

The Weekly Observer

March 17-21, 2025

The 164th edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on Japan's diplomatic engagements in Northeast Asia, U.S. media reports on potential budget cuts to the USFJ, the Japan-Brazil summit next week, the start of Diet discussions on the "active cyber defense" bill, the continuing saga over Ishiba's political scandal, ongoing talks over the re-revised annual budget, policy measures to promote Ishiba's flagship "regional revitalization 2.0," the Bank of Japan's decision to maintain policy interest rates, the inaugural public-private watt-bit integration conference, official land appraisals in 2024, March's monthly economic report, and more.

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I. News of the Week

1. Japan-PRC-ROK Trilateral FMM and Japan-PRC High-Level Economic Dialogue
 - On Saturday, Minister for Foreign Affairs Iwaya Takeshi attended the [eleventh Japan-PRC-ROK trilateral foreign ministers' meeting](#) and the [sixth Japan-PRC High-Level Economic Dialogue](#) in Tokyo.
 - The ministers [agreed](#) to accelerate preparations for the next trilateral summit and promote cooperation to achieve concrete outcomes in 1) knowing each other better, 2) cooperation to shape and protect the livelihoods, and 3) joint efforts of all generations to tackle common challenges.
 - In the High-Level Economic Dialogue — held for the first time in six years — both sides [discussed](#) practical economic cooperation under “mutually beneficial relationship based on common strategic interests.” Iwaya voiced Japan’s concerns over the business environment and trade relations like the seafood import ban.
 - On Friday, Prime Minister Ishiba Shigeru and Chief Cabinet Secretary Hayashi Yoshimasa [received](#) a [courtesy call](#) from PRC Foreign Minister Wang Yi. The Chinese press release from the Ishiba meeting caused some controversy, as the GOJ [protested](#) language stating that Ishiba had made a comment to the effect that “Japan respects the position detailed by the Chinese side.”
 - Iwaya and Wang [agreed](#) to increase cooperation and coordination under the promotion of mutually beneficial relations and constructive and stable ties. Iwaya expressed Japan’s position on the East China Sea, Taiwan, the business environment in China, and North Korea.
 - With ROK Foreign Minister Cho Tae-yul, the two ministers [agreed](#) to further strengthen cooperation “as the global situation enters a period of upheaval.” The two also shared serious concerns over North Korea’s nuclear and missile activities.
2. U.S. Weighs Budget Cuts to USFJ
 - CNN [reported](#) on Wednesday that the Pentagon is considering significant cuts to the U.S. military, including halting the expansion of U.S. Forces Japan, which would save about \$1.1 billion in personnel and command and control upgrades.
 - A document prepared by U.S. defense officials outlined several options to cut funding, including merging the European Command and African Command into a single command, as well as combining U.S. Northern and Southern Commands into a single AMERICOM command.

- The document notes that budget cuts to USFJ could create a “political risk” for the U.S. in Japan and reduce the scope of command and control in the Pacific. The move comes as Elon Musk’s Department of Government Efficiency (DOGE) pushes the Pentagon and other agencies to take sweeping cost-cutting measures.
- On Friday, Minister of Defense Nakatani Gen [said](#) at a press conference that “we will not answer prematurely,” while stressing that the two sides need to “continue our efforts to strengthen the deterrence and responsiveness of the Japan-U.S. alliance.”
- Chief Cabinet Secretary Hayashi [commented](#) that there is “no change” to the position reaffirmed at the February Ishiba-Trump summit to improve interoperability between Japan and the United States in command and control and to further strengthen deterrence and responsiveness of the alliance.

