

The Weekly Observer

July 21-25, 2025

The 182nd edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on the tariff agreement between Japan and the United States, the Japan-EU Summit, Foreign Minister Iwaya's first phone call with the new ROK foreign minister, Defense Minister Nakatani's diplomatic travel plans next month, pressure on Prime Minister Ishiba to step down, the potential re-submission of legislation to scrap the provisional gas tax rate, METI's plan to expand the scope of support for next-gen solar battery development, MEXT's plans to raise the maximum cap at universities to attract foreign students, capital investment amounts according to a Nikkei survey, and more.

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I. News of the Week

1. Japan and the United States Agree on Tariff Deal

- On Friday, the GOJ [revealed](#) the contents of its agreement with the United States on the tariffs levied by the Trump Administration.
 - **United States:** Lower reciprocal tariffs from 25 percent to 15 percent, sectoral tariffs on automobiles and parts from 25 percent to 15 percent, and equal treatment as other nations when it comes to semiconductor and pharmaceutical tariff rates.
 - **Japan:** Cooperation to develop resilient supply chains in the United States in nine areas critical to economic security including chips, steel, and shipbuilding; provide up to \$550 billion in investment, loans, and loan guarantees to this end with a 1:9 ratio on profits favoring the United States; expanding purchases of U.S. agriculture goods, chips, and aircraft, procure rice within the scope of minimum access agreement, and long-term purchases of LNG; enable imports of U.S. vehicles without additional safety testing requirements; and revise clean energy vehicle subsidies appropriately.
- On Wednesday, Prime Minister Ishiba Shigeru [commented](#) that the deal marks a “mutually beneficial agreement” that did not sacrifice Japanese national interests. He pointed out that close Japan-U.S. relations are necessary not just for the two countries but for the stability and prosperity of the Indo-Pacific region and the international community as a whole.
- Despite the agreement, [significant differences](#) were seen in the readouts released by the two governments, especially around implementation date and the framework for which investments will be made.

U.S. Readout	Area	Japanese Readout
N/A	Implementation	Reciprocal tariff by August 1 and sectoral tariffs as soon as possible
\$550 billion investment	Investment	\$550 billion in loans and loan guarantees by GOJ
U.S. side gets 90 percent	Distribution of investment profits	Ratio will be 1:9 if the investment ratio is 1:9
Japan will make an additional purchase of several billions of	Defense equipment purchases	Within the bounds of existing defense

dollars on an annual basis		procurement plans
\$8 billion and an increase in rice purchases by 75 percent	Agricultural goods purchases	Undecided

- Japan's chief tariff negotiator Akazawa Ryosei [said](#) on a TV program on Saturday that investment amounts would actually be "1 to 2 percent" of the \$550 billion, with the rest coming from government loans and loan guarantees. Meanwhile, Minister of Agriculture, Forestry and Fisheries (MAFF) Koizumi Shinjiro [commented](#) that the increase in rice imports would be conducted within the bounds of the 770,000 tons of minimum access (tariff exempt) rice.
- Akazawa [stated](#) that Japan avoided a ¥10 trillion loss by getting the reciprocal tariffs reduced to 15 percent, adding that the investments would be made during Trump's term in office. He [added](#) that an agreement text between the two countries cannot be made at this time as it could delay implementation of the tariff reductions.
- Ishiba [met](#) with the leaders of Japan's political parties on Friday, explaining that the deal was made in a mutually beneficial way. Opposition party leaders were quick to [criticize](#) the GOJ for a deal in which there are no guarantees for implementation. They urged Ishiba to work on a joint text with the United States.

