

The Weekly Observer

June 30-July 4, 2025

The 179th edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on the QUAD foreign ministers' meeting, Trump's remarks floating a 30-35 percent tariff on Japan, U.S. Secretary of State Marco Rubio's cancelled trip to Japan, the launch of the new "National Cyber Coordination Office," the start of the Upper House election campaign cycle, the GOJ's response to Trump's claims about rice imports, the average income of Diet members in 2024, METI's ask for a golden share in Rapidus, Japan's fentanyl trade restrictions, the Bank of Japan's TANKAN, and more.

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I. News of the Week

1. QUAD Launches New Initiatives in Priority Areas

- Minister for Foreign Affairs Iwaya Takeshi [traveled](#) to Washington, D.C. from June 30-July 2 to attend the Japan-Australia-India-U.S. (QUAD) foreign ministers' meeting. This is the first time the ministers are meeting since the sidelines of Trump's inauguration celebration in January.
- The four ministers [held](#) strategic and frank discussions on the situation in the Indo-Pacific region, and confirmed their strong opposition to unilateral attempts to change the status quo by force or coercion, including in the East and South China Seas. They agreed to work toward a summit meeting in India later this year and the next foreign ministers' meeting hosted by Australia next year.
- The ministers confirmed that the QUAD will promote four areas of cooperation: maritime and transnational security, economic prosperity and security, critical and emerging technologies, and humanitarian assistance and emergency response. The QUAD [launched](#) the Critical Minerals Initiative and the Indo-Pacific Logistics Network to strengthen supply chain resilience and capacity to cooperate in logistics. They also announced the Quad Ports of the Future Partnership in Mumbai this year.
- Iwaya and U.S. Secretary of State Marco Rubio [discussed](#) challenges facing the Indo-Pacific region and concurred on the importance of steadily implementing concrete cooperation to realize a Free and Open Indo-Pacific. They discussed further strengthening deterrence and response capabilities, though Iwaya [said](#) that there was no discussion on spending amounts or concrete budget items.
- Iwaya and Australian Foreign Minister Penny Wong [exchanged](#) views on various international challenges, including those in the Indo-Pacific region and the Middle East and agreed on promoting multi-layered cooperation. They also agreed to steadily advance concrete cooperation in a wide range of fields like security, cybersecurity, economic security, information security, and people-to-people exchanges.
- Iwaya and Indian Foreign Minister Subrahmanyam Jaishankara [agreed](#) to strengthen cooperation in the international arena. They confirmed continued cooperation in various areas including security, economy, and people-to-people exchanges, with a view toward Prime Minister Narendra Modi's visit to Japan scheduled this year.

2. Trump Floats 30-35 Percent Tariff on Japan as Negotiations Stall

- On Tuesday, U.S. President Donald J. Trump [questioned](#) whether a deal could be reached with Japan over the tariffs, telling reporters that he plans to soon send a letter

- to Japan notifying the tariff rate, which could be 30 to 35 percent or any other rate that the United States decides.
- Trump said Japan has been a very tough negotiator and that it has been unwilling to compromise on rice imports or reducing the trade deficit through automobile imports. Japan is currently subject to 10 percent universal tariffs, with a further 14 percent set to kick in unless the ninety-day suspension period is extended or a deal is reached. Trump has indicated that he has no plans to extend the suspension period.
 - On Wednesday, Prime Minister Ishiba Shigeru [told](#) reporters that Japan is making every effort to reach an agreement with the United States, one that satisfies the national security interests of both countries.
 - Japan's chief tariff negotiator Akazawa Ryosei had been in Washington, D.C. [since](#) last week to iron out a deal. He [met](#) with U.S. Secretary of Commerce Howard Lutnick on Saturday, where the two sides reaffirmed their respective positions and agreed to vigorously coordinate to realize a mutually beneficial agreement.
 - On Thursday, U.S. Secretary of the Treasury and chief tariff negotiator Scott Bessent [told](#) CNBC in an interview that the Upper House election in Japan is creating constraints on moving forward with an agreement. He indicated that there is unlikely to be a deal in place by the July 9 deadline for the suspension of tariffs.
 - *Nikkei* [reports](#) that the 25 percent additional auto tariffs the Trump administration implemented in April has resulted in four out of six major Japanese automakers raising their prices in America, no longer able to absorb the tariff costs. This may pose a problem, as foreign automakers are being urged to manufacture more in the United States while the price hike may cut into demand.

