

## ***The Weekly Observer***

August 4-8, 2025

*The 184<sup>th</sup> edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on Japan lobbying for special treatment on U.S. reciprocal tariffs, Japan winning the Australian general frigate project, summit previews with South Korea's Lee and India's Modi, the first Japan-ROK defense ministerial meeting with Seoul's new defense chief, Ishiba's message on the occasion of the peace memorial ceremonies in Hiroshima and Nagasaki, the LDP's ongoing discussions over whether to hold a presidential election, the FY 2026 budget request guidelines, a new cybersecurity certification for information security providers, record national average minimum wage hikes, July's Economy Watchers Survey, and more.*

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

### **1. Japan Lobbies for Special Treatment on Reciprocal Tariff Rates**

- On Friday, the White House [revealed](#) that it reached an agreement with the GOJ to revise the executive order guaranteeing special measures to reduce reciprocal tariff rates in the same manner as the European Union. The measure maintains tariff rates at 15 percent regardless of existing tariff rates (more or less than 15 percent).
- Japan's chief tariff negotiator Akazawa Ryosei [met](#) with U.S. Secretary of Commerce Howard Lutnick and Secretary of the Treasury Scott Bessent on Thursday, urging the U.S. side to correct the executive order on reciprocal tariffs as soon as possible and to issue an executive order to reduce tariffs on automobiles and automobile parts.
- The GOJ's understanding was that the tariff rates for goods covered by the reciprocal tariff regime would be set at 15 percent, but the U.S. Government's tariffs implemented on Thursday added to the existing tariff rates instead. This was [seen](#) as a misunderstanding coming from the fact that the sides did not have a text agreement.
- Akazawa [told](#) reporters that the U.S. Government did not indicate a timeline for when the revision would be implemented and added that there would be reimbursements for the incorrect tariff rate levied as of Thursday. He defended the lack of a joint text agreement, stating that he "cannot understand" claims that failure to have such an agreement resulted in the misunderstanding over tariff rates. He [indicated](#) that the revision would likely happen around mid-September.
- On Saturday, Akazawa [reported](#) on his meetings in the United States to Prime Minister Ishiba Shigeru, where the latter instructed the former to carefully explain the tariff situation to the public. Ishiba had [stated](#) on Tuesday that the GOJ plans to release a document explaining the details of the deal to the public.
- The delay in lowering the sectoral auto tariff rate is [said to cost](#) Japan's seven major automakers approximately ¥30 billion a day. It is becoming increasingly challenging for the automakers to absorb tariff costs without raising sale prices.

### **2. Japan Wins Australian Frigate Project**

- On Tuesday, the Japanese and Australian governments [announced](#) that Japan won the bid for the Australian Royal Navy's next-generation frigate program. Mitsubishi Heavy Industries was selected based on price and performance metrics. The contract is expected to be signed in early 2026.
- Australian Deputy Prime Minister and Defense Minister Richard Marles explained that the upgraded *Mogami*-class frigate was the "clear winner" from a price,

performance, and delivery perspective. Minister of Defense Nakatani Gen welcomed the announcement as “proof of the trust placed in Japan’s advanced technological capabilities and recognition of the importance of interoperability between the Japan Self-Defense Forces and the Australian Military.”

- The Australian Government is investing 10 billion Australian dollars (approximately ¥1 trillion) to deploy eleven new frigates. The first three will be constructed outside of Australia, after which the remaining will be constructed at Henderson Shipyard.
- Japan had [lost](#) a bid for Australia’s next-generation submarine in 2016 to the French, the US2 amphibious aircraft for India, and the P1 maritime patrol aircraft for the United Kingdom. Japan took several measures to beat Germany’s bid, which was seen as the leading proposal until the very end, by deploying high-level government officials to Australia and setting up a joint public-private committee. Japan reportedly also offered to construct the frigate first for the Australians before the JMSDF.
- This is the [second case](#) of finished defense equipment exports abroad, following the export of air defense radars to the Philippines. The upgraded frigate is known for having stealth capabilities equivalent to that of *Mogami*-class frigates.

