

The Weekly Observer

July 28-August 1, 2025

The 183rd edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on Japan's reaction to Trump's executive order on the reciprocal tariff rate, MOFA's first major reorganization in nineteen years, the inauguration of the new JSDF Joint Staff of the Chief of Staff, the extraordinary Diet session, increasing pressure on Ishiba to step down, Ishiba reportedly forgoing issuance of a statement marking the 80th anniversary of the end of WWII, the BOJ's decision to maintain policy interest rates, the establishment of the GOJ's AI Policy Promotion Office, final arrangements to raise the average national minimum wage, the GOJ's Monthly Economic Report for July, and more.

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I. News of the Week

1. Japan Reacts to Trump Executive Order on Reduced Tariff Rates

- On Friday, Prime Minister Ishiba Shigeru [told](#) reporters that the GOJ will continue to urge the White House to swiftly implement the executive order issued on July 31 regarding reciprocal tariffs, as well as the discussions over sectoral auto tariffs.
- On Thursday, the White House [issued](#) a press release on President Donald Trump's executive order "further modifying the reciprocal tariff rates," stating that the new tariff rates agreed with some trading partners, including Japan, would take effect seven days after the order was signed (August 7).
- Chief Cabinet Secretary Hayashi Yoshimasa [said](#) at a press conference that the executive order "reduces uncertainties surrounding U.S. trade policy and the risk of downturn in the Japanese and global economies."
- Ishiba [met](#) with auto industry leaders to discuss the impact of the tariff agreement implementation on the domestic economy. He indicated that the GOJ will take every measure to mitigate the impact on domestic industry. Japan's chief tariff negotiator Akazawa Ryosei [indicated](#) that the sectoral auto tariff reduction from 25 percent to 15 percent may take longer as the reduced reciprocal tariff rate kicks in earlier.
- Ishiba and Akazawa are [expected to discuss](#) the tariff deal with Diet members during the extraordinary Diet session to begin on August 1. Opposition lawmakers are concerned about the undisclosed nature of the tariff negotiations and agreement.

2. Foreign Policy Developments

- *Nikkei* [reported](#) Saturday that Ukrainian Foreign Minister Andrii Sybiha is preparing to visit Japan for the first time since he took office in September 2024, likely to continue asking for Japan's sustained support in its war with Russia.
- On Friday, Hayashi [said](#) that the GOJ will make a "comprehensive assessment" on whether to recognize Palestine as a state, following the United Kingdom and Canada's decision to recognize it as a state. He explained that the GOJ will continue to explore policies to effectively realize a two-state solution.
- The Ministry of Foreign Affairs (MOFA) had its first major reorganization in nineteen years, [creating](#) an economic security division within the Economic Affairs Bureau and a division in charge of Japan-Europe economic relations within the European Affairs Bureau. This indicates a shift to strengthen economic affairs at MOFA.

- On Wednesday, a delegation of the Japan-Korea Parliamentarians' Union led by President Suga Yoshihide [met](#) with South Korean President Lee Jae-myung, agreeing to expand bilateral engagements including between legislators. The Union also informed Lee that Ishiba looks forward to hosting him in Japan soon.
- On Tuesday, Minister for Foreign Affairs Iwaya Takeshi [held](#) a meeting and working dinner with South Korean Foreign Minister Cho Hyun, where they agreed to continue close communications and cooperation both bilaterally and with the United States. Cho also made a [courtesy call](#) to Ishiba the following day.
- On Monday, the Japanese Embassy in China [revealed](#) that the Astellas Pharma employee charged with espionage and sentenced to three-and-a-half years in prison did not appeal the court ruling. He utilized the plea bargain system to reduce his sentence in exchange for admitting the charges. *Nikkei* [reported](#) that approximately 70 percent of Japanese nationals detained in China face prison sentences averaging between three and fifteen years.

3. Defense/Security Developments

- On Friday, former JASDF Chief of Staff Uchikura Hiroaki [became](#) the first chief of staff of the Joint Staff from the JASDF in eleven years. He told JSDF officers that “we must push forward with the fundamental strengthening of our defense capabilities with even greater speed.”
- On Thursday, the Ministry of Defense (MOD) [announced](#) that it has an agreement in principle with Nippon Steel to utilize the land where the company's steel mill was located in Kure City, Hiroshima, for a “multi-functional integrated defense hub.” The MOD will appropriate funding to acquire the land in next fiscal year's budget request.
- On Wednesday, the MOD [disciplined](#) ninety-three JSDF officers, including JMSDF Chief of Staff Saito Akira, for inappropriately accepting gifts from Kawasaki Heavy Industries' slush fund. The incident has been ongoing for almost forty years.
- On Tuesday, the GOJ [revised](#) an ordinance related to the Act concerning the Measures for Protection of the People in Armed Attack Situations, etc to include “provision of welfare services” as necessary to aid elderly citizens and those with disabilities during emergency situations.
- On Monday, the MOD [issued](#) the Space Domain Defense Guidelines and the Next-Generation Information Communications Strategy. The former aims to map out how the MOD will develop satellites and other space domain capabilities, while the latter focuses on developing capabilities for real-time data sharing between command and individual units of the three services.

