

## ***The Weekly Observer***

July 14-18, 2025

*The 181<sup>st</sup> edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on the ongoing Japan-U.S. tariff negotiations, the Defense of Japan 2025, the Japan-U.S.-ROK trilateral vice ministerial meeting, leadership changes at the MOD and JSDF, Ishiba's third major election defeat, the new government office tasked with tightening regulations on foreigners, the end to the Seven & i Holdings takeover saga, the G20 FMCBG meeting, record high tourism numbers in June, and more.*

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

### **1. Japan Lobbies for Tariff Deal Before August 1**

- On Saturday, Japan's chief tariff negotiator Akazawa Ryosei [met](#) with U.S. Secretary of the Treasury Scott Bessent on the occasion of the U.S. Government delegation's visit to the Osaka Expo. Though no tariff talks were held, Akazawa revealed that he plans to visit the United States next week for the eighth round of negotiations.
- Japan continues to seek a deal before the 25 percent tariff rate kicks in on August 1. Prime Minister Ishiba Shigeru [received](#) a courtesy call on Friday from the U.S. delegation led by Bessent, where he emphasized Japan's proactive efforts in defense and potential for deepened cooperation in economy and economic security. Bessent [told](#) reporters that he believes the two sides will reach a "good deal."
- On Thursday, Akazawa had [another phone call](#) with U.S. Secretary of Commerce Howard Lutnick, in which the two sides reaffirmed their respective positions on the tariff measures and had an in-depth exchange of views, agreeing to continue to vigorously coordinate efforts toward a deal.
- On Wednesday, U.S. President Donald Trump [told](#) reporters that the U.S. will "live by the letter" with its 25 percent tariff arrangement, suggesting that a deal was unlikely to be reached by August 1.
- Trump [stated](#) on Sunday that Japan is "changing" its way very rapidly on tariffs, signaling that perhaps his frustrations over Japan's reluctance to import more U.S. vehicles and agricultural products was easing.
- Trump did [mention](#) that Japan continues to deny imports of U.S. vehicles, despite Japan's proposal to lower tariff rates based on manufacturing levels in the United States. *Nikkei* reports that sources within the GOJ believe a complete removal of tariffs is unlikely.

### **2. GOJ Publishes Defense of Japan 2025**

- On Tuesday, Minister of Defense Nakatani Gen [presented](#) this year's Defense of Japan (white paper) to the Cabinet.
- The paper [suggested](#) that China poses "serious concern" for Japan and the international community and presents an unprecedented and the greatest strategic challenge which "Japan should respond with its comprehensive national power" and in cooperation with allies and like-minded countries.

- It noted that there is “growing concern” over China’s pursuit of unification through gray-zone military activities, with potential preparations underway for a military operation against Taiwan.
- It characterizes North Korea’s military activities as “posing an even more grave and imminent threat” to Japan’s security than ever before. It noted the development of technology to mount a nuclear warhead on its ballistic missiles and the rapid development of capabilities like ballistic missiles that fly with irregular trajectories, as well as so-called hypersonic missiles.
- On the United States, the paper states that security developments have a “significant impact” on the security environment of the Indo-Pacific region, and that future developments will “continue to draw close attention.”

### 3. Foreign Policy Developments

- On Saturday, Press Secretary of the Ministry of Foreign Affairs (MOFA) Kitamura Toshihiro [issued](#) a statement expressing Japan’s “deep concern” over the deterioration of the situation in Syria following the outbreak of violence in the southern region. He stated that Japan calls for the steady implementation of the ceasefire agreement.
- On Friday, Vice Minister for Foreign Affairs Funakoshi Takehiro [met](#) his U.S. and South Korean counterparts in Tokyo, where they discussed recent developments on North Korea and exchanged views on economic security like enhancing supply chain resilience including on critical minerals.
- MOFA [announced](#) that the thirtieth Japan-EU summit meeting is scheduled to take place on July 23 in Tokyo. Ishiba will meet with President António Luís Santos da Costa of the European Council and President Ursula von der Leyen of the European Commission to discuss a wide range of cooperation between the two sides.
- On Thursday, Deputy Chief Cabinet Secretary Aoki Kazuhiko [expressed](#) “extreme regret” over a Chinese court ruling sentencing a Japanese employee of Astellas Pharma to three-and-a-half years in prison over espionage charges on Wednesday. Aoki revealed that the GOJ urged for the swift release of the individual and an improvement to transparency in the legal system.
- MOFA Director-General Kanai Masaaki of the Asian and Oceanian Affairs Bureau [issued](#) a strong protest over South Korea’s decision to conduct military exercises around the contested Takeshima/Dokdo Islands. Japan maintains that it holds sovereignty over the island according to international law.

