toshiba, Hitachi, and IHI.
- METI Vice Minister for International Affairs Matsuo Takehiko [met](#) with PRC Vice Minister of Commerce Li Fei to discuss bilateral economic cooperation and developing business environments. The two were attending the 2024 China International Import Expo in Beijing.
- The Bank of Japan [released](#) a meeting summary from its monetary policy meeting on September 19-20, where multiple members [pointed out](#) that inflation may reignite after the U.S. presidential election due to increased fiscal spending, stronger protectionist trade measures, and held-back investments, with the possibility of rising medium- to long-term interest rates in the United States.

8. State of the Economy

- On Friday, the Ministry of Internal Affairs and Communications (MIC) [announced](#) that disposable income for households with more than two workers fell for the first time in five months to ¥402,605, as social security costs [weighed heavily](#) on take home income. Real income also fell for the first time in five months by 1.6 percent.
- On Thursday, the Ministry of Finance (MOF) [finalized](#) its economic situation report for October, which maintained the overall assessment that the economy is gradually recovering, though it [raised](#) the assessment in five out of eleven regions, including Kanto and Hokuriku, as disaster stockpiles rose.
- The Ministry of Health, Labor and Welfare (MHLW) [announced](#) that real wages fell 0.1 percent in September from the same month last year, the [second consecutive month](#) wages have gone down, as the effect of summer bonuses wore off.
- On Tuesday, the MHLW [announced](#) that the number of newborns in the first half of 2024 fell 6.3 percent from the same period last year to 329,998, [increasing the](#)

[likelihood](#) that the number of newborn babies would fall below 700,000 for the first time, as perspectives of marriage and childbirth change and the pandemic deterred couples from getting married or raising children.

- *Nikkei* [reported](#) Sunday that the number of listed firms on the Tokyo Stock Exchange experiencing final profit losses/deficits in April-September 2024 exceeded 50 percent for the first time in four years and overtook the number of firms experiencing profit. The auto industry is suffering big time as it loses sales in Southeast Asia and experiences growing competition in the United States.

II. Public Opinion Poll

- An *Asahi* poll [released](#) on Wednesday found that the Ishiba Cabinet's approval rating was 34 percent, down twelve points from early October, while disapproval was 47 percent, up seventeen points.
 - 35 percent of respondents said that they support the Ishiba Cabinet because it seems better than the alternatives; 24 percent each said because Ishiba is prime minister and because it is centered around the LDP; and 14 percent said because of its policies.
 - 36 percent of respondents said that they do not support the Cabinet because it is centered around the LDP; 30 percent said because of its policies; 18 percent said because the alternatives seem better; and 10 percent said because Ishiba is the prime minister.
 - 28 percent of respondents said that they did not vote in the PR block in the Lower House election; 20 percent said the LDP; 15 percent said the CDP; 9 percent said the DPFP, 5 percent said Komeito; 4 percent said *Reiwa Shinsengumi*, 3 percent each said *Ishin* and the Conservative Party, and one percent each said *Sanseitō*, the Japan Conservative Party, and the SDP.
 - 64 percent of respondents said that they believe it was good that the ruling parties lost the majority, while 22 percent said it was not a good thing.
 - 51 percent of respondents said that they can trust Ishiba after seeing his contradictory remarks following inauguration, while 26 percent said they did not trust him.
 - 61 percent of respondents said that Ishiba should not step down after last Sunday's election results, while 24 percent said he should resign.
 - 43 percent of respondents said that they want the LDP to remain the central party in the ruling coalition, while 32 percent said they want the opposition to replace it.
 - 42 percent of respondents said that they believe the DPFP should use its new found influence in the Diet to coordinate opposition cooperation, while 33 percent said the party should coordinate with the LDP and Komeito.

- 63 percent of respondents said that they agree with the LDP, Komeito, and DPFP on the need for policy coordination, while 23 percent said they oppose it.
- 82 percent of respondents said that they believe the LDP and Komeito's defeat was largely a product of the slush fund scandal, while 12 percent disagreed.
- 82 percent of respondents said that they could not accept the LDP depositing ¥20 million to slush fund implicated, unendorsed candidates, while 8 percent said they would accept it.
- 67 percent of respondents said that they could not accept the fact that the LDP let back in four slush fund implicated lawmakers, while 21 percent said that they can.
- 73 percent of respondents said that they believe Ishiba should work to unravel the facts behind the slush fund scandal, while 19 percent said they believe there is no need for that.
- 66 percent of respondents said that they do not prioritize the use of social media related to politics, while 29 percent said that they do.
- The survey also collected data on the latest approval ratings of political parties.

Political Party	Approval Rating (%)
Liberal Democratic Party	26 (-7)
Constitutional Democratic Party	13 (+7)
Japan Innovation Party	2 (± 0)
Komeito	3 (± 0)
Japan Communist Party	2 (+1)
Democratic Party for the People	10 (+8)
Reiwa Shinsengumi	3 (+2)
Social Democratic Party	0 (± 0)
Suffrage Party (Sanseitō)	1 (± 0)
Japan Conservative Party	1 (-)
Independent (No Party)	29 (-13)