### 3. Foreign Policy Developments

- On Saturday, Minister for Foreign Affairs Iwaya Takeshi [issued](#) a statement voicing “strong concern” over Israel’s decision to approve a plan to take control of Gaza City, stating that it will further exacerbate the already dire humanitarian situation.
- On Friday, Ishiba [held](#) a telephone meeting with Australian Prime Minister Anthony Albanese, in which Ishiba welcomed Australia’s decision to select Japan for the next general purpose frigate. The two also exchanged views on various international affairs, including the economy and the Middle East.
- Ishiba [held](#) a summit meeting with Peruvian President Dina Boluarte, in which he stated that he would like to promote people-to-people exchanges through the memorandum of cooperation in tourism and defense cooperation based on a separate memorandum signed between defense authorities last November.
- *Asahi* [reported](#) that Ishiba is expected to meet with South Korean President Lee Jae-myung for their first full-fledged in-person summit meeting on August 23 in Tokyo. Lee will head to the United States following his visit to Japan.
- TBS [announced](#) that Ishiba will meet Indian Prime Minister Narendra Modi on August 29 and agree to introduce the new “E10 class” bullet train set to be used for the Tohoku shinkansen in 2030 for India’s first bullet train project.

- Iwaya [issued](#) a statement welcoming Cambodia and Thailand's recent agreement on a mechanism for implementing the ceasefire, including cessation of all attacks. He stated that Japan considers a "sound relationship" between the two countries as extremely important for stability and development in the region.

#### 4. Defense/Security Developments

- On Thursday, Nakatani [held](#) a video conference with new ROK Minister of National Defense Ahn Gyu-Back, agreeing to boost joint efforts including the early realization of Nakatani's visit to Korea. This comes as *Nikkei* [reports](#) that North Korea has been using fake identities and remote controlling computers from bases in China and Russia to win contracts from Japanese, American, and other companies. The group of over 130 technicians had gotten work in cryptocurrency and blockchain development.
- The Ministry of Defense (MOD) [deployed](#) three of its most advanced F-35B stealth fighter jets to JASDF Nyūtabaru Air Base in Miyazaki Prefecture, with future plans to deploy forty-two aircraft. The fighter jets could be deployed with Japan's "aircraft carriers." The MOD also [announced](#) that the JASDF's F2 fighter jet crashed during a training exercise above the Pacific Ocean off the coast of Ibaraki Prefecture. The one personnel on board was rescued from the aircraft and has no health issues.
- On Wednesday, the Japanese and Italian governments [signed](#) official documents deciding September 5 as the date that the acquisition and cross-servicing agreement (ACSA) facilitating supply transfers between the two militaries takes effect. The agreement facilitates joint exercises with the "quasi-alliance" partner.
- *Asahi* [reported](#) Tuesday that U.K. Secretary of State for Defense John Healey plans to meet Nakatani likely around August 28 in Tokyo. The Japanese and U.K. navies plan to hold the first joint exercises with the United States in which the U.K. and U.S.'s latest F-35B carrier-based fighter jets take off and land on JMSDF escort vessels.
- The JMSDF [announced](#) that a joint naval exercise with the navies of the United States, the United Kingdom, Australia, Spain, and Norway will take place between August 4-12. The *JS Kaga* destroyer, effectively an aircraft carrier, will be deployed alongside the nuclear-powered aircraft carrier USS George Washington and HMS Prince of Wales to conduct anti-submarine exercises.
- *Yomiuri* [reported](#) Monday that the MOD plans to commence research on lasers mounted on escort ships to intercept small unmanned aerial vehicles (drones) that launch attacks. Aimed to be deployed as early as 2031, the lasers could be used to respond to saturation attacks by a large number of Chinese drones.

