



The Weekly Observer

February 17-21

YOUR WEEKLY RECAP OF POLITICAL DEVELOPMENTS IN JAPAN!

THIS WEEK IN NUMBERS

METI Minister to Lobby for Tariff Exemption

On Thursday, Japanese media reported that **Minister of Economy, Trade and Industry (METI) Muto Yoji** plans to visit the United States next month to meet with **Secretary of Commerce Howard Lutnick** and ask for **tariff exemptions**.

Muto plans to ask for Japan's exemptions from the administration's **Section 232 steel and aluminum tariffs** (set to kick in on March 12) and discuss the **reciprocal tariffs** and the recently announced **potential auto tariffs**.

Japanese industry is especially concerned about the **potential 25 percent auto tariff**, as automakers worry about their competitiveness in the U.S. market. Approximately **30 percent of U.S. auto exports** could be affected, with the top six makers facing a **potential ¥3 trillion loss**.

Muto said on Friday that he plans to meet with **steel, aluminum, and auto manufacturers next week** to discuss the tariffs.

Ishin to Support FY 2025 Annual Budget

Yomiuri reported Wednesday that the ruling **Liberal Democratic Party (LDP)** and **Komeito** have finalized a deal with the **Japan Innovation Party (Ishin)**, paving the way toward passage of the **annual budget**.

Though *Ishin* has not finalized its decision, the parties **finalized a policy agreement** on Friday to raise **high school tuition subsidies** for public and private schools and work toward **lowering social insurance premium fees**. The leaders will sign the agreement next week.

Meanwhile, negotiations with the **Democratic Party for the People (DPFP)** took a turn this week as Komeito added pressure on the LDP to revise its proposal to amend the **¥1.23 million income tax exemption threshold hike**. DPFP has asked for **no income restrictions**; the LDP's proposal sets out a base hike to **¥1.60 million** but with significant income restrictions. Komeito's plan introduces a **regressive hike** for more income earners.

Cabinet Approval



40% (+7 pts.)

44% (-7 pts.)

[Asahi Shimbun](#) (Feb. 17)

State of the Economy

Nominal GDP (2024):

¥609.29 trillion (+2.9%)
1st time over ¥600 trillion

Monthly Economic Report (Feb.):
"Economy recovering at a moderate pace, although it remains pausing in part"

Same assessment since Aug. 2024

Trade Balance (Jan.):

¥2.76 trillion deficit
1st deficit in 2 months
Deficit increased by 56.2% from Jan. 2024

Consumer Price Index (Jan.):

With fresh food: +4%
Without fresh food: 109.8 (+3.2%)