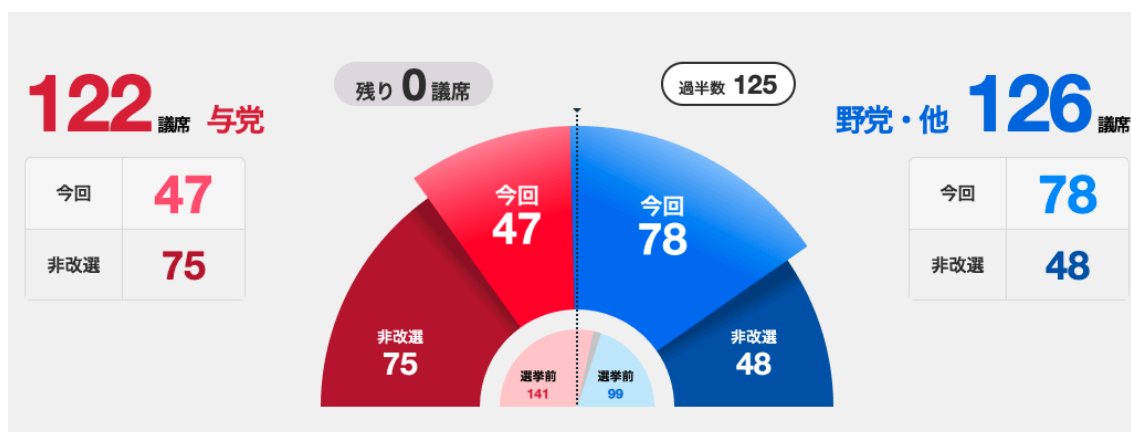
- On Tuesday, Minister for Foreign Affairs Iwaya Takeshi [met](#) with Foreign Minister Dhananjay Ramful of the Republic of Mauritius. They concurred to advance initiatives like maritime security and promoting a free and open Indo-Pacific region.

#### 4. Defense/Security Developments

- *Nikkei* [reported](#) Saturday that U.S. defense contractor Northrop Grumman offered to sell its cutting-edge integrated battle command system (IBCS) to Japan, as part of the GOJ's efforts to strengthen integrated air and missile defense capabilities.
- On Friday, the Ministry of Defense (MOD) [announced](#) that it scrapped restrictions on where female JSDF officers could be posted. The ministry decided to scrap the 1993 restrictions, enabling women to serve in missions such as surveillance and removal of toxic substances like from the Fukushima power plants.
- *Yomiuri* [reported](#) that several unnamed GOJ sources suggest that the People's Liberation Army Navy (PLAN) was anticipating combat with a U.S. fleet when it sent two frigates to the Pacific Ocean near Japan in June. The GOJ believes the Chinese are simulating combat to prevent the U.S. Military from getting close to Chinese vessels in the event of a Taiwan contingency.
- On Tuesday, the MOD [announced](#) several high-profile personnel changes (effective August 1), including JASDF Chief of Staff Uchikura Hiroaki replacing Gen. Yoshida Yoshihide as Chief of Staff of the Joint Staff, Director-General of the Defense Policy Bureau Yamato Taro replacing Masuda Kazuo as Administrative Vice Minister, and Director-General of the Defense Buildup Bureau Aoyagi Hajime replacing Ishikawa Takeshi as Commissioner of the Acquisition, Technology and Logistics Agency (ATLA). Yoshida had an extended term in his role until April 2026 but [decided](#) to step aside after successfully setting up the JSDF Joint Command Headquarters.
- Nakatani [stated](#) that Beijing's [claim](#) that the near-miss between JASDF and PLA fighter jets earlier this month were caused by Japan's surveillance activities in the East China Sea are unfounded and that there is serious concern over the Chinese jets flying extremely close to JASDF jets conducting routine surveillance activities.
- On Sunday, the militaries of nineteen countries [participated](#) in Exercise Talisman Sabre 2025 co-hosted by the U.S. and Australian militaries. Japan also sent the JSDF to the multilateral exercise, which comes amid heightened tensions in the Pacific over increased Chinese military exercises in the region.