#### 5. Ishiba Sends Peace Message in Hiroshima and Nagasaki

- Ishiba delivered speeches at the peace memorial ceremonies in [Hiroshima](#) and [Nagasaki](#) marking the days that the atomic bombs were dropped eighty years ago.
- On Wednesday, Ishiba [delivered](#) a speech in Hiroshima, where he stated that “Japan’s duty as the only country to have suffered atomic bomb droppings is to take the lead in international efforts toward a ‘world without nuclear weapons’.”
- Ishiba also stated that Japan’s role is to serve as a bridge between nuclear and non-nuclear powers. He added that the unbearable memories of the survivors of the atomic bombs must be passed onto the next generation.
- On Saturday, Ishiba [delivered](#) a speech in Nagasaki, where he stated that “we must never allow the reality and tragedy of war, or the severity of the damage caused by atomic bombs, to fade from memory, but rather pass them on as a legacy.”
- Ishiba also indicated a desire to maintain the three non-nuclear principles and to lead the world in realizing a world without nuclear weapons and nuclear war.
- On issuing a statement marking the eightieth anniversary since the end of World War II, Ishiba [said](#) on Monday that he aims to issue a statement of some form to prevent the memories of war from fading and to never again wage a war. NHK [reported](#) that he is expected to consider issuing the personal statement as early as September.

#### 6. LDP to Explore Moving Forward Presidential Election

- On Friday, the ruling Liberal Democratic Party (LDP) [decided](#) at its joint plenary meeting of party members of both Houses of the Diet to have the presidential election commission confirm the intent of whether to hold an early election with its lawmakers and prefectural branches.
- The LDP Constitution stipulates that a majority of lawmakers and prefectural branch representatives can force a presidential election even before a president’s tenure is up. Ishiba’s tenure comes to an end in September 2027. The stipulation has never been fulfilled before, perhaps the reason why Ishiba insists on staying in power.
- Many participants at the meeting expressed their desire to see Ishiba take responsibility for the party’s dismal election performance. The election commission will [determine](#) the process of confirming members’ intent as early as late August.
- Despite building pressure on Ishiba, the discussions at the plenary session [reportedly](#) “went around in circles” without conclusion. Ishiba on his part reiterated that he intends to lead the nation in tariff negotiations, agricultural policy, and disaster prevention.

- There has been a [fair share of criticism](#) toward the “anti-Ishiba” forces within the party trying to bring the prime minister down, as most come from the former factions that started the demise of the party with the political funding scandal.
- On Monday, the LDP’s review committee assessing the results of the Upper House election [heard](#) from candidates who lost in the election. Many expressed frustrations over a lack of clear policy pillars and inadequate social media strategy. Some members also expressed their desire to see Ishiba take responsibility for the defeat.

## 7. Other Political Developments

- On Friday, the GOJ [approved](#) the FY 2026 budget request guidelines, accepting up to 20 percent increase in discretionary spending tied to critical policy areas like inflation relief without the precondition of making efforts to make expenditure cuts. Social security will also be adjusted to reflect a natural increase of ¥400 billion. Ishiba [explained](#) that the requests should appropriately reflect economic and price outlook.
- *Yomiuri* [reported](#) that there are growing frustrations within the LDP over Ishiba’s decision to compromise with the main opposition Constitutional Democratic Party (CDP) on tightening regulations around corporate political donations without consulting the party. Ishiba [instructed](#) the party to grasp the situation around corporate donations received by party branches, ahead of discussions with the CDP, Komeito, and the Democratic Party for the People (DPFP) on limiting recipients for donations without fully banning corporate donations. The LDP and CDP will also [enter discussions](#) on combining income tax deductions with cash handouts.
- On Thursday, the Japan Innovation Party (*Nippon Ishin no Kai*) [announced](#) that party lawmakers and members voted against holding a leadership election, effectively keeping Osaka Governor Yoshimura Hirofumi in place as leader of the party. The following day, the party [elected](#) former Secretary General Fujita Fumitake as co-leader following Maehara Seiji’s resignation as party leader among Diet members.
- LDP agriculture tribe lawmakers, including Chair of the Research Commission on Comprehensive Agriculture and Forestry Administration Miyashita Ichiro and Director of the Agriculture and Forestry Division Kozuki Ryosuke, [criticized](#) the GOJ’s desire to reverse course and increase rice production, arguing that farmers cannot simply increase production and that it was the government that previously asked farmers to change crops. Ishiba [announced](#) the change on Tuesday.
- On Wednesday, working level representatives of six ruling and opposition parties [agreed in principle](#) to suppress sudden price changes following the abolition of the provisional gas tax rate by gradually increasing subsidies. The GOJ [estimated](#) that cutting the provisional gas tax rate could result in a ¥600 billion annual revenue loss.