3. Foreign Policy Developments

- On Friday, a delegation of main opposition Constitutional Democratic Party lawmakers led by former Secretary General Okada Katsuya [met](#) with Liu Jianchao, head of the Chinese Communist Party’s (CCP) International Department, in Beijing. Liu indicated concern over increasing engagements between Japanese lawmakers and Taiwan. The delegation also [met](#) with Li Shulei, head of the CCP’s Publicity Department, where Li emphasized the importance of “peaceful coexistence.”
- On Tuesday, National Security Secretariat Secretary-General Okano Masataka [met](#) with U.S. National Security Advisor Mike Waltz in Washington, D.C., where the two agreed to continue promoting improvements to deterrence and responsiveness. They also discussed the situation in Ukraine, China, and North Korea.
- Ishiba [held](#) a working dinner with President Wesley W. Simina of the Federated States of Micronesia, where the former stated Japan’s efforts to strengthen regional unity and connectivity, including through the [provision](#) of the landing station of undersea cables in Micronesia.
- *Sankei* [reported](#) that Brazilian President Luiz Inácio Lula da Silva will become the first state guest to be invited to Japan since Trump visited six years ago. During Lula’s visit next week, the two countries will announce an action plan until 2030, [including](#) mutual leader visits every two years and cooperation in developing and exporting biofuel technologies.
- On Saturday, Ishiba [issued](#) a written message for the Summit Meeting on Ukraine hosted by the U.K. government. In it, he stated that we can “never tolerate unilateral attempts to change the status quo” and the need for U.S. involvement to achieve peace in a conflict that will impact not only Europe but global security.

4. Defense/Security Developments

- On Friday, Nakatani [met](#) with Gen. Eric M. Smith, commandant of the U.S. Marine Corps, in the Ministry of Defense. The two agreed on the importance of continuing bilateral coordination as the security environment in the Indo-Pacific region worsens.
- Taiwan's Executive Yuan [announced](#) that it has appointed the former JSDF Chief of Staff of the Joint Staff Gen. Iwasaki Shigeru as a political advisor for one year. The move is viewed as an unprecedented way to deepen security cooperation with Japan. The PRC Foreign Ministry [stated](#) that it will not tolerate interference in internal affairs, pointing to the "Taiwan issue."
- On Thursday, the JMSDF and its U.S. and ROK counterparts [completed](#) a four-day maritime joint exercise in international waters south of Jeju Island. This was the first joint exercise since Trump took office, and aimed to improve deterrence capabilities against North Korea's nuclear and missile threat.
- On Wednesday, the Lower House Cabinet Committee [began](#) deliberations on the bill to introduce "active cyber defense," (ACD) where a defense ministry official stated that the USFJ constitutes an "important physical means comprising Japan's defense capabilities." Digital Minister Taira Masaaki [said](#) that ACD will not be implemented in a way that interferes with the constitutional right to secrecy of communications.
- *Asahi* [reported](#) that the GOJ is exploring the idea of creating a large facility to collect online communications information automatically separating essential and unnecessary communications to implement ACD. The current candidates for the facility are the Boso Peninsula in Chiba and the Shima Peninsula in Mie, where a majority of Japan's landing stations for undersea cables are located.
- *Nikkei* [reported](#) Sunday that the GOJ will soon release guidelines related to transactions between major defense industry players and subcontractors, seeking to promote defense industry growth by addressing the large firms that abuse their buying power by not paying what subcontractors are due.

5. Past Administrations Caught Up in Ishiba Scandal

- Past administrations have been caught up in Ishiba's gift voucher scandal, with *Asahi* [reporting](#) on Wednesday that former Prime Minister Kishida Fumio had allegedly done the same with parliamentary vice ministers when he was the nation's leader.
- Former prime ministers Suga Yoshihide and Aso Taro [commented](#) that they had not given out vouchers and complied with the law while serving as prime minister.

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Meanwhile, Liberal Democratic Party (LDP) lawmaker Ōoka Toshitaka [told](#) reporters on Friday that then-Prime Minister Abe Shinzo had given out cash vouchers to first-term lawmakers in December 2012.