- *Asahi* [reported](#) that the MOD is making arrangements to deploy its first long-range stand-off missiles serving as counterstrike capabilities at the JGSDF Camp Kengun in Kumamoto Prefecture as early as by the end of the year. The Type-12 surface-to-ship guided missile reaches around one thousand kilometers, theoretically putting the coast of China within targeting range.

4. Extraordinary Diet Session Convenes on August 1

- On Friday, the 218th extraordinary Diet session [convened](#) for a five day period running until August 5.
- The first order of business was to [reappoint](#) the ruling Liberal Democratic Party's Sekiguchi Masakazu as speaker of the Upper House and appoint main opposition Constitutional Democratic Party's (CDP) Fukuyama Tetsuro as the new vice speaker.
- Seven ruling and opposition parties [began discussions](#) toward scrapping the provisional gas tax rate, agreeing to finalize plans for funding and impact on logistics and local government finances ahead of the earliest implementation possible. The parties agreed to seek abolition of the provisional gas tax rate on November 1.
- On Tuesday, the LDP and CDP [agreed to hold](#) a session of intense deliberation in the Upper House Budget Committee on August 5 regarding the tariff situation. The Lower House will hold the same session on August 4.
- Meanwhile, CDP leader Noda Yoshihiko [indicated](#) that he has no plans to submit a no-confidence motion against the Ishiba Cabinet, pointing out that a "confrontational approach" can be taken in the fall. In response, Democratic Party for the People (DPFP) leader Tamaki Yuichiro questioned why Noda plans to wait until the fall.

5. Lawmakers Pressure Ishiba to Resign

- On Monday, the LDP [convened](#) a joint plenary session of Lower and Upper House members, where Ishiba reiterated his desire to remain in office and lawmakers expressed both that he should stay put and that he should take responsibility.
- Ishiba [indicated](#) that he would like to fulfill his responsibility as leader to avoid creating a political vacuum. He also said that the party must regain the trust of the public and fulfill its responsibility for the country, its citizens, and the world.
- During that session, LDP Secretary General Moriyama Hiroshi [announced](#) that the party will set up a review committee to assess the Upper House election defeat. He added that he would decide on his future as secretary general after the review concludes by the end of August. The committee [met](#) on Thursday for the first time.

- On Tuesday, the LDP leadership [decided to convene](#) a joint plenary meeting of both Houses of the Diet. Likely to [take place](#) on August 7, over 120 lawmakers [signed](#) a petition to urge the convening of a meeting. Theoretically, a majority of lawmakers and local prefectural branch chiefs can force an early party presidential election.
- Pressure is building as the days pass, with eleven prefectural party branches or leadership across the country [issuing](#) statements or requests for Ishiba to step down immediately or for the party to regroup under a new leadership team.
- While pressure is building within the party, a demonstration supporting Ishiba [materialized](#) in front of the Prime Minister's Office last Friday, where approximately 1,200 individuals came together under the slogan "Don't Quit Ishiba." It seems that these individuals do not support Ishiba exactly, and are more likely to be protesting a far right turn under a new leader like Takaichi Sanae.

6. Other Political Developments

- *Yomiuri* [reported](#) Friday that Ishiba is expected to forgo issuing a statement marking the eightieth anniversary since the end of World War II, while *Asahi* [reports](#) that September 2 (date of surrender) is also off the table. While Ishiba believes in the importance of issuing a statement, he is under increasing pressure from the conservative wing of the party that wants to prevent him from overwriting the late Prime Minister Abe Shinzo's seventieth anniversary statement.
- The Upper House [appointed](#) the chairs of its standing committees, special committees, and commissions. *Sanseitō* secured one committee chairmanship, with Matsuda Manabu named as chair of the Committee on Discipline.
- The revised Act on Annual Payment, Travel Expenses, Allowances, etc [took effect](#), requiring lawmakers to disclose expenses related to political activities exceeding ¥10,000. Lawmakers get ¥1 million a month. While it requires disclosure online for three years, it leaves open loopholes for "other expenses" and donations to asset management organizations created under the lawmaker's name.
- On Thursday, the Ministry of Finance (MOF) [announced](#) the settlement of special accounts in FY 2024, which increased approximately ¥2.5 trillion to ¥15.18 trillion. The special accounts settlement takes the net balance of expenses and revenue generated from the twelve special accounts.
- Chief Cabinet Secretary Hayashi Yoshimasa [announced](#) that the Kamchatka earthquake and tsunami warnings have resulted in one death and ten injuries, mainly around those who have been evacuating in regions on the Pacific Ocean side of Japan.