2. Japan and the EU Herald New Age of Cooperation

- On Wednesday, Ishiba [met](#) with President António Luís Santos da Costa of the European Council and President Ursula von der Leyen of the European Commission in Tokyo for the thirtieth Japan-EU Summit.
- The two sides heralded a new age of deepened cooperation, issuing a document outlining deliverables and priorities for cooperation and announcing the Japan-EU Competitiveness Alliance.
- The deliverables document [outlines](#) cooperation in fourteen key areas, including security, cybersecurity, space security, economic security, digital, and investment, business and industrial cooperation.
- The Competitiveness Alliance [acknowledges](#) shared challenges in strengthening a stable and predictable rules-based free and fair economic order, as well as reinforcing a competitive business environment. The alliance will work on areas including trade and economic security, competitiveness, decarbonization, and supply chain resilience.
- The two sides agreed to steadily implement cooperation in areas like cyber, defense industry, maritime security, space, and information, based on the Security and

Defense Partnership announced in November 2024. They also welcomed cooperation toward the launch of the Defense Industry Dialogue and the start of formal negotiations on the Security of Information Agreement.

- Finally, the two sides agreed to expand the participants of the Japan-EU High-Level Economic Dialogue to elevate it to a so-called economic “2+2” meeting.

3. Foreign Policy Developments

- On Friday, Ishiba [met](#) with President Petr Pavel of the Czech Republic, where he expressed his expectation for the promotion of multifaceted cooperative relations based on the memorandum on trade and investment cooperation and defense industry cooperation. Pavel stated that he expects promotion of ties especially on the economy.
- Taiwanese media [reported](#) that Foreign Minister Lin Chia-lung had visited Japan to visit the Osaka Expo and met with Japan-ROC Diet Members’ Consultative Council Chairperson Furuya Keiji and Takaichi Sanae. China criticized the visit and the GOJ for allowing Lin to make the personal visit to “conduct anti-Chinese activities.”
- Minister for Foreign Affairs Iwaya Takeshi [held](#) a telephone conversation with Cambodian Deputy Prime Minister and Foreign Minister Prak Sokhonn, in which he expressed Japan’s deep concern over the military clashes occurring between Cambodia and Thailand. He urged both sides to exercise maximum restraint and stated his strong hope that tensions are eased peacefully through dialogue.
- On Thursday, Iwaya [held](#) a telephone conversation with new South Korean Foreign Minister Cho Hyun. The two shared the recognition that bilateral relations and coordination with the United States are important under the current strategic environment. They agreed to continue communicating closely.
- On Wednesday, Iwaya [met](#) with Minister of Foreign Affairs and Human Mobility of Ecuador Gabriela Sommerfield. Iwaya expressed his desire to cooperate with Ecuador’s efforts in areas like internal security, disaster prevention, and energy. The two agreed to work closely together in the international arena as well.
- On Tuesday, Ishiba [held](#) a summit meeting with Prime Minister James Marape of Papua New Guinea, where he stated that he would like to materialize security cooperation through official security assistance (OSA). He also conveyed strong support for the “2050 Strategy for the Blue Pacific Continent” of the Pacific Islands Forum (PIF).

4. Defense/Security Developments

- *Asahi* [reported](#) Saturday that the Ministry of Defense (MOD) is arranging for Minister of Defense Nakatani Gen to travel to Djibouti, Turkey, and Jordan from August 17-22, likely to exchange views on JSDF activities related to the situation in the Middle East and future defense cooperation.
- On Friday, Chief Cabinet Secretary Hayashi Yoshimasa [revealed](#) that the GOJ lodged a formal protest against the South Korean Government over the intrusion into Japan's air defense identification zone (ADIZ) by a transport aircraft on July 13. The ROK Ministry of National Defense will [investigate](#) the matter, which was a result of fuel shortages. The aircraft made an emergency landing at U.S. Kadena Air Base.
- On Wednesday, Nakatani [met](#) with Kaja Kallas, High Representative of the EU for Foreign Affairs and Security Policy. Both agreed to further strengthen cooperation against unilateral attempts to change the status quo by force or coercion. They agreed that the security of the Euro-Atlantic and Indo-Pacific is inseparable, requiring deeper collaboration in security and defense to maintain and reinforce the international order.
- The MOD [announced](#) that Japan took part for the first time in a practical exercise organized by the Australia-U.K.-U.S. (AUKUS) security framework involving acoustic communication between ships and underwater drones. The exercise, part of AUKUS Pillar Two (advanced capabilities), was conducted from July 16-17 on the occasion of the multilateral exercise "Talisman Sabre 2025" in Australia.
- On Tuesday, [Exercise Resolute Force Pacific 2025](#) (REFORPAC) was [made public](#) to the media at Yokota Air Base. The largest multilateral exercise hosted by the U.S. Air Force in the Indo-Pacific region consisted of over four hundred aircraft and 11,000 U.S. Air Force personnel, as well as countries like Japan, Canada, and South Korea. The exercise will be held from July 10-August 8 in the Western Pacific region, including Hawaii and Guam.