#### 5. LDP Suffers Embarrassing "Three-Peat" of Election Defeats

- On Sunday, the ruling Liberal Democratic Party (LDP) and coalition partner Komeito narrowly lost their majority in the Upper House, concluding a “three-peat” of election defeats under Ishiba starting with the Lower House election in October last year.



- The biggest loser on Sunday was none other than Ishiba himself, who will now be under massive pressure having lost the majority in both Houses in less than a year. He will face calls to resign from both inside and outside the LDP.
- The biggest winners were Sanseitō and the Democratic Party for the People (DPFP), the parties that gained eight seats and twelve seats, respectively. They carried momentum from June’s Tokyo Metropolitan Assembly election, collecting votes from anti-mainstream parties and anti-LDP voters.
- The election results create a new political dynamic in Japan, where the ruling parties have no power on their own to effectively pass legislation or make policy decisions. It also signals a shift in voter preference, as the ruling parties’ losses did not translate directly to the main opposition Constitutional Democratic Party (CDP) winning seats, but rather the emergence of multiple parties outside of the so-called mainstream. Each of these parties now holds a “casting vote” in determining whether the ruling or opposition parties take control of the legislative process.
- Following the election, Ishiba stated that the results are a solemn reflection of voter preferences and must be accepted sincerely. He indicated a desire to continue leading the government as head of the largest political party in the Diet.
- The focus now turns to whether or not Ishiba is forced to resign. Two scenarios are plausible:
  - If Ishiba resigns:** The LDP enters a presidential election, after which the new party president will face a confirmation vote in an extraordinary Diet session. There is no guarantee the new president wins this vote given minority status of the ruling parties. Should the new president fail to secure the votes, an opposition

leader may form a new government. Should the new president succeed, there is a high likelihood the Lower House is dissolved and a general election ensues.

- **If Ishiba stays:** The process toward realigning coalitions or forming new partnerships begin ahead of the extraordinary Diet session in the fall. Once the session convenes, Ishiba has the choice of either dissolving the Lower House immediately and calling a general election, or waiting to take on a potential no-confidence motion submitted by the CDP. A successful no-confidence motion would force Ishiba and his Cabinet to resign en masse or trigger a general election. Depending on the results, a special Diet session would elect a new prime minister.

## 6. Other Political Developments

- *Nikkei* [reported](#) Friday that the draft budgetary request guidelines for FY 2026 will scrap requirements to cut existing expenditures for important policy items — given separate treatment from regular budgetary items — as well as continue discretionary spending requests not tied to specific yen amounts. This is expected to bloat spending and further worsen the fiscal situation.
- On Tuesday, the GOJ [established](#) the “Office to Promote Orderly Co-Habitation in Society with Foreigners” under the Cabinet Secretariat. The office will be [tasked](#) with coordinating policies across ministries and agencies to address crimes and nuisance caused by foreigners, as well as a system to share information on tax and social insurance payments made by foreigners.
- Minister of Agriculture, Forestry and Fisheries Koizumi Shinjiro [indicated](#) that the ministry aims to bolster support to businesses transporting stockpiled rice to retailers in an effort to sell out all contracted rice by the end of next month.
- On Monday, Koizumi [revealed](#) that farmers will plant around 7.35 million tons of staple rice this year, an increase of around 560,000 tons from last year. This reflects the decision by farmers across thirty-eight prefectures to increase production amid price hikes. In exchange, production of rice used for other purposes like *sake* making will [decrease](#), though the GOJ plans to financially support production next year. Japan’s annual rice production volume has declined since its peak in the 1960s, largely due to depopulation and an aging farming population.
- Upper House Budget Committee Chair Tsuruho Yosuke [stepped down](#) from his position over insensitive remarks around the Noto Peninsula earthquake. Tsuruho commented on the Upper House campaign trail that Japan was “lucky” that the earthquake happened in the Noto Peninsula.

