

## ***The Weekly Observer***

November 11-15, 2024

*The 146<sup>th</sup> edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on Ishiba's first diplomatic trip, Foreign Minister Iwaya's engagements at APEC, reported plans by the U.S. Military to relocate functions to Tokyo city center, Ishiba surviving the PM confirmation vote, the upcoming extraordinary Diet session, prospects for political reform, support for the AI and chip industry in the stimulus package, main opinions from the BOJ's October monetary policy meeting, the current account surplus in the first half of 2024, and more.*

## **By Content**

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

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

1. Ishiba Embarks on First Diplomatic Trip
2. Foreign Policy Developments
3. Defense/Security Developments

#### **Domestic Politics**

4. Ishiba Survives PM Confirmation Vote
5. Extraordinary Diet Session to Focus on Stimulus Package and Political Reform
6. Political Developments

#### **Economics/Finance**

7. Economic Security and Tech Developments
8. Key Developments
9. State of the Economy

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

1. Kyodo News (11/17)

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

### **1. Ishiba Embarks on First Diplomatic Trip**

- Prime Minister Ishiba Shigeru [embarked](#) on his first diplomatic visit to Peru and Brazil for the APEC and G20 summits from November 14-21.
- During the APEC Summit, Ishiba [emphasized](#) the importance of a fair and transparent, rules-based trade and investment environment, climate-resilient high-quality infrastructure, and the promotion of women's economic empowerment.
- The Machu Picchu Declaration [issued](#) after the summit stated the importance of taking advantage of new opportunities while minimizing the risks they pose, as well as steps toward achieving an inclusive and sustainable economic growth agenda.
- Ishiba [participated](#) in a trilateral summit with U.S. President Joe Biden and ROK President Yoon Suk-yeol, where the leaders agreed to establish the trilateral coordinating secretariat to reinforce trilateral cooperation on issues like policies toward North Korea. Ishiba also had standalone summits with [Biden](#) and [Yoon](#), reiterating the importance of bilateral relations and cooperation.
- Ishiba also [held](#) his first summit with Chinese President Xi Jinping, where the two leaders reaffirmed a desire for mutually beneficial strategic relations and constructive and stable bilateral ties. They agreed to steadily implement announcements regarding the discharge of treated nuclear wastewater and China's import ban on seafood.
- Ishiba was [unable to secure](#) a meeting with President-elect Donald Trump on the return leg of his diplomatic trip, as Trump is reportedly focused on finalizing his Cabinet appointments. Some also argue that Trump has no need to meet world leaders like in 2016, given that he no longer needs to show credibility on the world stage.

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

- On Sunday, Ishiba [held](#) a bilateral summit meeting with Peruvian President Dina Boluarte, where the leaders adopted a roadmap for the next decade. The two concluded memorandums on energy transition and mineral resources, with Ishiba stating a desire to cooperate on mineral resource supply chain resilience.
- On Saturday, Minister for Foreign Affairs Iwaya Takeshi [met](#) Ukrainian Foreign Minister Andrii Sybiha, where the two agreed to reinforce intelligence sharing and hold high-level security policy dialogues. The two countries [signed](#) an agreement on the security of information, protecting shared information related to security.

- The G7 leaders [issued](#) a statement reaffirming “unwavering support” for Ukraine and committed to imposing severe costs on Russia, the sole obstacle to just and lasting peace, through sanctions, export controls, and other effective measures.
- On Thursday, Iwaya [met](#) with U.S. Secretary of State Antony Blinken, where the ministers agreed to further strengthen the alliance and exchanged views on regional issues related to China, North Korea, and the situation in Ukraine.
- Iwaya also [met](#) with ROK Foreign Minister Cho Tae-yul, where the two ministers agreed to work closely to further elevate bilateral relations toward the sixtieth anniversary of diplomatic relations next year. The two discussed North Korea and shared concerns about deepening North Korea-Russia military cooperation.
- *Nikkei* [reported](#) Wednesday that Japan and the United Kingdom plan to establish an economic “2+2” to coordinate trade negotiations with the incoming Trump administration, which has hinted at higher tariffs and further protectionist measures.