5. Pressure Intensifies on Ishiba to Step Down

- [Media reports](#) this week suggested that Ishiba would be announcing his resignation as early as this month or by the end of next month, fueling speculation that the embattled prime minister would be taking responsibility for the Upper House election loss.
- Immediately after the election on Monday, Ishiba [stated](#) that while a tough road awaits ahead, he believes that political stagnation is the last thing the country needs as the tariff situation, inflation, natural disasters, and a severe security environment pose challenges to the nation. The prime minister [told](#) NHK in an interview on July 26 that he must "repress any thoughts about myself" and focus on national interests.
- LDP lawmakers were quick to respond to Ishiba's intent to remain prime minister:

- Ex-Secretary General Motegi Toshimitsu [said](#) on his YouTube channel on July 26 that revival of the party requires a reset with new leadership. He characterized Ishiba's consecutive defeats in major elections as "three outs, change."
- LDP Youth Division Director Nakasone Yasutaka [represented](#) the division's opinion that the party leadership must "take responsibility as soon as possible," pointing out that regional organizations have informed them that the "LDP is finished if things continue as is."
- In a meeting of former prime ministers on Wednesday, LDP Senior Advisor Aso Taro [reportedly said](#) that the "public has made clear that we cannot win elections with Ishiba as prime minister."
- A group of five senior officials including ex-MIC Minister Sato Tsutomu, ex-Justice Minister Furukawa Yoshihisa, and ex-METI Minister Hagiuda Koichi [met](#) Tuesday and agreed that the party should hand over the keys to government to the opposition having lost the confidence of voters. Diet Affairs Chair Kihara Seiji, who plans to step down after the review of election results is concluded, [pointed out](#) that this was "one option" to move forward.
- MAFF Minister Koizumi [said](#) Tuesday that the party cannot be proud of being the largest political party and must "take seriously the fact that we failed to meet the target of maintaining a majority."
- Local party branches have also [started to request](#) that Ishiba step down, with multiple prefectures that suffered defeat on Sunday — including Kochi, Tokushima, Ehime, Tochigi, Ibaraki and Yamanashi — submitting or writing documents to HQ urging the prime minister to quit.
- *Yomiuri* [reported](#) that the LDP will hold a joint session between Lower and Upper House Diet members on July 28 to discuss the Upper House election results and future party management. A group of lawmakers led by MAFF State Minister Sasagawa Hiroyoshi are [gathering petitions](#) to demand convening of the joint plenary session — a higher authority decision making body — that has the authority to demand a presidential election, an effective "recall" of the party president by a majority vote.
- Opposition party leaders were also [quick to criticize](#) Ishiba's intent to stay on, with main opposition Constitutional Democratic Party (CDP) leader Noda Yoshihiko questioning whether the prime minister plans to "continue dragging out" his tenure, while Democratic Party for the People (DPFP) leader Tamaki Yuichiro suggested that Ishiba was "acting as if the election did not take place" and that he does not feel that Ishiba is "accepting the peoples' choice head on."