## 7. Economic Security and Tech Developments

- *Nikkei* [reported](#) Saturday that the Ministry of Internal Affairs and Communications (MIC) plans to create a database by FY 2026 to collect and analyze cyber threat intelligence utilizing AI. The database will collect open source information and information on the dark web to be used by the GOJ to prepare for cyber attacks.
- On Friday, the Ministry of Education, Culture, Sports, Science and Technology (MEXT) [began](#) open calls to select universities accepting foreign researchers by September, an effort designed to attract high-level researchers and improve Japan's research capabilities. The "EXPERT-J" program will provide subsidies to universities for salaries and living cost support to be given to the researchers.
- *Nikkei* [reported](#) Thursday that Japan and the European Union (EU) plan to establish an economic "2+2" on the occasion of the summit meeting on July 23. Media reports suggest that other agreements include cooperation to procure rare earths, [develop](#) artificial satellite constellations, and [establish](#) a "competitiveness alliance" toward strengthening supply chains and developing cutting-edge technologies.
- On Wednesday, Canadian convenience store chain Alimentation Couche-Tard (ACT) [announced](#) that it would be withdrawing its takeover bid for Seven & i Holdings, citing the "lack of constructive dialogue" to move forward on the bid. In its statement, ACT denied a hostile takeover bid in the future.
- *Nikkei* [reported](#) that the GOJ will appropriate funds in its FY 2026 draft budget to construct a new research vessel equipped with deep-sea explorers. The new vessel would be able to mount multiple explorers, cutting back voyage duration and improving efficiency of developing marine resources like rare earths.
- On Monday, semiconductor manufacturer JS Foundry [filed](#) for bankruptcy with the Tokyo District Court. The company's losses amounted to ¥16.1 billion, resulting from challenges in carving out market share amid the expansion of Chinese power chipmakers. JS Foundry had gotten funding from state-backed financial institutions and was scheduled to receive subsidies from the GOJ.

## 8. Key Economic/Financial Developments

- *Nikkei* [reported](#) Saturday that Kansai Electric Co. plans to begin a survey toward constructing new power plants for the first time since the 2011 Great East Japan Earthquake, taking into account the fact that renewable energy is unlikely to meet demand for electricity that is expected to increase 40 percent by 2050.



- On Friday, the G20 finance ministers and central bank governors meeting [concluded](#) in Durban, South Africa with a joint communiqué, which [noted](#) that the global economy is “facing heightened uncertainty and complex challenges,” including ongoing wars and geopolitical and trade conflicts.
- On Thursday, the Japan Financial Services Agency (JFSA) [announced](#) that it will postpone the decision to require listed companies on the Tokyo Stock Exchange’s Prime Market with a smaller capitalization than ¥500 billion to disclose sustainability-related information like on climate change from securities reports.
- On Tuesday, the long-term interest rate [rose](#) to 1.595, the highest point since immediately following the 2008 global financial crisis. Investors sold JGBs as the results from the Upper House election has caused concerns over future policy rollout and the worsening of the fiscal situation.
- Nissan Motor Corp. [announced](#) that it plans to cease operations at its Oppama plant in Yokosuka, Kanagawa, at the end of FY 2027, shifting production to Nissan Motor Kyushu. As part of restructuring efforts, the company also plans to cease operations at Nissan Shatai’s Shonan plant in Hiratsuka, Kanagawa.
- *Nikkei* [reported](#) Monday that Honda and Nissan Motor plan to streamline foundational software that control vehicles starting the second half of this decade, in an effort to compete with the likes of Tesla and Chinese automakers in updating software that enhances driving performance and functionality.

