

## ***The Weekly Observer***

February 10-14, 2025

*The 159<sup>th</sup> edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on the GOJ's reaction to Trump's tariff announcements, the possibility of PM Ishiba visiting China, the upcoming Japan-U.S.-ROK trilateral foreign ministers' meeting, the potential Japan-U.S. defense ministers' meeting next month, the annual budget talks in the Diet, discussions over social media regulations during elections, the GOJ's revised Economic Security Promotion Act guidelines, updates on the GOJ's AI legislation, the GOJ's unprecedented decision to release stockpiled rice, Japan's current account surplus in 2024, and more.*

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

### **1. GOJ Reacts to Trump Tariff Announcements**

- On Friday, Chief Cabinet Secretary Hayashi Yoshimasa [told](#) reporters that the GOJ has started communicating with the U.S. Government over its announcement of reciprocal tariffs on countries levying high tariffs on U.S. products.
- According to the World Trade Organization, the average tariff rate [levied](#) by Japan is 3.7 percent, relatively lower than China (7.5 percent) and the European Union (5 percent). However, the Trump administration may levy higher tariffs based on non-trade barriers like safety inspections for automobiles and quality-based restrictions on rice imports.
- *Asahi* [reported](#) that the reciprocal tariff announcement came as a surprise to the GOJ, having just completed a successful summit between Prime Minister Ishiba Shigeru and President Donald Trump. Concerns remain that the Trump administration may target automobiles, which were left out of tariffs and trade talks last time.
- Meanwhile, Hayashi also [commented](#) on Wednesday regarding the Trump administration's blanket 25 percent steel and aluminum tariffs starting next month, stating that the GOJ requested an exemption.
- Japan was given a [partial exemption](#) on a selected amount of imports when the first Trump administration levied Section 232 tariffs in March 2018. The new executive order states that there will be no exemptions.
- The GOJ has also [announced](#) a one-month insurance program starting March 12 for companies affected by the steel and aluminum tariffs. The Nippon Export and Investment Insurance (NEXI) will provide insurance for "extremely dangerous" situations akin to war or disaster in cases where Japanese companies lose contracts with U.S. companies that will now have to pay more for imported products.

### **2. PM Ishiba Visit to China in May Floated as Possibility**

- *Jiji* [reported](#) Wednesday that Ishiba may visit China as early as May for his second in-person summit with President Xi Jinping. The GOJ views a Ishiba-Xi summit as the next step after the successful Ishiba-Trump summit. The GOJ is also contemplating a visit after the ordinary Diet session ends in late June.
- The GOJ has been making efforts to improve relations with China, sending Minister for Foreign Affairs Iwaya Takeshi and a ruling party delegation to Beijing in the past few months. Japan aims to strengthen relations with the United States while maintaining stable relations with China.

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- Beijing seems to be making overtures, with the Japan Coast Guard [finding](#) a buoy placed near the Senkaku Islands in July 2023 removed from inside Japan's exclusive economic zone. The GOJ declined to comment, as the other buoy placed in December near Yonaguni Islands remains in place. Despite seemingly improving ties, China has not addressed other issues like the detainment of Japanese nationals and stabbing incidents involving Japanese nationals fueled by anti-Japanese sentiment.
- On Monday, Director-General of the Department of Asian Affairs of the Foreign Ministry Liu Jinsong [summoned](#) Chief Minister of the Japanese Embassy in China Yokochi Akira to express Beijing's "serious concerns and strong dissatisfaction over negative moves" made against China during the Ishiba-Trump summit.
- Interestingly, a Cabinet Office survey [released](#) on Friday found that 14.7 percent of Japanese respondents between October-November 2024 felt some or strong affinity for China, two points [higher](#) than the previous survey in September 2023, likely due to the resumption of seafood imports. This was the first time numbers improved since mail-in surveys were conducted in 2020.