### 3. Defense/Security Developments

- On Saturday, LDP policy chief Onodera Itsunori [indicated](#) that Japan and the United States could revise the Status of Forces Agreement to enable the construction of a joint military exercise facility in Tinian, Northern Mariana Islands.
- On Friday, the Ministry of Defense (MOD) [announced](#) that it selected the MQ-9B Sea Guardian as the JMSDF’s new unmanned aerial vehicle (UAV). The MOD [allocated](#) ¥26.2 billion in its FY 2025 budget request to acquire the UAV from General Atomics Aeronautical Systems, with plans for first deployment in FY 2028 and the deployment of twenty-three UAVs by around FY 2032.
- On Wednesday, Japan, the United States, and South Korea [commenced](#) the second trilateral “Freedom Edge” exercise for multi-domain warfare in sea, air, and cyber domains. The three countries aim to enhance interoperability as common threats increase in East Asia, including North Korea, Russia, and China.
- *Kyodo* [reported](#) Tuesday that Minister of Defense Nakatani Gen is arranging to meet Chinese Defense Minister Dong Jun on November 21 on the sidelines of the ASEAN Defense Ministers’ Meeting Plus in Vientiane, Laos. This would be Nakatani’s first meeting with Dong and the first defense ministers’ meeting since June.
- U.S. military newspapers *Stars and Stripes* [reported](#) that the U.S. Military is exploring the option of relocating some functions from Yokota Air Base to a facility in Roppongi, as the U.S. Military and JSDF revise command and control functions

toward enhancing interoperability. Roppongi is only around three kilometers away from Ichigaya, where the JSDF's Joint Command HQs will be located.

- *Nikkei* [reported](#) that the ruling parties may work with the Democratic Party for the People (DPFP) on not just economic policy but security policy, following leader Tamaki Yuichiro's request to Ishiba to move forward swiftly on tabling legislation to implement "active cyber defense" to the Diet.

#### 4. Ishiba Survives PM Confirmation Vote

- On Monday, Ishiba was [re-elected](#) prime minister in the Diet, after the confirmation vote went to the first run-off in thirty years, contested between him and main opposition Constitutional Democratic Party (CDP) leader Noda Yoshihiko (221-160).
- Ishiba [leads](#) the first minority government in thirty years following the ruling Liberal Democratic Party (LDP) and Komeito lost their majority in the Lower House in a general election held on October 27.
- The prime minister [said](#) in a press conference after the vote that his government aims to gain the understanding of as many parties as possible, reflecting a new reality in which the government needs opposition party votes to pass legislation.
- The minority government [faces](#) three major tests early on — the FY 2025 budget and tax system reform, political reform, and Diet affairs — which may make or break the administration. *Sankei* [suggested](#) that the LDP may begin making moves to remove Ishiba after the FY 2025 budget is passed next spring.
- Ishiba [announced](#) his Cabinet picks on Wednesday, after he swapped out three ministers who had lost their elections last month. Notably, he did not name a single Diet member implicated in the slush fund scandal among the twenty six state ministers and twenty-eight parliamentary vice ministers, reflecting his desire to keep negative media attention away from his administration.
- Meanwhile, the opposition [secured](#) twelve out of the twenty-seven Lower House committee and commission chairmanships, including key posts like Budget Committee (Azumi Jun) and the Commission on the Constitution (Edano Yukio). This will [enable](#) the opposition to push forth their own agenda in Diet proceedings.

#### 5. Extraordinary Diet Session to Focus on Stimulus Package and Political Reform

- On Friday, the LDP [proposed](#) scheduling the extraordinary Diet session from November 28-December 21, with [reported plans](#) to hold Ishiba's policy speech on

November 29, leaders' Q&A from December 2-4, and a Budget Committee session requested by the opposition on political reform from December 5-6.

- A major discussion point during the session will be the stimulus package and the FY 2024 supplementary budget to finance it. The GOJ [plans to form](#) a budget of over ¥13 trillion, including cash handouts to low-income households and gas subsidies.
- The ruling parties are currently negotiating with the Democratic Party for the People (DPFP) to ensure passage of the budget, with the DPFP [demanding](#) chiefly among other items measures to address the ¥1.03 million income threshold (income tax). Whether the ruling parties [agree to forgo](#) significant tax revenue to appease the DPFP will be a litmus test for the future of the so-called “partial coalition.”
- Ishiba and DPFP leader Tamaki Yuichiro [met](#) on Monday to discuss the stimulus package, where the latter demanded that the ruling parties include the aforementioned policy and commit to political reform, including abolishing policy activity fees.
- The ruling parties [presented](#) a draft of its stimulus package to the DPFP during a policy chiefs' meeting on Friday, which largely included the latter's demands [made](#) during the initial talks on Tuesday, but notably left out the ¥1.03 million income barrier question and gas tax cuts.
- Though talks are ongoing, DPFP deputy leader Furukawa Motohisa [said](#) over the weekend that his party would vote against the budget if its demands are not met. The party also [reportedly plans](#) to submit legislation during the extraordinary Diet session outlining the method and timeline for raising the income tax threshold to ¥1.78 million, which it argues [reflects](#) the change in wages since 1995.