- The revelations [suggest](#) that the LDP has a custom of leaders handing out gift vouchers to rookie lawmakers. Upper House lawmaker Maitachi Shoji at one point [admitted](#) that it was “common practice among past prime ministers,” though he withdrew the statement shortly after.
- Main opposition CDP leader Noda Yoshihiko — who himself served as prime minister — [said](#) that he has never given out gift vouchers. While Noda has [hinted](#) at possibly submitting a no-confidence motion over the scandal, the opposition [may prefer](#) a weak prime minister leading the ruling parties into the Upper House election.
 - Democratic Party for the People (DPFP) leader Tamaki Yuichiro [said](#) that “all options are on the table,” including a no-confidence motion.
 - Japan Innovation Party (*Nippon Ishin no Kai*) co-leader Yoshimura Hirofumi [said](#) that there is a “strong suspicion of illegality,” as handing out gift vouchers is an “act of self-promotion and a political activity.”
 - Komeito Secretary General Nishida Makoto [told](#) LDP executives that “we have to recognize that there was overconfidence stemming from holding power for long.”
- Meanwhile, the opposition parties are in unison [demanding](#) Ishiba testify in front of the Diet’s Political Ethics Hearing Committee. While he is [unlikely](#) to request testimony himself, Ishiba has not [ruled out](#) testifying “if an opportunity arises.”
- Ishiba has so far [apologized](#) for the insensitivity of the act and [pledged](#) to declare the number of times he has handed out vouchers. He also [admitted](#) that there was mention of supporting the first-term lawmakers during campaign season and stated in the Diet that [he had in mind](#) criticism that he is “antisocial” and a “penny pincher.”

6. Ruling Parties Rush to Finish Line on Annual Budget

- On Monday, the ruling parties [finalized](#) the re-revised FY 2025 annual budget with an additional ¥10.5 billion for the cancelled hike to out-of-pocket high-cost medical expenses. While *Ishin*’s [support](#) guarantees passage, the [timing of enactment](#) is a race against time as the fiscal year comes to an end on March 31, requiring a series of concessions on Diet deliberations, including discussions on the political scandal.
- *Ishin* [approved](#) its position to support the budget on Tuesday, pointing out that while Ishiba’s scandal is a “huge problem,” it does not change the contents of the budget. This is the first time the budget has been revised twice in both Houses.

- Meanwhile, the ruling parties and *Ishin* [held](#) their first talks on social security reform, agreeing to finalize their thinking on the issue including measures to reduce social insurance fees by mid-May.
- On Friday, the CDP, *Ishin*, and two other parties [co-submitted](#) a bill to effectively ban corporate and labor union donations, though it leaves open donations by political organizations created by industry groups to ¥20 million per year to one recipient and ¥60 million per year in total. Komeito and the DPFP are [planning to submit](#) a separate bill lowering the maximum donation amount and narrowing the scope of recipients instead of a blanket donation ban.
- On Wednesday, the LDP [resumed](#) work toward submitting pension reform legislation, though considerable challenges remain as lawmakers keep an eye on the Upper House election. The Ishiba administration is in a bind as election prospects demand postponement, while not submitting a bill designated as an “important agenda item” risks being called out for the lack of executive ability.
 - Former Digital Minister Kono Taro [stated](#) his opposition to the bill on Wednesday, arguing that the party should prioritize full reform over piecemeal reforms that require future discussions to address (lower social welfare for hike in base rate).
 - There are [concerns](#) over three aspects of the legislation: 1) massive state funding to raise the base pension amount and lower social welfare amounts, 2) including part-time workers in social welfare pensions puts erroneous costs on SMEs, and 3) raising the insurance fee on high-income earners essentially qualifies all senior citizens for full pensions.
 - Senior leaders are not in unison over the matter, with Policy Research Council Chair Onodera Itsunori [refuting](#) a statement by Diet Affairs Chair Sakamoto Tetsushi that the bill would be submitted sometime after mid-April.
- The ruling and opposition parties [agreed](#) on the draft bill to reform so-called correspondence fees, requiring the disclosure of expense reports online for three years and the disclosure of payees for transactions exceeding ¥10,000 per item. The parties [aim to finalize](#) legislation early next month.