- *Mainichi* [reported](#) that the GOJ is exploring the idea of raising the natural increase in the budget for social security for the FY 2026 budget request by approximately ¥400 billion. This is similar to the increase last year, which stood at ¥410 billion. Social security spending has been on the rise, as the number of elderly increases.

7. Bank of Japan Maintains Policy Rates Again

- On Thursday, the Bank of Japan (BOJ) made a [unanimous decision](#) to maintain policy interest rates at 0.5 percent for the fourth consecutive monetary policy meeting.
- BOJ Governor Ueda Kazuo [explained](#) that a major factor in determining whether to raise interest rates is the “mechanism whereby wages and prices positively influence each other in a continuous manner.”
- Ueda pointed out that interest rates would not be raised as an inflation relief measure, stating that raising interest rates when there is demand-side inflation will cool down an overheated economy and lower prices. He added that the BOJ will carefully assess the impact of the tariff agreement with the United States.
- The Outlook for Economic Activity and Prices [released](#) the same day maintained the assessment that the BOJ will “continue to raise the policy interest rate and adjust the degree of monetary easing” going forward.
- The report revised upward the consumer price index (CPI) projections from its April report, raising it by 0.5 point to 2.7 percent for FY 2025, down 0.1 point to 1.8 percent in FY 2026, and up 0.1 point to 2 percent in FY 2027.

8. Economic Security and Tech Developments

- On Friday, the Cabinet Office Science and Technology/Innovation Promotion Secretariat [announced](#) the establishment of the “AI Policy Promotion Office” to coordinate government policy on AI and serve as a secretariat for the Cabinet’s AI Strategy Headquarters.
- The Ministry of Education, Culture, Sports, Science and Technology’s (MEXT) working group on marine development [finalized](#) recommendations related to deep sea research, aiming to establish an environment that enables stable operation of drones and other exploration vehicles and survey mother ships, and conduct world-leading research on earthquake surveys, seabed minerals, and biological resources.
- On Wednesday, U.S. Steel [announced](#) the appointment of three independent directors to the board — John Donovan, Robert Stevens, and Retired Admiral Timothy Keating — who join the existing four directors to comprise the full board. The board already

includes U.S. Steel President David Burritt, Nippon Steel Vice Chairman Mori Takahiro, Executive Vice President Sato Naoki, and Managing Executive Officer Ono Hiroshi. A majority of the board is comprised of U.S. nationals.

- The Japan Financial Services Agency (JFSA) [finalized](#) a discussion paper toward amending legislation related to cryptocurrencies. The paper notes that crypto is gradually becoming an investment asset rather than a payment settlement asset. This would require rules related to financial products like stocks.
- MEXT's Human Resources Committee [approved](#) the direction of policies related to science and technology talent, which includes the revision of the SPRING (subsidies for master's and doctoral students), limiting the annual ¥2.4 million funding support for living costs to Japanese nationals only. Research support will continue to be provided to all students. The measure takes effect as early as FY 2027.
- On Tuesday, the Japan Fair Trade Commission (JFTC) [released](#) its implementation guidelines for the Act on Promotion of Competition for Specified Smartphone Software, which outlines measures to prevent the elimination of competition and provision of alternative services by Big Tech players like Apple and Google. Minor changes were made from the draft issued in May, despite Apple voicing concerns about securing safety and protecting its rights.

9. Key Economic/Financial Developments

- On Friday, the Ministry of Health, Labor and Welfare's (MHLW) Central Minimum Wages Council [entered](#) final discussions toward raising the average national minimum wage in FY 2025 to ¥1,118, a 6 percent increase or ¥63 raise from last year. The rate and margin of increase hit record highs since minimum wages were expressed in terms of hourly wages in 2002.
- On Wednesday, the Ministry of Agriculture, Forestry and Fisheries (MAFF) [released](#) projections for staple rice demand, which increased from the initial estimate of 6.74 million tons to 7.11 million tons. Given production volume was 6.79 million, there was a 320,000 ton supply shortage. MAFF also [indicated](#) that rice production fell 60,000 tons in FY 2024 likely due to the hot weather affecting milled rice yield.
- *Nikkei* [reported](#) that Mitsui & Co. and Mitsui O.S.K. Line plans to jointly acquire a maintenance port in the United Kingdom, with plans to learn from the U.K.'s efforts in offshore wind power generation to improve Japan and Asia's development of an offshore wind supply chain. The port in Scotland is expected to be utilized to develop floating offshore wind power as early as the 2030s.