## 6. Political Developments

- *Nikkei* [reported](#) Friday that the LDP's political reform proposal to be submitted to the Diet includes abolishing the policy activity fees, swift establishment of a third-party oversight body, suspending political party grants for indicted Diet members, and banning foreigners from purchasing political fundraising party tickets.
- The LDP General Council [approved](#) its basic approach to selecting party district chiefs in the next Lower House election, which will place candidates who have lost in the past two elections in single-member districts and resurrected in proportional representation (PR) lower on the PR list, below those who have won in their districts.
- Komeito [approved](#) its plan for political reform, which included “legally abolishing” policy activity fees, setting up a third-party administrative oversight body to monitor

political funding and empowering it to request documents and conduct on-site inspections. The body can also dish out punishments for non-compliance.

- *Jiji* [reported](#) Thursday that Upper House Abe faction members have voiced a desire to testify in front of the Political Ethics Hearing Committee, as they fear failure to do so will result in losing the party's endorsement in next summer's election. Others believe this would open "Pandora's box," as Upper House members have a separate allegation over receiving all — not just amounts above quotas — sales as kickbacks.
- On Tuesday, Osaka Governor and co-leader of the Japan Innovation Party Yoshimura Hirofumi [announced](#) that he plans to stand in the party's leadership election to be held on December 1, promising to restructure the party after its disappointing election performance which saw the party lose five seats and almost three million PR votes.
- *Mainichi* [reported](#) Monday that Ishiba has finalized plans to abolish policy activity fees, with plans to also consider donating amounts equivalent to kickbacks — some ¥700 million — to state coffers. Ishiba [asked](#) CDP leader Noda the same day to cooperate on political reform efforts, to which Noda responded that the final conclusion should be made in a leaders' meeting between the two.

## 7. Economic Security and Tech Developments

- *Sankei* [reported](#) Thursday that the GOJ's economic stimulus package will include approximately ¥6 trillion for subsidies related to R&D and ¥4 trillion for loans and loan guarantees to develop next-generation semiconductors and AI. Funding will come from selling GOJ owned stocks, bonds, and excess funds in state coffers.
- *Nikkei* [reported](#) that the EUV lithography machines to be used at Rapidus's facilities to manufacture next-generation chips will arrive in Hokkaido mid-December. The chip foundry plans to install around two hundred machines at its facilities. This is the first time that the Dutch ASML Holdings' machines will be brought to Japan.
- Renesas Electronics [announced](#) that it developed a chip that will serve as the "brain" for advanced driver-assistance systems (ADAS) equipped vehicles, which will be three-nanometers and improve electricity efficiency by 30 percent. The company aims to begin circulating samples in 2025 and begin manufacturing in 2027.
- On Wednesday, Nvidia's Jensen Huang [indicated](#) a desire to reinforce supply chains, leaving open the possibility that Rapidus produces chips for the company in the future. Huang was in Japan for the AI Summit, where Nvidia and SoftBank [announced](#) a project to create a nationwide AI grid that will turn 200,000 base stations into "mini data centers."

- On Tuesday, Ishiba [announced](#) that the GOJ will establish a study group to discuss challenges related to data utilization in key sectors like medicine and finance, with plans to [craft](#) basic guidelines by the summer of 2025.
- *Nikkei* [reported](#) over the weekend that Kioxia Holding aims for an initial public offering between December 2024 and June 2025, becoming the first company to submit a securities registration statement to the Japan Financial Services Agency before listing on the Tokyo Stock Exchange (shortens process).

## 8. Key Economic/Financial Developments

- *Nikkei* [reported](#) Friday that the Ministry of Health, Labor and Welfare (MHLW) plans to raise the level of national pension benefits by around 30 percent by redirecting a part of welfare pension insurance premiums to the national pension. Though finances are [improving](#) due to more women and elderly citizens joining welfare pensions, mid-to long-term funding will be key as more spending constrains the government.
- Kansai Electric Power Co.'s No. 1 reactor at Takahama nuclear power station [reached](#) a milestone fifty years since operations started, the first among Japanese power plants. Meanwhile, Tohoku Electric Power Co.'s No. 2 reactor at Onagawa nuclear power plant [plans to begin](#) electricity generation on November 15.
- On Wednesday, Seven & i Holdings [announced](#) that the founding family of the company submitted a buyout bid to counter the bid made by Canadian supermarket chain owner Alimentation Couche-Tard. The takeover bid would require over ¥7 trillion to secure all shares.
- *Nikkei* [reported](#) that the GOJ will set standards related to the circular economy by FY 2026, streamlining the evaluation of environmentally-friendly firms and products. This is expected to encourage transparency in disclosure of various eco-related indicators among companies.
- On Monday, the Bank of Japan (BOJ) [announced](#) a summary of opinions from its monetary policy meeting from October 30-31, which [indicated](#) optimism toward hiking rates as economic indicators are “mostly as anticipated.” This has [led to speculation](#) that the BOJ will further hike rates in December.
- *Nikkei* [reported](#) Sunday that the MHLW plans introduce regulations banning consecutive labor for over two weeks, changing rules that permit work for forty-eight consecutive days. This is expected to help secure the health and safety of workers.