## 9. State of the Economy

- On Friday, MIC [announced](#) that the consumer price index excluding volatile fresh food items in June rose 3.3 percent from June 2024 to 111.4, the [fourth consecutive month](#) that the rate of increase has fallen largely due to gasoline subsidies.
- On Thursday, the Ministry of Finance (MOF) [announced](#) that Japan ran a ¥2.22 trillion trade deficit between January and June, a 34.2 percent [reduction](#) in the deficit from next year. Meanwhile, export volume dropped 0.5 percent in June, with exports to the United States declining 11.4 percent to ¥1.7 trillion. It [shows](#) that companies are being forced to raise prices to absorb tariff-related costs.
- On Wednesday, the Japan National Tourism Organization (JNTO) [announced](#) that foreign travelers to Japan increased 7.6 percent in June from the previous year to a record-high 3.37 million. The number of tourists between January and June [reached](#) 21.51 million, the fastest rate at which the twenty million threshold was reached.

- On Monday, the Bank of Japan (BOJ) [issued](#) June's Opinion Survey on the General Public's Views and Behavior, which [found](#) that respondents believe that prices will increase 12.8 percent on average in one year's time. This is the highest increase since the current statistical method was employed in September 2006.
- The Cabinet Office (CAO) [announced](#) that seasonally adjusted machinery orders in May, a leading indicator of capital investment, fell 0.6 percent from April to ¥913.5 billion, the second consecutive month orders have decreased. While manufacturing [dropped](#) 1.8 percent, non-manufacturing increased 1.8 percent. CAO maintained its assessment that investment is "showing signs of recovery."

## **II. Public Opinion Poll**

- A NHK poll [released](#) on Monday found that the Ishiba Cabinet's approval rating was 31 percent, the same as last week, while disapproval was 53 percent, up three points.
  - 48 percent of respondents [said](#) that they plan to definitely vote in the Upper House election; 22 percent said they plan to go; 16 percent said they utilized early voting; 7 percent said they are unsure; and 5 percent said they do not plan to go.
  - 44 percent of respondents said that they are somewhat interested in the Upper House election; 32 percent said they are very interested; 16 percent said they are not so interested; and 4 percent said they are not interested at all.
  - 29 percent of respondents said that social security and depopulation is the most important theme in the election; 28 percent of respondents said rice/inflation relief; 8 percent each said politics and money and the tariff situation; 7 percent each said foreign policy and security and policies related to foreigners; and 1 percent said separate surnames for married couples.
  - 40 percent of respondents said that they cannot say for sure whether the ruling or opposition parties should win; 36 percent said the opposition should win more seats; and 18 percent said the ruling parties should win more seats.
  - 52 percent of respondents said that they would like a consumption tax cut or elimination; 26 percent said neither; and 15 percent said cash handouts are desirable.
  - 38 percent of respondents said that they somewhat approve of the GOJ's rice policies; 29 percent said they somewhat disapprove; 18 percent said they strongly disapprove; and 8 percent said they strongly approve.
  - 40 percent of respondents said that they somewhat disapprove of the GOJ's response to U.S. tariff measures so far; 24 percent said they somewhat approve; 23 percent said they strongly disapprove; and 3 percent said they strongly approve.

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- 49 percent of respondents said that they support tightening regulations requiring foreigners to act responsibly; 30 percent said, if anything, they support it; 7 percent said, if anything, they oppose it; and 5 percent said they oppose it.
- The survey also collected data on the latest approval ratings of political parties.

<b>Political Party</b>	<b>Approval Rating (%)</b>
Liberal Democratic Party	24 (-4.1)
Constitutional Democratic Party	7.8 (-0.7)
Japan Innovation Party	3.1 (+0.8)
Komeito	3.5 (+0.5)
Democratic Party for the People	4.9 (-0.2)
Japan Communist Party	3.0 (-0.1)
Reiwa Shinsengumi	2.8 (-0.4)
Suffrage Party (Sanseitō)	5.9 (+1.7)
Japan Conservative Party	1.4 (+0.4)
Social Democratic Party	0.7 (+0.2)
Independent (No Party)	33.7 (+3.6)