- On Monday, the policy chiefs of the eleven opposition parties and groups [exchanged views](#) toward realizing the consumption tax cut policy proposed by opposition parties during the Upper House election. This has [put](#) the ruling parties in a tough position, especially as they do not have the votes to realize the cash handout policy.

## 8. Economic Security and Tech Developments

- *Nikkei* [reported](#) Saturday that the GOJ will explore a new scheme to screen the trustworthiness of information security business operators that assess companies' cyber security measures. The GOJ will certify businesses that have been cleared of influence from countries of concern like China and Russia.
- *Nikkei* [reported](#) Friday that the Ministry of Education, Culture, Sports, Science and Technology (MEXT) will launch a new five-year project for universities to develop next-generation semiconductors. The subsidy program is expected to strengthen the development of power semiconductors capable of handling higher voltages and stronger currents than the currently mainstream silicon semiconductors.
- On Thursday, the Ministry of Economy, Trade and Industry (METI) and the Ministry of Internal Affairs and Communications (MIC) [announced](#) participation in the APEC Digital AI Ministerial Meeting in Incheon, South Korea. The first information and communications technology related meeting in ten years ended with a ministerial statement promoting AI innovation to address socioeconomic challenges, enhancing digital connectivity for all, and creating a safe, secure, and reliable AI ecosystem.
- Tokyo Electron [announced](#) that it has confirmed that a former employee of the company's subsidiary in Taiwan was involved in the case issued by the Intellectual Property Branch of the Taiwan High Prosecutors Office as of August 5. Prosecutors [detained](#) three individuals for attempting to fraudulently acquire confidential information related to the development of cutting-edge two nanometer chips by Taiwan Semiconductor Manufacturing Company (TSMC).
- *Nikkei* [reported](#) Wednesday that the GOJ will begin efforts to share public and private medical data, such as medical records and clinical research information, and utilize it for pharmaceutical company development and medical cost containment. The plan is to set up an EU-style model in the 2030s to boost international competitiveness.
- The Ministry of Foreign Affairs (MOFA) [announced](#) that the GOJ participated in the OECD hosted co-creation workshop on the AI Policy Toolkit, where participants exchanged views with Southeast Asian AI experts on further developing the toolkit.

## 9. Key Economic/Financial Developments



- On Friday, MIC [launched](#) investigations targeting all municipalities across the country on the actual collection of individual resident tax from foreign workers who left Japan in 2024. The investigation will inform how Diet debates next year will unfold over how to assess and prevent foreigners from leaving the country without paying their taxes.
- *Nikkei* [reported](#) that METI will set a target for the spread of offshore wind power generation using floating platforms, aiming to select business operators generating an equivalent of 15 gigawatts, or for nine million households, by 2040. The GOJ also aims for over 65 percent domestic procurement of parts used in offshore wind plants.
- The Ministry of Agriculture, Forestry and Fisheries (MAFF) [presented](#) its FY 2026 budget request entitled the “budget for increasing production in line with rice demand” to the LDP. The budget includes funding for items such as switching to varieties that are less susceptible to extreme heat and purchasing government stockpiles of rice according to the situation.
- On Wednesday, METI [announced](#) that the Japan-Ukraine Economic Reconstruction Promotion Forum was held on Monday, attended by Parliamentary Vice Minister Kato Akiyoshi. There was an unveiling ceremony for twenty-nine cooperation documents between companies and organizations from both countries, including a joint statement by METI, the UN Industrial Development Organization, and the Ministry of Economy, Environment and Agriculture of Ukraine.
- On Tuesday, the Bank of Japan (BOJ) [released](#) meeting notes from its June monetary policy meeting, which revolved around the volume of JGB purchases starting April 2027. Some members [suggested](#) pulling volume down from ¥3.7 trillion a month currently to about ¥1 trillion, while others said it would be desirable to “lower the number gradually to zero.”
- On Monday, the Ministry of Health, Labor and Welfare’s (MHLW) Central Minimum Wage Council [decided](#) to raise the national average minimum wage to ¥1,118, a ¥63 increase and a record high rate of increase. The rate of increase was 6 percent. Ishiba [welcomed](#) the decision, adding that the target is ¥1,500 by the end of the decade.