## 9. State of the Economy



- On Friday, the Cabinet Office (CAO) [announced](#) that the provisional real GDP growth rate in July-September was 0.2 percent from the previous quarter and a 0.9 percent increase on an annual basis. Individual consumption [pushed up](#) GDP growth and contributed to the second consecutive quarter of growth.
- On Wednesday, the BOJ [announced](#) that the corporate goods price index in October rose 3.4 percent from the same month last year, [increasing](#) from 3.1 percent in September and reaching heights last seen in August 2023 (3.5 percent). The main contributor to high corporate prices was high rice prices.
- The yen [depreciated](#) to ¥155 to the dollar for the first time in three months as U.S. bond sales increased with the victory of Donald Trump in the presidential election, raising interest rates and enlarging the gap between Japan and the United States.
- On Monday, the Ministry of Finance [announced](#) that Japan ran a ¥15.83 trillion current account surplus in the first half of FY 2024, a record-high on a half-year basis and a 12.3 percent increase in the surplus from the previous year.
- In the same period, Japan [ran](#) a ¥2.42 trillion deficit, a 86.8 percent increase in the deficit from the same period last year. Both exports and imports increased, though imports increased at a faster pace as medicine, telecommunications equipment, and energy imports increased.

## **II. Public Opinion Poll**

- A *Kyodo* poll [released](#) on Sunday found that the Ishiba Cabinet's approval rating was 40 percent, up eight points from early October, while disapproval was 39 percent, down twelve points.
  - 45 percent of respondents said that they support the Ishiba Cabinet because it seems better than the alternatives; 23 percent each said because they trust the prime minister; and 16 percent said because it is the LDP-Komeito coalition.
  - 33 percent of respondents said that they do not support the Cabinet because they have no hope for its economic policies; 18 percent said because it is the LDP-Komeito coalition; and 15 percent said because they do not trust the prime minister.
  - 68 percent of respondents said that they would like the LDP and Komeito to remain a minority government and cooperate on a policy-by-policy basis with opposition parties, while 26 percent said they want the LDP and Komeito to add an opposition party to the coalition and secure a majority.
  - 57 percent of respondents said that they believe the opposition parties need to strengthen cooperation, while 39 percent said there is no need for cooperation.

- 67 percent of respondents said that they would like the DPFP to choose its partners based on individual issues; 18 percent said they want the DPFP to prioritize cooperation with opposition parties; and 12 percent said they want the DPFP to prioritize cooperation with the ruling parties.
  - 67 percent of respondents said that corporate and organizational donations should be banned, while 26 percent said it does not need to be banned.
  - 67 percent of respondents said that they disapprove of ¥30,000 cash handouts for low-income households as inflation relief, while 29 percent said they approve.
  - 39 percent of respondents said that they “somewhat support” revising the ¥1.03 million income tax threshold; 31 percent said they “support” it; 16 percent said they are “somewhat opposed”; and 11 percent said they “oppose” it.
  - 49 percent of respondents said that they do not see issues with DPFP leader Tamaki Yuichiro’s “character” following reports of his extramarital affair, while 48 percent said there is an issue.
  - 56 percent of respondents said that they believe Japan-U.S. relations will not change with the election of Donald Trump; 32 percent said it will worsen relations; and 8 percent said it will improve relations.
- The survey also collected data on the latest approval ratings of political parties.

Political Party	Approval Rating (%)
Liberal Democratic Party	31 (-1)
Constitutional Democratic Party	15 (-5)
Japan Innovation Party	4 (-1)
Komeito	4 (+1)
Japan Communist Party	3 (+1)
Democratic Party for the People	9 (-1)
Reiwa Shinsengumi	7 (±0)
Social Democratic Party	0 (-1)
Suffrage Party (Sanseitō)	3 (+1)
Japan Conservative Party	2 (±0)
Independent (No Party)	21 (+6)