3. Foreign Policy Developments

- *Jiji* [reported](#) Thursday that U.S. Secretary of State Rubio will not be traveling to Japan and South Korea next week on the occasion of the ASEAN-related meetings in Malaysia, as he will be prioritizing the response to the situation in the Middle East.
- During a press conference marking a month since taking office, South Korean President Lee Jae-myung [said](#) that he is working on an early visit to Japan to continue shuttle diplomacy and that there is a need to “make clear our relations” in a similar way as the 1998 Obuchi-Kim declaration.
- On Wednesday, Ishiba [met](#) with Irish Prime Minister Micheál Martin, where the two leaders agreed to coordinate in the field of security, including cybersecurity, in light of the increasingly severe security environment surrounding both countries.

- Special Advisor to the Prime Minister Nagashima Akihisa traveled to [Cambodia](#) and [Australia](#) this week, meeting with government and industry to discuss bilateral relations and exchange views on regional and international issues. In Australia, discussions centered around defense industry and economic and energy cooperation.
- On Tuesday, the G7 foreign ministers [issued](#) a joint statement following their discussions on the sidelines of the NATO Summit on June 25. The ministers supported the ceasefire between Israel and Iran announced by Trump, and urged all parties to avoid actions that could further destabilize the region. They urged Iran to give up nuclear weapons and cooperate with international monitoring activities.
- On Monday, Minister of Agriculture, Forestry and Fisheries (MAFF) Koizumi Shinjiro [welcomed](#) China's decision on Sunday to [lift](#) the import restrictions on Japanese aquatics products as a "major milestone," though adding that Beijing should lift the restrictions on ten prefectures including Fukushima and Tokyo which remain in place. The restrictions have been in place since the 2011 power plant accident.

4. Defense/Security Developments

- On Friday, the South Korean Blue House [announced](#) that National Security Advisor Wi Sung-lac met with National Security Secretariat Secretary General Okano Masataka in Seoul. The two discussed the direction of bilateral cooperation under the Lee administration and regional affairs like North Korea.
- The Ministry of Defense (MOD) [announced](#) that Chief of Staff of the Joint Staff Gen. Yoshida Yoshihide will be traveling to South Korea from July 9-11 to meet with his American and Korean counterparts. This is the first time a chief of staff of the Joint Staff is visiting South Korea since 2010.
- On Wednesday, Ishiba [said](#) during a political party leaders' debate that Japan will determine whether it increases defense spending, pointing out that it is not about saying "yes" to demands from other countries. Other parties tend to be reluctant to increase defense spending to 5 percent of GDP or any other increased amount.
- On Tuesday, the GOJ [launched](#) its new "National Cyber Coordination Office" — a reorganization of the National Center of Incident Readiness and Strategy for Cybersecurity (NISC) — to lead "active cyber defense" efforts. The new Cybersecurity Strategy HQ [met to discuss](#) steps toward crafting a new cybersecurity strategy that promotes public-private coordination and talent development.
- On Monday, Ishiba [delivered](#) remarks in front of the chief commanders of the JSDF, where he noted the importance of continuing to make efforts to fundamentally reinforce Japan's defense given the deteriorating security environment. He [asked](#) that

the JSDF's three services work together to integrate defense capabilities, especially with the creation of the JSDF Joint Operations Command (JJOC).

- *Yomiuri* [reported](#) Saturday that the coast guards of Japan, Australia, and India plan to board U.S. Coast Guard patrol boats from June 28-July 3 to take part in patrols and maritime exercises between Palau and Guam. The area in the Western Pacific has seen increasing naval activity by the People's Liberation Army Navy.

5. Upper House Election Campaign Cycle Begins

- On Thursday, the two-week campaign cycle for the Upper House election [started](#), as parties look to capture the 125 seats up for grabs in this consequential election, which could see the ruling Liberal Democratic Party (LDP) and Komeito lose majorities in both chambers over the course of two years.
- A total of 142.4 million [eligible voters](#) will be [selecting](#) winners from a batch of 522 candidates, the second most candidates in an Upper House election since 2001. The ruling parties have [set](#) the threshold for victory at fifty seats, enough to maintain a majority in the Upper House.
- There are 152 women running for office this cycle, the [second highest](#) after the last Upper House election in 2022. The ratio of women running for office hit 29.1 percent. The [voting disparity](#) between the most populated district (Tokyo) and the least populated district (Fukui) was projected to be 3.126 times.
- The political debate has [focused](#) around economic policy (inflation relief), social issues like social security and issues related to foreigners, and foreign policy issues like the U.S. tariffs and broader Japan-U.S. relations.