### 3. Foreign Policy Developments

- On Friday, the Ministry of Foreign Affairs [announced](#) that Japan will receive Brazilian President Luiz Inácio Lula da Silva as a state guest from March 24-27. This is the [first state visit](#) by a foreign leader in the post-pandemic era.
- Iwaya [announced](#) that a Japan-U.S.-ROK trilateral foreign ministers' meeting will be held in Munich, Germany, on the sidelines of the Munich Security Conference. Iwaya is also expected to [attend](#) a G7 foreign ministers' meeting.
- *Jiji* [reported](#) that the Japan-PRC-ROK trilateral foreign ministers' meeting may take place in Tokyo as early as March 22, with Japan and China also planning to hold a "High-Level Economic Dialogue" on the occasion.
- On Wednesday, Ishiba [held](#) a summit meeting with President Surangel S. Whipps of the Republic of Palau. The two discussed cooperation toward the Eleventh Pacific Island Leaders Meeting (PALM11) in 2027, set to be chaired by Palau.
- Special Advisor to the Prime Minister on security issues Nagashima Akihisa [visited](#) the five Central Asian countries from January 29-February 8, where he discussed bilateral relations and cooperation ahead of the "Central Asia Plus Japan" dialogue to be held on a later date.

### 4. Defense/Security Developments

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- On Thursday, two French vessels part of the aircraft carrier strike group led by aircraft carrier Charles de Gaulle made a [port call](#) at U.S. White Beach Naval Facility in Uruma City, Okinawa, as part of the first French deployment in the Pacific since the 1960s. To this end, the Japanese, American, and French navies [commenced](#) the Pacific Steller Exercise on Monday in the waters east of the Philippines.
- *Jiji* [reported](#) Wednesday that Minister of Defense Nakatani Gen and U.S. Secretary of Defense Pete Hegseth may meet in Tokyo for a ministerial meeting in late March to discuss strengthening the alliance and improving command and control coordination.
- Nakatani [told](#) reporters that the JS Noshiro, the third ship of the Mogami-class frigates, will conduct joint exercises with the Australian Navy starting February 17. The move is expected to be a way to “sell” Japan’s bid for the Australian Navy’s frigate program. Special Advisor to the Defense Minister Wakamiya Kenji is [visiting](#) Australia from February 11-16 likely to discuss the matter with government officials.
- *Asahi* [reported](#) Tuesday that Vice Chief of Staff LTG Nagumo Kenichiro will be tapped as the first commander of the Joint Operations Command to be established on March 24. He will be tasked with leading operations by the three services and coordinating with the U.S. Military.
- The Joint Staff [announced](#) that one Russian Navy intelligence vessel traversed the contiguous zone around mainland Okinawa and Miyazaki prefecture on February 1-2, the first time a Russian vessel has come into the zone around Miyazaki. The same type of vessel navigated waters between Okinawa and Miyakojima in November.
- On Monday, the GOJ [announced](#) that it will provide the Mongolian Air Force with air traffic control radars as part of its “official security assistance” (OSA) program. Mongolia is geopolitically important given its proximity to China and Russia.

### 5. GOJ to Revise Annual Budget in Diet for First Time Since 1996

- *Mainichi* [reported](#) Thursday that the GOJ is expected to accept revisions to the FY 2025 annual budget in the Diet to ensure passage by the end of the fiscal year, the first time this will occur since 1996 and the fifth time in history.
- The Diet [began](#) deliberations on the FY 2025 tax system reform-related bills on Friday. Ishiba indicated that the GOJ will listen to opposition views to foster a wide consensus among parties. The Diet schedule for the coming week is as follows:
  - The Lower House Steering Committee [decided](#) on Thursday that five bills, including the “active cyber defense” bill and tax system reform-related bills, will

be designated as “important agenda items” requiring a certain number of deliberation hours and the prime minister’s attendance.

- The Lower House Budget Committee [decided](#) to hold a session of intense deliberation with the prime minister and relevant ministers on February 17 on foreign policy and security.
- The Lower House Budget Committee [decided](#) to hold a session of intense deliberation with the prime minister and relevant ministers on February 19 on political funding. The opposition also urged the ruling parties to receive a formal response from the indicted ex-Abe faction accounting staff over testimony on the political fundraising scandal.
- On Friday, CDP leader Noda Yoshihiko [revealed](#) its revised proposal for the annual budget, amounting to ¥3.79 trillion to include its desired policies like free high school education and higher high-cost medical expense benefits, as well as budget cuts and utilization of reserve funds and government funds to compensate for increased budget amounts. The ruling parties and the CDP will [discuss](#) the proposal next week.