7. Other Political Developments

- On Friday, the Ministry of Internal Affairs and Communications (MIC) [announced](#) that the GOJ distributed ¥1.26 trillion in special local grant taxes this year, an 11.3 percent rise from last year and the second most spent on disaster relief. Meanwhile, the special grant for reconstruction from disasters [rose](#) 4.6 percent to ¥75 billion.

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- Ishiba [indicated](#) in the Upper House Budget Committee that the compromise solution may be the “very realistic” option to address the separate surnames for married couples issue, with lawmakers split on whether to accept separate surnames or expand the legal use of so-called common names.
- On Wednesday, the Ministry of Finance (MOF) [presented](#) a list of documents it plans to disclose in early April in relation to the sale of state-owned land to Moritomo Gakuen. Documents compiled by the now deceased local finance bureau official Akagi Toshio will [likely be released](#) in mid-June. Akagi took his life after being pressured to conceal facts surrounding the sale of state-owned land at bargain price.
- On Tuesday, the GOJ [approved](#) drawing out ¥61.5 billion from the FY 2024 reserve fund to respond to a road cave-in in Yashio City, Saitama, and clearing heavy snowfall in areas across the country.
- On Saturday, Ishiba [revealed](#) that the GOJ selected sixty local municipalities as targets for the flagship “regional revitalization accompaniment support system” wherein central government officials will support local governments as a side job. Teams of three central government officials will introduce good case studies of regional revitalization projects and introduce blue chip companies and experts. It includes disaster stricken cities like Ofunato City and Wajima City.

8. Bank of Japan Maintains Policy Interest Rate

- On Wednesday, the Bank of Japan (BOJ) [decided](#) to maintain interest rate policy, keeping the guidance target for the policy rate (next-day unsecured call rate) at 0.5 percent, as global uncertainty [rises](#) over Trump’s tariff announcements.
- The statement issued by the BOJ after the meeting stated that there is a “continued high level of uncertainty surrounding the Japanese economy and prices, including trends in overseas economies and prices, resource price trends, and corporate wage and pricing behavior, influenced by developments in trade and other policies of various countries.”
- Following the meeting, BOJ Governor Ueda Kazuo [stated](#) that the Bank will “continue to raise the policy rate if economic and price outlook match [Bank expectations].” He added that the Bank will take into consideration the impact of Trump’s tariffs on Japan and the rest of the world as it decides on policy.
- Ueda said that the first-round results of average wage hike rates announced by the Japanese Trade Union Confederation (RENGO) is “slightly stronger than on track,” noting that some board members pointed out the need to continue cautiously monitoring upside risk in prices.

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- Ueda commented that while it is normal to view the hike in rice prices as a “temporary supply shock,” the Bank will check the impact of the price increase on the underlying price trend. He added that the Bank is unlikely to respond with monetary policy as the “cost is too high.”
- The Bank must consider several factors as it determines when to next raise interest rates following the January policy meeting, including the yen-dollar exchange rate, the effect of Trump’s economic policies on the Federal Reserve Board’s rate hikes, and the domestic political situation (before or after the Upper House is uncertain).

9. Economic Security and Tech Developments

- On Friday, the Ministry of Economy, Trade and Industry (METI) and MIC convened the first meeting of the public-private conference on “watt-bit integration,” the idea of locating electricity and communications infrastructure close to each other. The group will compile opinions by around June on how to effectively utilize infrastructure to power data centers.
- *Nikkei* reported that the Personal Information Protection Commission (PPC) plans to amend legislation to enable the provision of company-held data to third parties for AI machine learning without consent from individuals whose personal information is part of the shared data. This comes as statistical data is unlikely to include sensitive information and as good quality data is expected to run out in 2026.
- *Nikkei* reported Tuesday that the Ministry of Education, Culture, Sports, Science and Technology (MEXT) and the Japan Agency for Marine-Earth Science and Technology (JAMSTEC) plan to develop an unnamed AI drone to navigate and extract samples in the deep sea. The target is to commence pilot tests in waters deeper than 6,500 meters in FY 2027.
- Projects to create semiconductor hubs across Japan have started to pop up, with Hokkaido pushing to nurture talent through educational programs at universities and technical colleges. Meanwhile, companies are providing lecturers at universities in the Tohoku region to provide fresh insight to students enrolled in chip-related classes.
- On Monday, Ishiba said at a Council for Science, Technology and Innovation meeting that the GOJ plans to boost the development of AI, quantum technology, and other emerging technologies. He indicated that the GOJ will put every effort into enacting the AI legislation submitted to this ordinary Diet session.
- METI announced that the GOJ will invest approximately ¥16 billion through the Japan Organization for Metals and Energy Security (JOGMEC) to French company Caremag SAS to jointly finance a rare earth refining business. Iwatani Corporation