	Consumption Tax Cut	Social Security Reform	Growth Strategy	Foreign Policy/Security
LDP	None (cash handout)	Raise basic pension amount	Create “jōkamachi” of firms in 100 areas	Fundamentally reinforce defense capabilities
Komeito			Expand re-skilling	Realize a world without nuclear weapons
CDP	Zero on food items (2 years maximum)	Increase in pension amount for low-income	Expand trade with Global South	Abolish unconstitutional parts from peace

		elderly citizens		and security law
Ishin		Reduce social insurance premiums by ¥60,000 per person a year	Shift to increasing rice production	Reinforce space and cyber domain defense
JCP	Scrap (5 percent to start)	Reduce over-the-counter medical costs		Abolish the Japan-U.S. Security Treaty
DPFP	Blanket 5 percent (conditional)	Introduce guaranteed minimum pension	Redesigning global trading regime	Reinforce defense industrial base
Reiwa	Scrap		Promote renewable energy	Move away from U.S.-led diplomacy
Sanseitō	Gradual scrap	Strengthen preventative medicine	Create a fund to support AI development	Restrict land purchases by foreigners

- The opposition parties have [managed to unite](#) behind a single candidate in seventeen of the critical thirty-two single-member districts, key for the opposition to cut into the ruling parties' majority. The ruling parties also face the [challenge of fielding](#) fifteen slush fund scandal implicated candidates. Though political reform is not front and center, voters have not forgotten about last year's political scandal fiasco.
- Early polling suggests that the ruling parties are struggling to maintain a majority in the Upper House, with the Democratic Party for the People (DPFP) and Sanseitō continuing to build off of momentum created in the last several months since the 2024 Lower House and June 2025 Tokyo Metropolitan Assembly elections. Both parties seem to be benefiting from loss of confidence in the LDP.

	Overall	SMD/MMD	PR
Nikkei	Ruling parties look to reach majority threshold CDP looks to gain modestly, DPFP and Sanseitō projected to make serious gains	LDP likely to win in 20 percent, leading in 50 percent of SMDs LDP leads in MMDs, with Komeito, DPFP, and Sanseitō competing	Ruling parties looking likely to lose seats Sanseitō and Japan Conservative Party looking to capture multiple seats

		fiercely for seats	
Asahi	<p>Uncertain whether ruling parties get to majority threshold</p> <p>CDP looks to gain modestly, DPFP and Sanseitō projected to make serious gains</p>	LDP leads in 12 out of 32 SMDs; 11 races are too close to call	LDP looks likely to lose seats; CDP not gaining, but rather left behind by DPFP and Sanseitō

6. GOJ Responds to Trump's Remarks About Rice Imports

- On Friday, Ishiba [revealed](#) plans to appropriate around ¥2.5 trillion over five years toward the stable supply of food. He responded to Trump's criticism about Japan not accepting U.S. rice, stating that this was not based on fact and that importing more is not the answer for an independent nation.
- Trump [wrote](#) on Truth Social on Monday that "They won't take our RICE, and yet they have a massive rice shortage. In other words, we'll just be sending them a letter, and we love having them as a Trading Partner for many years to come." Trump has been [ramping up](#) pressure in the areas of rice and automobiles as of late.
- On Tuesday, Chief Cabinet Secretary Hayashi Yoshimasa [told](#) reporters that the GOJ has "no plans to sacrifice agriculture in future talks," stating that the Japanese side will continue to strive for a mutually beneficial agreement.
- On Wednesday, Minister of Agriculture, Forestry and Fisheries (MAFF) Koizumi Shinjiro [commented](#) that Japan has increased rice imports from abroad by 120 times since last year, including the United States. He explained that the GOJ is releasing stockpiles as a cheaper alternative to expensive, imported rice with tariffs.
- Koizumi [revealed](#) Friday that the discretionary contract program will be extended to rice processing companies to help relieve concerns about a shortage of raw materials used to create derivative products like miso and rice cakes.
- Ishiba [indicated](#) during a Cabinet meeting on rice policy that the GOJ will assess the reasons behind the price increase and the responses so far, as it looks to [revise](#) rice paddy policy and increase production starting with the 2025 harvest.