- *Nikkei* [reported](#) Tuesday that the Japan Investment Corporation plans to set up a fund worth approximately ¥800 billion to promote large-scale business restructuring and develop private funds to nurture financial resources for mergers and acquisitions. The target is cases worth over ¥100 billion and for a period of over ten or so years.
- On Monday, the GOJ's Council on Economic and Fiscal Policy [discussed](#) the direction of its FY 2026 budget, with private sector participants [requesting](#) that policy management does not lead to a sharp rise in long-term interest rates. Ishiba expressed his desire to formulate next year's budget under his leadership.
- *Nikkei* [reported](#) that the Japan-China Economic Association, the Japan Business Federation, and the Japan Chamber of Commerce and Industry are planning to send a delegation to Beijing from January 20-23, 2026, with the hopes of meeting President Xi Jinping during the visit. The business delegation has visited almost every year aside from the period of the pandemic.

10. State of the Economy

- On Friday, the MHLW [announced](#) that the seasonally adjusted jobs-to-applicants ratio in June fell 0.02 point from May to 1.22 times, the [second consecutive month](#) in decline as wholesale and retail trade job openings decreased. The Ministry of Internal Affairs and Communications (MIC) also [announced](#) that seasonally adjusted unemployment was the same at 2.5 percent.
- The MOF [announced](#) that June's ordinary account tax revenue fell 7 percent from last year to ¥2.53 trillion, with consumption tax revenue [dropping](#) 74 percent to ¥58.3 billion. Tariff-related revenue fell 8 percent to ¥69 billion due to the yen appreciation.
- On Thursday, the Cabinet Office (CAO) [announced](#) that the seasonally adjusted consumer confidence index in July fell 0.8 point to 33.7, the [first decline](#) in three months. CAO maintained the assessment that there are signs of recovery. All four categories of the index fell.
- The Ministry of Economy, Trade and Industry (METI) [announced](#) that the seasonally adjusted industrial production index in June rose 1.7 percent to 102.9, the [first improvement](#) in three months led by the transportation machinery industry, including aircraft engines and airframe parts, and the electronic parts and devices industry.
- On Tuesday, the GOJ [released](#) its Monthly Economic Report for July, which changed the assessment of the economy to "recovering at a moderate pace, while the effects caused from the U.S. trade policies and so on are seen in some areas." June's language was "recovering at a moderate pace, while the uncertainty arising from the U.S. trade policies and so on exists." Export assessments [fell](#) due to the tariffs.

II. Public Opinion Poll

- A *Nikkei* poll [released](#) on Monday found that the Ishiba Cabinet's approval rating was 32 percent, down five points from July, while disapproval was 61 percent, up four points.
 - 51 percent of respondents said that they want the prime minister to prioritize inflation relief; 29 percent each said economic growth and childcare, education, and depopulation; and 28 percent said pensions.
 - 47 percent of respondents said that they approve of the Japan-U.S. tariff agreement, while 40 percent said they disapprove.
 - 46 percent of respondents said that they believe Japan should not increase acceptance of foreigners into the country, while 45 percent said they believe Japan should increase acceptance of foreigners.
 - 62 percent of respondents said that they did not use social media as an information source during the Upper House election, while 36 percent said they used social media during the election.
 - 56 percent of respondents said that they do not have expectations for *Sanseitō*, while 38 percent said that they have expectations for the party.
 - 31 percent of respondents said that they want the ruling parties to add an opposition party to the coalition government; 24 percent said that they want an opposition-led government; 13 percent said they want the ruling parties to join forces with the DPFP; and 8 percent each said they want the ruling parties to join forces with the CDP or *Ishin*.
 - 36 percent of respondents said that they want Ishiba to step down immediately; 20 percent said they want him to continue until his tenure as LDP president ends in September 2027; 18 percent said until spring 2026; 14 percent said for another year or so; and 5 percent said as long as possible.
 - 20 percent of respondents each said that they believe Koizumi Shinjiro, Takaichi Sanae, and none of the above are the best choice for next prime minister; 9 percent said Tamaki Yuichiro; 6 percent said Ishiba; 5 percent each said Hayashi Yoshimasa and Noda Yoshihiko; 4 percent said Kono Taro; 3 percent said Kishida Fumio; 2 percent each said Kobayashi Takayuki and Motegi Toshimitsu; and 1 percent each said Saito Ken, Suzuki Shunichi, and Maehara Seiji.
- The survey also collected data on the latest approval ratings of political parties.

Political Party	Approval Rating (%)
Liberal Democratic Party	24 (-7)
Constitutional Democratic Party	9 (-1)

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Japan Innovation Party	5 (+1)
Komeito	3 (-1)
Democratic Party for the People	12 (+2)
Japan Communist Party	2 (-1)
Reiwa Shinsengumi	4 (± 0)
Do It Yourself Party (Sanseitō)	13 (+6)
Japan Conservative Party	3 (+2)
Social Democratic Party	1 (± 0)
Team Future (Mirai)	2 (+2)
Independent (No Party)	17 (-5)