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and others will [procure](#) important minerals like dysprosium, used in electric vehicles, equivalent to 20 percent of Japan's total demand.

10. Key Economic/Financial Developments

- On Friday, METI [announced](#) that it will raise dues on utility fees to spread the use of renewable energy for the second consecutive year, raising the amount to ¥3.98 per one kilowatt an hour (kWh) starting FY 2025. A standard household using 400 kWh a month will have to pay an average of ¥196 per month than FY 2024.
- On Wednesday, Tokyo Electric Power Co. (TEPCO) [revealed](#) that it plans to begin the second test extraction of molten fuel from the second unit of Fukushima Daiichi nuclear power plant next month. This comes as TEPCO [announced](#) its temporary reconstruction plan earlier this week, requiring ¥1.9 trillion in state funds to pay off additional compensation and continue with its release of treated wastewater.
- The Ministry of Agriculture, Forestry and Fisheries (MAFF) [announced](#) that it will begin its second bidding phase for stockpiled rice from March 26-28. This amounts to an additional 70,000 tons including rice that was not sold off in the first round. Businesses will begin receiving the rice next month.
- On Tuesday, the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) [announced](#) that the official appraised value of land rose 2.7 percent on average across the nation, the highest rate recorded since the economic bubble crashed in 1992. Foreign investments have increased as yen depreciation and low interest rates bring more foreign money into the country.
- On Monday, Minister of Finance Kato Katsunobu [stated](#) during the G7 finance ministers' meeting that it is "regrettable" that Japan and all other countries have become targets of the Trump administration's steel and aluminum tariffs. The GOJ and U.S. Government are in working level talks to [negotiate](#) an exemption.
- The Ministry of Health, Labor and Welfare (MHLW) [announced](#) that the gender wage gap in 2024 [fell](#) to the smallest margin in history, with the index for a woman's wage hitting a record-high of 75.8 (male wage at 100), as the number of women working as full-time employees rose.

11. State of the Economy

- On Friday, MIC [announced](#) that the consumer price index in February excluding volatile fresh food items rose 3 percent from the same month last year to 109.7, the forty-second consecutive month on the rise and a [smaller growth rate](#) for the first time in four years as government utility subsidies were restarted.