7. Other Political Developments

- On Friday, LDP Secretary General Moriyama Hiroshi [indicated](#) that the party will aim to scrap the provisional gas tax rate by March 2026, following the submission of legislation by the opposition during this ordinary Diet session.
- On Wednesday, the Ministry of Finance (MOF) [announced](#) that tax revenue exceeded initial projections by ¥1.79 trillion, which is short of the ¥3 trillion said to be required to implement the ¥20,000 cash handout proposed by the LDP and Komeito.
- On Monday, the Diet [disclosed](#) the earnings of Diet members in 2024, which found that the average income came to ¥25.13 million, down ¥170,000 from 2023 and the first decrease in two years. The number of Diet members with more than ¥100 million in income dropped from seven to four members.
- *Yomiuri* [reported](#) Sunday that Ishiba plans to set up a new government council toward social security system reform after the Upper House election. The council will include Diet members across the aisle and experts to discuss a range of topics including medical care and pensions.
- Conservative LDP group Sosei Nippon [announced](#) a new set of core policies, which included eight provisions such as “resolutely opposing” separate surnames for married couples and amending the Constitution to insert the JSDF into the text and to include a new emergency situations provision.

8. Economic Security and Tech Developments

- On Friday, the Ministry of Economy, Trade and Industry (METI) [revealed](#) conditions for state investment in chip foundry Rapidus, including the issuance of “golden share rights” to the GOJ enabling it to veto important business decisions. The Act on Facilitation of Information Processing including this provision is expected to be implemented in mid-August.
- *Nikkei* [reported](#) Thursday that the GOJ plans to utilize its authorities under the new AI law to begin investigations this month into the risks of human rights violations by AI, such as unintentional gender bias in the hiring process and the creation of sexual images without permission.
- *Nikkei* [reported](#) Tuesday that the Japan Agency for Marine-Earth Science and Technology (JAMSTEC) will begin test drilling for rare earths off the coast of Minamitorishima in January 2026. The area is [said](#) to be the third largest depository of rare earths globally.
- *Nikkei* [reported](#) that Kansai Electric Co. plans to invest over ¥150 billion on newly constructed power substations and transmission lines as utility companies look to

capture data center-induced demand. The GOJ [decided](#) on June 27 that it would create “strategic green transformation (GX) regions” to encourage the development of data center clusters around green energy sources.

- New Japan Fair Trade Commission Secretary General Iwanari Hiroo [said](#) during his first press conference that the Commission will constantly monitor changes in the AI space and create a system to respond accordingly to antitrust violations.
- On Monday, the National Institute of Advanced Industrial Science and Technology (AIST) [announced](#) that it would partner with the Japan Aerospace Exploration Agency (JAXA) on research related to utilizing quantum technology in the aerospace field. AIST will provide quantum computers for simulations of rocket and aircraft engine systems.

9. Key Economic/Financial Developments

- On Wednesday, METI [revealed](#) a draft proposal that would limit the use of carbon credits to 10 percent of emission levels as part of the emissions trading scheme to begin in FY 2026. The measure aims to prevent companies with money from pretending to lower emissions while using the trading scheme to continue emitting.
- The Ministry of Health, Labor and Welfare (MHLW) [notified](#) prefectures nationwide to thoroughly monitor and enforce rules around mandatory reporting of suspected transactions of fentanyl in cases such as unnaturally high volumes of trade. This comes after reports surfaced that a Chinese organization was using Japan as a hub for illegal fentanyl exports to the United States.
- On Tuesday, MOF [set](#) the nominal interest rate on ten-year JGBs issued in July at 1.5 percent, the first high in sixteen years, as domestic interest rates surge amid speculation that the Bank of Japan (BOJ) will raise interest rates once again.
- On Monday, the GOJ [convened](#) the first ministerial meeting toward expanding digital services exports, which will craft a new export promotion strategy as early as the fall. Japan’s digital services deficit stands at ¥2.8 trillion.
- *Nikkei* [reports](#) that METI’s efforts to secure a domestic battery supply chain is faltering as Nissan scrapped plans to develop an EV battery facility with manufacturing capacity of 150 gigawatt hours by 2030. The GOJ has set a target of 150 gigawatt hours domestically and 600 gigawatt hours globally.
- On Saturday, the G7 [announced](#) that U.S. companies would be exempt from the global minimum tax, [likely in response](#) to ongoing Congressional discussions over

Section 899 “revenge taxes” levied against countries with digital services taxes and other so-called discriminatory taxes against the United States.