Main Revisions Demanded by CDP			
Additions		Cuts	
Scrap provisional gas tax	¥1.49 trillion	Reserve funds	¥500 billion
Free school lunches	¥490 billion	Basic pension payments	¥458.2 billion
Expanding free high school education	¥370.9 billion	Accumulated government funds	¥2.74 trillion
Improving work environment for nursing care and disability workers	¥422.5 billion	Regional revitalization grants	¥100 billion

- The ruling parties and the Japan Innovation Party (*Nippon Ishin no Kai*) [began negotiations](#) over axing the “less than ¥5.9 million” annual income criteria on tuition subsidies for private high schools to provide more subsidies for private schools, as well as scrapping the “less than ¥9.1 million” criteria for fixed public and private school subsidies of ¥118,800 per year. Ishin is demanding that the amount be raised from ¥396,000 to ¥630,000 as negotiations continue ahead of the budget vote.

- Meanwhile, the ruling parties and Ishin continued negotiations on Monday over social insurance reform, of which the latter is demanding several reform including exclusion of commercially available medical products and increasing the burden on high-income senior citizens to cut national medical care costs by at least ¥4 trillion and social insurance fees for working age citizens by ¥60,000 annually, respectively.
- On Thursday, the ruling parties' tax chiefs discussed further raising the income tax exemption threshold from the GOJ-proposed ¥1.23 million ahead of the resumption of talks with the Democratic Party for the People (DPFP). The secretary generals of Komeito and the DPFP agreed on Friday to make a breakthrough on the matter, in effect pressuring the LDP to raise the threshold (Komeito proposing the latter half of ¥1.40~ million based on increases in food prices).

## 6. Other Political Developments

- On Friday, the ruling and opposition parties agreed to work on social media regulations during elections by adding “taking necessary measures” as a supplementary provision to the amended Public Offices Election Act, which aims to tackle the campaign poster issue. It will also attempt to prevent “double teaming” between a candidate and another candidate who has no intention of winning.
- The Upper House Political Ethics Hearing Committee agreed to hear testimony from ex-Abe faction members Miyamoto Shuji and Yamada Hiroshi on February 19. Three more members are yet to testify on the political scandal.
- On Thursday, the executive board of the Lower House Commission on the Constitution agreed in principle to hold the first meeting in this Diet session as early as March 6 to discuss maintaining Diet functions during emergencies and national referendums in the age of fake news.
- On Wednesday, the LDP’s “working team on the state of the surname system” met for the first time since Ishiba took office, though the party is far from consensus on whether to approve separate surnames or enhance the use of maiden names as “common names” used in everyday life.
- The Hiroshima High Court ruled that the redistricting in last year’s Lower House election in two districts in the prefecture were constitutional, as the vote disparity of 2.06 times was deemed within the bounds of normalcy. The court argued that the redistricting formula itself did not cause the weight of votes to diminish.
- On Tuesday, the DPFP approved its action plan for 2025 at its party convention, which continues to position “increasing take-home pay” as a priority policy and committed to raising the income tax exemption threshold and achieving a gas tax cut.

7. GOJ Revises Guidelines for Economic Security Law

- On Friday, the GOJ [approved](#) revisions to the basic guidelines and ordinances related to the Economic Security Promotion Act (ESPA), which now includes a provision enabling the government to temporarily nationalize facilities producing items designated as critical to national security.
- Under SPA, the GOJ has designated twelve items, including semiconductors and storage batteries, as “specified critical products.” While the law mentions measures for when stable supply of said products is difficult, it did not specify concrete measures until the amendments.
- The GOJ envisions utilizing this new measure in situations like when an emergency increase in products like masks becomes necessary during a pandemic, or when there is a risk of critical technology leaks from a facility.
- The GOJ will temporarily nationalize facilities after which it will subcontract the production of specified critical products or the operation of the facility to private sector firms.
- Japan already has a similar scheme in the defense sector under the 2023 law designed to strengthen the defense industrial base. Under this law, the GOJ can nationalize facilities and subcontract operations when companies face bankruptcy or have challenges succeeding businesses.