- The BOJ [announced](#) that the financial asset balance as of the end of last year rose 2.3 percent from the end of September to hit a record-high of ¥2,230 trillion. This is the [first time](#) a surplus has been recorded in two quarters. Assets increased as the market value of stocks and mutual funds rose due to higher stock prices, and the yen's depreciation boosted the value of yen-based assets denominated in foreign currencies.
- On Wednesday, the GOJ [released](#) its monthly economic report for March, which [maintained](#) the same assessment since August 2024 that "the economy is recovering at a moderate pace, although it remains pausing in part." Meanwhile, the Cabinet Office (CAO) [announced](#) that the GDP (demand-supply) gap in the October-December 2024 period was 0.2 percent, [reducing](#) the amount from ¥2 trillion before revised GDP numbers were accounted for to around ¥1 trillion.
- The MOF [announced](#) that Japan ran a ¥584.5 billion trade surplus in February, the [first surplus](#) in two months as exports to China increased with the Chinese New Year and as auto exports to the United States increased. The surplus amount rose to a four-year high, last at ¥609.8 billion in March 2021. Export amounts increased by 11.4 percent from the same month last year to ¥9.19 trillion.
- The Japan National Tourism Organization (JNTO) [announced](#) that the number of foreign tourists coming to Japan hit 3.25 million, a 16.9 percent increase from the same month last year as the Chinese New Year [pushed up](#) the total via an increase in the number of Chinese tourists. This comes as Ishiba [instructed](#) his Cabinet to craft a plan toward increasing the number of tourists to sixty million in 2030.
- The CAO [announced](#) that seasonally adjusted machinery orders excluding ships and electricity fell 3.5 percent in January to ¥857.9 billion, the [second consecutive year](#) the value has decreased. It maintained the assessment that it is "showing signs of recovery." Meanwhile, the [backlog of orders](#) received but not delivered hit ¥41.62 trillion, the highest amount since comparable statistics became available in 2005 as an increase in material prices raises machinery prices.

II. Public Opinion Poll

- A *Yomiuri* poll [released](#) on Monday found that the Ishiba Cabinet's approval rating was 31 percent, down eight points from February, while disapproval was 58 percent, up fifteen points.
 - 51 percent of respondents said that they approve of the Cabinet because there are no better alternatives; 15 percent said because they trust the prime minister; and 13 percent said because they have high expectations for its policies.

- 26 percent of respondents each said that they disapprove because they have no expectations for its policies and because they distrust the prime minister; and 19 percent said because the prime minister lacks executive ability.
- 76 percent of respondents said that they do not believe that Prime Minister Ishiba is demonstrating leadership ability in running the government, while 16 percent said they do believe he is demonstrating leadership ability.
- 75 percent of respondents said that they believe Ishiba handing out gift vouchers to first-year lawmakers is a problem, while 19 percent said they do not believe it is a problem.
- 69 percent of respondents said that they believe Ishiba bears great responsibility for the gift voucher scandal, while 26 percent said they do not believe he bears such responsibility.
- 61 percent of respondents said that they approved of the GOJ's decision to forgo hikes to out-of-pocket high-cost medical expenses, while 31 percent said they disapproved.
- 47 percent of respondents said that they approved of the GOJ's decision to revise the budget twice to incorporate opposition demands, while 45 percent said they disapproved.
- 49 percent of respondents said that they supported making high school education free without any restrictions on income, while 46 percent said they opposed it.
- 46 percent of respondents said that they want an opposition-centered government, while 36 percent said they want the LDP and Komeito to continue forming the nucleus of the ruling government.
- 54 percent of respondents said that they approved of U.S. President Donald Trump's ceasefire negotiations over the Ukraine-Russia war, while 37 percent said they disapproved.
- 68 percent of respondents said that they do not feel like going to the Osaka Expo 2025, while 31 percent said they feel like going.
- 25 percent of respondents said that they plan to vote for an LDP candidate or the LDP in the PR portion of the upcoming Upper House election; 20 percent said undecided; 17 percent said the DPFP; 11 percent said the CDP; 6 percent said *Ishin*; 5 percent said *Reiwa Shinsengumi*; 4 percent said Komeito; 3 percent said the JCP; and 1 percent each said *Sanseitō* and the Japan Conservative Party.

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

| Political Party | Approval Rating (%) |
|---------------------------------|---------------------|
| Liberal Democratic Party | 26 (± 0) |
| Constitutional Democratic Party | 6 (-2) |

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|---------------------------------|---------------|
| Japan Innovation Party | 3 (± 0) |
| Komeito | 2 (-1) |
| Japan Communist Party | 1 (-1) |
| Democratic Party for the People | 12 (+4) |
| Reiwa Shinsengumi | 3 (-1) |
| Suffrage Party (Sanseitō) | 0 (± 0) |
| Social Democratic Party | 0 (± 0) |
| Japan Conservative Party | 1 (+1) |
| Independent (No Party) | 40 (+1) |