10. State of the Economy

- On Friday, the Ministry of Internal Affairs and Communications (MIC) [announced](#) that real consumption expenditure for households of more than two persons in May increased 4.7 percent from the same month last year to ¥316,085, the first positive value in two months. Automobile purchases [pushed](#) expenses up.
- On Thursday, the BOJ [announced](#) that the projected “demand-supply gap” (GDP gap) in the first quarter of 2025 was negative 0.34 percent, the twentieth consecutive quarter that there was a demand shortage. The gap [expanded](#) by 0.06 point from the previous quarter, likely due to cutbacks in manufacturing and labor shortages.
- The Japanese Trade Union Confederation (RENGO) [announced](#) the final roundup of spring wage negotiation data, which [found](#) that the average wage hike rate rose 0.15 point from last year to 5.25 percent, though small- and medium-sized enterprises failed to reach the “over 6 percent” target, coming in at 4.65 percent.
- On Tuesday, the Cabinet Office (CAO) [announced](#) that the consumer confidence index in June rose 1.7 points from May to 34.5, the second consecutive month the index improved. CAO [adjusted upwards](#) its assessment to “showing signs of recovery” as price hikes seemed to slow down, especially for rice.
- The BOJ’s Tankan (Short-Term Economic Survey of Enterprises in Japan) for June [showed](#) that the diffusion index for large manufacturers slightly improved from twelve in March 2025 to thirteen, the first improvement in two quarters as corporate profits remain high due to price transfers to consumers amid tariff uncertainties.
- On Monday, METI [announced](#) that the industrial production index in June is projected to rise 0.3 percent from May, with a corrected value of 1.9 percent decline [due](#) to the likely impact of Trump tariffs. The May index value [released](#) the same day for industrial production rose 0.5 percent from April to 101.8, led by the production machinery and automobile industries. METI maintained its assessment at “fluctuates indecisively.”

II. Public Opinion Poll

- A *Mainichi* poll [released](#) on Monday found that the Ishiba Cabinet’s approval rating was 24 percent, up two points from May, while disapproval was 61 percent, down one point.

- 50 percent of respondents said that they support the Ishiba Cabinet because there are no better alternatives; 21 percent said because they have high expectations for its policies; and 18 percent said because it is centered around the LDP.
- 50 percent of respondents said that they do not support the Cabinet because they have no expectations for its policies; 31 percent said because they have no expectations for Ishiba's leadership; and 10 percent said because it is centered around the LDP.
- 52 percent of respondents said that they approve of Minister of Agriculture, Forestry and Fisheries Koizumi Shinjiro, while 30 percent said they disapprove.
- 39 percent of respondents said that they oppose plans to import foreign rice as an emergency measure if the GOJ runs out of stockpiled rice, while 37 percent said they support such a plan.
- 35 percent of respondents said that Japan should increase defense spending but not to 5 percent of GDP; 28 percent said it should be kept as is; 11 percent said it should be cut; and 9 percent said it should be increased toward 5 percent of GDP.
- 66 percent of respondents said that they disapprove of the LDP's campaign pledge to distribute ¥20,000 as inflation relief, while 17 percent said they approve.
- 55 percent of respondents said that they support a consumption tax cut, while 16 percent said they support a cash handout.
- 26 percent of respondents said that they think the LDP-Komeito coalition should add another party after the Upper House election; 24 percent said an opposition-centered government; and 13 percent said the continuation of the LDP-Komeito coalition government.
- 73 percent of respondents said that they want the political parties to focus discussions around inflation relief during the Upper House election campaign; 54 percent said economic policy; and 46 percent said social security.
- 57 percent of respondents said that they believe the GOJ should not sign a tariff deal even if it worsens relations with the United States, while 15 percent said they believe a deal should be struck before the August 1 deadline.
- 54 percent of respondents said that they do not support the United States' military actions against Iran, while 17 percent said they support it.
- 43 percent of respondents said that they believe the DPFP's response to rescinding the candidacy of former Rep. Yamao Shiori over an extramarital affair and other issues as appropriate, while 29 percent said they believe it was not appropriate.
- 36 percent of respondents said that they are undecided on who to vote for in the PR portion of the Upper House election; 18 percent said the LDP; 11 percent said the CDP; 10 percent said the DPFP; 7 percent said Sanseitō; 4 percent each said the Japan Innovation Party and *Reiwa Shinsengumi*; 3 percent each said Komeito and the JCP; 2 percent said the Japan Conservative Party; and 1 percent each said the SDP and other political organizations.

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

Political Party	Approval Rating (%)
Liberal Democratic Party	19 (+3)
Constitutional Democratic Party	9 (± 0)
Japan Innovation Party	4 (± 0)
Komeito	2 (± 0)
Democratic Party for the People	9 (-4)
Japan Communist Party	2 (± 0)
Reiwa Shinsengumi	4 (-1)
Suffrage Party (Sanseitō)	6 (+4)
Japan Conservative Party	1 (-1)
Social Democratic Party	1 (± 0)
Party Created by Everyone (ex-NHK)	0 (± 0)
Other Parties or Political Organizations	1 (+1)
Independent (No Party)	42 (± 0)