6. Other Political Developments

- On Friday, the CDP [informed](#) the LDP that it plans to re-submit legislation during the extraordinary Diet session scheduled to begin on August 1 that would scrap the provisional gas tax rate. The bill, which was killed during this year's ordinary session by the ruling parties, now has votes in both Houses to be enacted.
- *Nikkei* [reported](#) Wednesday that the National Personnel Authority has begun exploring revisions to government official salaries, with plans to match the salaries paid by companies with more than a thousand employees rather than five hundred. The move is designed to encourage more applicants and to retain personnel in the public sector. Many decide to go to the private sector for better wages.
- On Tuesday, the Diet Affairs chairs of the LDP and CDP [agreed to convene](#) the extraordinary Diet session on August 1, though there remains to be disagreement on when the session would end. The LDP wants a five day session, while the CDP is [demanding](#) a longer session to ensure the legislation to scrap the provisional gas tax rate can be submitted.
- NHK [reported](#) that the draft of next fiscal year's budget request guidelines will likely allow ministries and agencies to increase requested amounts for critical policy items like responding to inflation by 20 percent. The draft indicates that the usual condition to cut back expenses will be scrapped to reflect higher prices and personnel costs.
- On Monday, the LDP [held](#) an extraordinary leadership meeting, in which Secretary General Moriyama Hiroshi indicated that a review committee would be set up to assess the reasons for the party's defeat in the Upper House election.

7. Economic Security and Tech Developments

- On Friday, Kioxia Holdings [announced](#) that it would begin manufacturing what it calls the "ninth generation" next-generation memory by the end of the fiscal year. The ninth generation NAND flash memory will have a 512 gigabit capacity and be used in smartphones. The memory will have 30 percent more efficient electricity circuits.
- Kioxia also [announced](#) that it completed the acquisition of preferred shares worth ¥330.3 billion held by the Development Bank of Japan. The company also issued \$2.2 billion worth of dollar-denominated company bonds to buy its own shares in an effort to reduce costs related to dividends made on preferred shares.
- *Nikkei* [reported](#) Wednesday that the Ministry of Economy, Trade and Industry (METI) plans to expand its development support for next-generation solar batteries, adding

products that combine perovskite and solar panels to improve power generation efficiency by 1.5 times.

- METI plans to add such “tandem style” perovskite solar batteries to categories eligible for subsidies via the “green innovation (GI) fund.” METI will begin supporting firms in FY 2025 with goals to begin producing in FY 2030.
- Japan has a competitive advantage in perovskite. METI will ask firms to aim for power generation conversion efficiency of over 30 percent, durability of twenty years like regular solar panels, and generation costs below ¥12 kilowatt/hour, or lower than regular solar panels.

8. Key Economic/Financial Developments

- *Nikkei* [reported](#) Friday that the Ministry of Education, Culture, Sports, Science and Technology (MEXT) plans to relax rules around maximum capacity at universities in an effort to attract high-level foreign students. MEXT plans to approve raising the maximum capacity to below 110 percent for designated departments on the condition that tuition fees are raised for foreign students, among other things.
- *Nikkei* [reported](#) Wednesday that the Japan Financial Services Agency (JFSA) will revise the way human capital is disclosed on securities reports. The JFSA will integrate provisions around employee numbers and years of service with working environment and talent development provisions related to sustainability. It will be combined with growth strategy in order to ensure provisions are carried out.
- The yield on newly issued ten-year JGBs — an indicator of long-term interest rates — [rose](#) 0.1 percent from the previous day to 1.6 percent, the highest level since October 2008, as investors accelerated selling bonds following the decrease in perceived risk after Trump announced the tariff deal with Japan.
- On Tuesday, METI [announced](#) that it took part in the Seventh Japan-Thailand Energy Policy Dialogue in Pattaya, Thailand, where the countries welcomed two memorandums of understanding (MOUs) and a general agreement on cooperation toward decarbonization. The MOUs cover an investment credit line to support energy conservation-related initiatives in Thailand and a hydrogen and ammonia supply chain network in Thailand.
- METI and the Ministry of Finance (MOF) [announced](#) that the GOJ has initiated a new anti-dumping investigation of nickel-added cold-rolled stainless steel coil, sheet, and strip originating in China, as companies like Nippon Steel lodged a complaint that domestic demand has been taken by cheap Chinese products. The companies [claim](#) that China has been selling products 20-50 percent cheaper than in China.

