



# The Weekly Observer

July 21-25

## YOUR WEEKLY RECAP OF POLITICAL DEVELOPMENTS IN JAPAN!

## THIS WEEK IN NUMBERS

### 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.

The United States will **lower the reciprocal tariff rate** from 25 percent to 15 percent, **lower the sectoral auto tariff rate** from 25 percent to 15 percent, and **provide Japan with equal treatment** as other nations when it comes to semiconductor and pharmaceutical products.

In exchange, Japan will cooperate to develop **resilient supply chains** in nine areas critical to economic security, provide up to **\$550 billion** in investment, loans, and guarantees, expand purchases of U.S. agriculture goods, chips, and aircraft, and review non-tariff trade barriers.

The GOJ has welcomed the agreement but there **remain significant differences** around the implementation date and the investment framework.

### Pressure Intensifies on Ishiba to Step Down

Media reports this week suggested that **Prime Minister Ishiba Shigeru would be announcing his resignation as early as this month or by the end of next month**, fueling speculation that the embattled leader would be taking responsibility for the Upper House election defeat.

Immediately after the election on Sunday, Ishiba stated that while a tough road awaits, he believes that **political stagnation is the last thing Japan needs** as the tariffs, inflation, natural disasters, and a severe security environment pose challenges to the nation.

**Ruling and opposition lawmakers alike criticized** Ishiba for expressing his intent to remain as prime minister despite voters rejecting the ruling coalition in the recent election.

**Internal pressure** has resulted in the party deciding to hold a **joint session** between lawmakers to discuss the results of the election. This could be the **first step** toward resignation.

### Cabinet Approval



**22%** (-10 pts.)

**67%** (+14 pts.)

[\*Yomiuri Shimbun\*](#) (July 23)

### State of the Economy

#### **Capital Investments, Nikkei Survey (FY 2025):**

¥34.27 trillion (+12.4% from FY 2024)  
2<sup>nd</sup> consecutive year that investments hit a record high  
AI infrastructure investment contributed to record high numbers

#### **Services Producer Price Index (June):**

110.7 (+3.2%)  
9<sup>th</sup> consecutive month that rate of increase has remained above 3%