#### 10. State of the Economy

- On Friday, the Cabinet Office (CAO) [released](#) the Economy Watchers Survey for July, which found that the diffusion index rose 0.2 point from June to 45.2, as high-priced goods sell despite inflation and prospects for a conclusion to the Japan-U.S. tariff deal is close. CAO [raised](#) its assessment from “showing signs of weak recovery” to “showing signs of recovery.”

- The MIC's Household Survey for June [found](#) that consumption by households of more than two persons increased 1.3 percent from June 2024 to ¥295,419. This is the [second consecutive month](#) the rate of increase has improved as people bought cars.
- The Ministry of Finance (MOF) [announced](#) that Japan ran a ¥14.6 trillion current account surplus in the first half of 2025, a 9.1 percent increase in the surplus. The surplus in primary income, which [shows](#) income and expenditure such as interest and dividends from overseas, pushed up the overall figure. Meanwhile, the digital service balance was a ¥3.48 trillion deficit, with the deficit [tripling](#) over the last decade.
- On Thursday, the CAO [announced](#) the coincident index for June representing the current economic situation, which rose 0.8 point from May to 116.8, the [first improvement](#) in two months and the highest point since February. CAO maintained the assessment that the economy is "halting to fall."
- On Wednesday, the MHLW [announced](#) that real wages in June fell 1.3 percent from the same month last year, the sixth consecutive month that wages decreased as price increase exceeded wage growth despite high summer bonuses by many companies. Nominal wages [increased](#) 2.5 percent to ¥511,210.
- MIC [announced](#) that the number of Japanese nationals based on the Basic Resident Registration System as of January 1, 2025, fell 908,574 (0.75 percent) to 120.65 million, the largest decline and rate of decrease [since](#) statistics became available in 1968. The number of foreigners increased 10.65 percent to 3.67 million, the highest since statistics became available in 2013.

## **II. Public Opinion Poll**

- A JNN poll [released](#) on Monday found that the Ishiba Cabinet's approval rating was 37 percent, up four points from July, while disapproval was 61 percent, down three points.
  - 50 percent of respondents said that they approve of the Japan-U.S. tariff deal, while 33 percent said they disapprove of the deal.
  - 35 percent of respondents said that they are satisfied with the Upper House election results; 33 percent said they wanted the opposition to win more seats; and 23 percent said they wanted the ruling parties to win more seats.
  - 46 percent of respondents said that they believe the LDP lost in the Upper House election because they had no expectations for the LDP; 20 percent said they had no expectations for the Ishiba Administration; and 15 percent said they had more expectations for other political parties.
  - 47 percent of respondents said that they do not believe Ishiba should resign, while 43 percent said they believe he should resign.

- 49 percent of respondents said that they want a change in government led by the current opposition parties, while 39 percent said they want the LDP and Komeito to continue as a central part of the government.
- 23 percent of respondents said that they would like to see the DPFP join the LDP-Komeito coalition; 17 percent said the CDP; 15 percent said *Sanseitō*; and 14 percent said *Ishin*.
- 20 percent of respondents said that they believe Koizumi Shinjiro should be the next prime minister; 17 percent said Takaichi Sanae; 11 percent said Ishiba; 5 percent said Kono Taro; 4 percent each said Tamaki Yuichiro and Noda Yoshihiko; 3 percent said Hayashi Yoshimasa; 2 percent each said Kamikawa Yoko and Kobayashi Takayuki; and 1 percent each said Motegi Toshimitsu, Kato Katsunobu, and Maehara Seiji.
- The survey also collected data on the latest approval ratings of political parties.

Political Party	Approval Rating (%)
Liberal Democratic Party	20.4 (-0.4)
Constitutional Democratic Party	6.9 (+0.6)
Japan Innovation Party	2.7 (-1.4)
Komeito	4 (+0.1)
Democratic Party for the People	8.7 (+2.8)
Japan Communist Party	2.1 (+0.4)
Reiwa Shinsengumi	3.1 (-0.1)
Do It Yourself Party (Sanseitō)	10.2 (+4)
Japan Conservative Party	1.8 (+0.7)
Social Democratic Party	0.3 (-0.5)
Team Future (Mirai)	1.6 (N/A)
Independent (No Party)	33.2 (-6.8)