9. State of the Economy

- On Friday, the Bank of Japan (BOJ) [announced](#) that the services producer price index (SPPI) in June rose 3.2 percent from June 2024 to 110.7, the ninth consecutive month that the rate of increase remained above 3 percent. There is a [continuing trend](#) to reflect rising labor costs in service prices.
- *Nikkei* [reported](#) that capital investments across all industries in FY 2025 was estimated to have risen 12.4 percent from the previous year to ¥34.27 trillion, the second consecutive year that investment amount has hit a record high.
- While investments in the United States fell slightly, it is expected to recover now that the tariff agreement has been reached. AI infrastructure investment has been the trend, with NTT returning to the top of the pile above Toyota Motor for the first time in two years.
- On Tuesday, the Ministry of Health, Labor and Welfare's (MHLW) Central Minimum Wage Council subcommittee on FY 2025 minimum wage [met](#) for the second time, with business and labor debating wage hikes around the ¥1,100~ line.
- The MHLW calculates the percentage of workers whose hourly wage was below the minimum wage after a hike as an impact rate. The impact rate for small- and medium-sized businesses rose from last year. The number of workers close to the minimum wage line is said to be around seven million people.

II. Public Opinion Poll

- A *Yomiuri* poll [released](#) on Monday found that the Ishiba Cabinet's approval rating was 22 percent, down ten points from June, while disapproval was 67 percent, up fourteen points.
 - 38 percent of respondents said that they believe it was good that the opposition won more seats; 34 percent said it was just right; and 20 percent said that it would have been better if the ruling parties won more seats.
 - 54 percent of respondents said that they believe Ishiba should resign as prime minister, while 35 percent said that they believe he does not have to resign.
 - 47 percent of respondents said that they want a change in government to an opposition-led regime, while 35 percent said they want the LDP to continue leading a government.
 - 61 percent of respondents said that they oppose the CDP joining the LDP-Komeito coalition government, while 24 percent said they support it.
 - 56 percent of respondents said that they oppose *Ishin* joining the coalition government, while 25 percent said they support it.

- 59 percent of respondents said that they oppose the DPFP joining the coalition government, while 25 percent said they support it.
- 26 percent of respondents said that they believe Takaichi Sanae is the best choice for prime minister to continue the LDP-led government; 22 percent said Koizumi Shinjiro; 14 percent said none of the above; 8 percent said Ishiba; 7 percent said Kono Taro; 3 percent said Kobayashi Takayuki; 2 percent each said Kamikawa Yoko, Kishida Fumio, Hayashi Yoshimasa, and Motegi Toshimitsu; and 1 percent said Kato Katsunobu.
- 23 percent of respondents each said that the CDP or DPFP should lead an alternative government; 11 percent said *Sanseitō*; 9 percent said *Ishin*; 4 percent said *Reiwa Shinsengumi*; 2 percent each said the Japan Conservative Party and Team Future (Mirai); and 1 percent said the Social Democratic Party.
- 88 percent of respondents said that they want the prime minister to prioritize inflation relief; 78 percent said social security, including pensions; and 73 percent each said foreign policy or security and education or childcare.
- The survey also collected data on the latest approval ratings of political parties.

Political Party	Approval Rating (%)
Liberal Democratic Party	19 (-4)
Constitutional Democratic Party	8 (+2)
Japan Innovation Party	3 (+1)
Komeito	4 (+1)
Democratic Party for the People	11 (+6)
Japan Communist Party	2 (-1)
Reiwa Shinsengumi	3 (+1)
Do It Yourself Party (Sanseitō)	12 (+7)
Japan Conservative Party	1 (±0)
Social Democratic Party	0 (±0)
Team Future (Mirai)	2 (N/A)
Independent (No Party)	29 (-14)