8. Economic Security and Tech Developments

- On Friday, the LDP’s Digital Society Promotion HQ and others [approved](#) the GOJ’s AI legislation, designed to promote domestic innovation through measures to be listed in a Basic AI Plan and protect citizens’ rights and interests from malicious AI use by empowering the GOJ to investigate and instruct businesses to redress issues.
- Fujitsu [announced](#) that it will start a cloud service program for generative AI in FY 2025, reducing costs for developers who can utilize its servers. It enables companies to store confidential data while keeping the data in-country at Fujitsu’s data centers.
- *Nikkei* [reported](#) Thursday that the Ministry of Education, Culture, Sports, Science and Technology (MEXT), the University of Tokyo, and others plan to strengthen efforts to bring Indian students to Japan, including ¥3 million per student subsidies for graduate school students studying areas like AI and deploying recruiting agents to India.

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- *Nikkei reported* Wednesday that the Ministry of Internal Affairs and Communications (MIC) plans to commence a pilot program in FY 2025 utilizing generative AI to swiftly identify the origin point of distributed denial of service (DDoS) cyber attacks.
- Nippon Steel Vice Chairman Mori Takahiro [left](#) Japan for the United States to lay the groundwork for talks between the company and the Trump administration over its proposal to make U.S. Steel a wholly-owned subsidiary. Trump has stated that no company will own U.S. Steel, indicating Nippon Steel would invest more instead.
- On Tuesday, the GOJ [signed](#) the Council of Europe Framework Convention on AI and Human Rights at the AI Action Summit in Paris, France, the first international legally binding document promoting AI is developed and used in ways that are consistent with human rights, democracy, and the rule of law. Japan views this as a good effort in line with its Hiroshima AI Process launched in May 2023.

### 9. Key Economic/Financial Developments

- On Friday, Minister of Agriculture, Forestry and Fisheries (MAFF) Eto Taku [revealed](#) that the GOJ will release 210,000 tons of stockpiled rice to address the rice shortage resulting in hiked prices for a staple food item. The GOJ reserves the right to buy back once the situation is resolved. Rice is likely to hit the market in late March/early April. This is the [first time](#) the GOJ is releasing its stockpile to facilitate distribution.
- *Nikkei reported* that the Ministry of Health, Labor and Welfare (MHLW) plans to raise the welfare pension insurance premium in three phases starting September 2027 over two years to raise the premium in a way that does not lead to excessive burden on the working age population. The incremental raise will lead to monthly rates on salary increasing from ¥650,000 today to ¥750,000 in September 2029.
- On Thursday, Honda and Nissan [announced](#) an end to merger talks after negotiations collapsed over Nissan's desire for an equal partnership and Honda's proposal to first start with Nissan's reorganization (therefore Honda as stronger partner).
- On Wednesday, Foxconn Chairman Yong Liu [told](#) reporters that his company has approached Renault — Nissan's largest shareholder — for a “partnership, not buyout,” of the company following the collapse of a merger with Honda. He said the company is interested in partnering with Japanese automakers on EV design and contract manufacturing and expressed no interest in joining the auto market itself.
- *Nikkei reported* Monday that the Japan Financial Services Agency (JFSA) is exploring the idea of positioning cryptocurrency as a financial instrument equivalent to securities, which would promote consumer protection via stronger information disclosure requirements and the possible introduction of exchange-traded funds.

- The yield on newly-issued ten-year JGBs in the domestic bond market reached 1.32 percent, the first high since April 2011 as the U.S. interest rate hike spilled over and the recent growing speculation of an added interest rate hike by the Bank of Japan (BOJ) encouraged bond selling.

## 10. State of the Economy

- On Thursday, the BOJ announced that the corporate goods price index in January rose 4.2 percent from the same month last year to 125.3, a higher rate of increase than 3.9 percent recorded in December 2024. Price increases for agricultural products like rice contributed to the better-than-estimate increase in good prices.
- On Monday, the Cabinet Office (CAO) released January's Economy Watchers Survey, which found that the seasonally adjusted diffusion index fell 0.4 point from December 2024 to 48.6, the first decrease in three months as savings increased due to price increases. CAO maintained the assessment that the "economy has continued moderate recovery."
- The Ministry of Finance (MOF) announced that Japan ran a ¥29.26 trillion current account surplus in 2024, a 29.5 percent increase from 2023 and the second consecutive year the surplus amount increased. A decline in the trade balance deficit, return on investment, and tourism-related consumption led to a record-high surplus.
- The trade balance deficit shrunk 40 percent from 2023 to ¥3.9 trillion, with exports increasing 4.5 percent to ¥104.87 trillion off yen depreciation and chip and auto-related sales, while imports also increased 1.8 percent to ¥108.77 trillion as electronics and nonferrous metals increased and energy-related imports fell.
- The MOF also announced that Japan's national debt (JGBs, borrowings, and financing bills) at the end of last year amounted to ¥1,317.64 trillion, a record high and a ¥7.19 trillion increase from September 2024 as the government issued new JGBs to finance its budgets.

## II. Public Opinion Poll

- An NHK poll released on Monday found that the Ishiba Cabinet's approval rating was 44 percent, up five points from January, while disapproval was 35 percent, down five points.
  - 35 percent of respondents said that they approve of the Ishiba Cabinet because it is better than the alternatives; 32 percent said because they trust the prime minister; and 16 percent said because it includes a party they support.
  - 33 percent of respondents said that they disapprove because they have no expectations for its policies; 24 percent said because it lacks executive ability; and 15 percent said because they do not trust the prime minister.

- 55 percent of respondents said that they somewhat approve of the GOJ's approach to negotiate with the opposition to pass the budget; 19 percent said they somewhat disapprove; 11 percent said they strongly approve; and 8 percent said they strongly disapprove.
- 51 percent of respondents said that they believe the ¥1.03 million income tax exemption threshold should be raised from the GOJ-proposed ¥1.23 million; 28 percent said ¥1.23 million is appropriate; and 9 percent said they oppose the hike.
- 50 percent of respondents said that they believe high school education should be made free but with income restrictions; 31 percent said it should be made free without income restrictions; and 13 percent said they oppose free education.
- 36 percent of respondents said that they do not expect much from the opposition in terms of election cooperation in the Upper House race; 33 percent said they have some expectations; 12 percent said they have no expectations; and 10 percent said they have great expectations.
- 57 percent of respondents said that they believe Trump's tariffs will have a negative effect on Japan; 22 percent said there will not be any effect; and 6 percent said there will be a positive effect.
- 65 percent of respondents said that they believe Japan-U.S. relations will not change with Trump back in office; 13 percent said relations will get better; and 11 percent said relations will worsen.
- 44 percent of respondents said that they believe that it is somewhat unlikely that wage hikes will be realized; 34 percent said it is somewhat likely; 12 percent said it is highly unlikely; and 2 percent said it is highly likely.
- 39 percent of respondents said that they somewhat feel concerned about aging infrastructure in their region; 32 percent said they are very concerned; 17 percent said they are not very concerned; and 5 percent said they are not concerned at all.
- 40 percent of respondents said that they somewhat approve of the GOJ's response to high rice prices; 27 percent said they somewhat disapprove; and 13 percent each said they strongly approve and disapprove.

● The survey also collected data on the latest approval ratings of political parties.

Political Party	Approval Rating (%)
Liberal Democratic Party	31.3 (+0.8)
Constitutional Democratic Party	9.2 (+1.1)
Japan Innovation Party	3.2 (-0.4)
Komeito	3.5 (+0.8)
Japan Communist Party	2.2 (+0.9)

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Democratic Party for the People	6.8 (+0.4)
Reiwa Shinsengumi	2.1 ( $\pm 0$ )
Suffrage Party (Sanseitō)	0.5 (+0.2)
Social Democratic Party	0.8 (+0.5)
Japan Conservative Party	1 (-0.1)
Independent (No Party)	32.8 (-5)