

The Weekly Observer

September 15-19, 2025

The 190th edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on Ishiba's last diplomatic visit, the Trump Administration's reduced auto tariff rate kicking in, defense expert panel proposals to fundamentally reinforce capabilities, the upcoming LDP presidential election, political maneuvering by both ruling and opposition parties to shape economic policy, the Nikkei 225 hitting new heights, the BOJ maintaining policy interest rates, the new Japan-EU battery supply chain partnership, the GOJ's draft cybersecurity guidelines, MOFA appointing a new representative to the WTO, the August trade balance, and more.

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I. News of the Week

1. Ishiba's Last Diplomatic Trip

- On Friday, the Ministry of Foreign Affairs (MOFA) announced that Prime Minister Ishiba Shigeru will [embark](#) on his last diplomatic trip from September 23-25, visiting New York for the United Nations General Assembly session.
- Ishiba is [set to deliver](#) an address at the general debate, proposing reform of the UN Security Council as the organization has not functioned to bring peace to the world. He will point out that the UN has failed to prevent a permanent member of the Security Council — Russia — waging a war with another sovereign state.
- He is expected to also point out that the GOJ will not make a decision on Palestinian statehood at this point in time, but that the question is not whether or not to recognize Palestine but when. Japan has been left in a challenging position [given](#) the United States plans to only recognize Israel as a state.
- Minister for Foreign Affairs Iwaya Takeshi will [visit](#) New York from September 22-26 as well to attend UN-related meetings like the high-level international meeting toward a two-state solution, the first Fissile Material Cut-off Treaty (FMCT) friends meeting, and the G4 foreign ministerial meeting.
- Ishiba is [expected to head](#) to South Korea after the UN General Assembly, likely around September 30, to continue “shuttle diplomacy” with South Korean President Lee Jae-myung in Busan. The two are expected to sign an agreement to tackle common social challenges like overconcentration in metropolitan areas and depopulation.

2. Foreign Policy Developments

- On Friday, Ishiba [held](#) a summit meeting with Crown Prince and Prime Minister of Bahrain Salman bin Hamad Al Khalifa, elevating the bilateral relationship to a strategic partnership and signing four memorandum of cooperation (MOC) in the fields of patents, space, human resource development in the public sector, and digital cooperation.
- Iwaya [held](#) a telephone meeting with U.S. Secretary of State Marco Rubio, stressing Japan’s support for a two-state solution in the Middle East and urging the United States and the rest of the international community to strongly urge Israel to cease unilateral actions against Palestine.
- Iwaya [held](#) a telephone meeting with Israeli Foreign Minister Gideon Sa’ar, strongly condemning the terror attacks by Hamas, emphasizing that Hamas must release the

hostages and disarm. Iwaya urged Israel to immediately cease any unilateral actions that may undermine the foundations of a two-state solution.

- Minister of Finance Kato Katsunobu [said](#) that it would be “difficult” for Japan to follow through with the United States’ request to raise tariff rates on China and India for continuing to buy Russian crude oil (50 to 100 percent [according](#) to the *Financial Times*). Kato emphasized that Japan will cooperate with the G7 to impose tariffs on Russia for its war in Ukraine in the “most effective way” possible for Japan.
- On Tuesday U.S. time, the Trump Administration [applied](#) lower auto tariffs on Japan, reducing the rate from 27.5 percent to 15 percent. Chief Cabinet Secretary Hayashi Yoshimasa [welcomed](#) the agreement, while chief tariff negotiator Akazawa Ryosei [said](#) that the GOJ was able to “achieve certain results” with its tariff agreement.
- On Saturday, a memorial service was [held](#) in Sado City, Niigata, for all laborers including those from the Korean Peninsula. The South Korean government refused to send officials to the service for the second consecutive year over the lack of reference to “forced labor” in remarks at the service. This remains a prolonged disagreement between the two governments despite progress in bilateral relations.

3. Defense/Security Developments

- On Friday, the Ministry of Defense’s (MOD) expert panel regarding the fundamental reinforcement of defense capabilities [presented](#) recommendations to the ministry, including exploring the acquisition of submarines with longer ranges than current models, with nuclear propulsion in mind. The panel also [recommended](#) loosening rules around defense equipment exports limited to non-lethal weapons.
- The Royal Australian Navy’s HMAS Brisbane (III) [entered](#) the JMSDF’s Yosokuka Base port, scheduled for the first maintenance and repair of an Australian vessel by the Japanese side. Brisbane took part in joint exercises with the JS Kaga in the Western Pacific from September 14-16.
- On Wednesday, the commanders of the JGSDF and U.S. Marine Corps participating in Exercise Resolute Dragon 2025 [held](#) a joint press conference at JGSDF Camp Ishigaki in Okinawa. The commanders characterized the exercise — which [saw](#) the first deployment of U.S. air defense systems MADIS and NMESIS — as a “clear message to respond to potential threats or aggression” and a “necessary exercise as the security environment around Japan worsens.”
- Japan, the United States, and South Korea [commenced](#) Exercise Freedom Edge in the East China Sea, which will also take place within MOD with a cyber component until September 19. This is the third trilateral exercise and the first under Trump and Lee.

Japan and the United States also [held](#) a trilateral naval exercise with the Philippines from September 12-13 in the South China Sea, prompting opposition from Beijing.

- *Yomiuri* [reported](#) Saturday that the MOD is considering whether to utilize drones to scramble against Chinese drones instead of costly fighter jets. The JASDF plans to test out the MQ9B Sea Guardian drones for three years starting FY 2026. The JMSDF already has plans to introduce the Sea Guardian drones in FY 2027.

4. Five Candidates to Run in LDP Presidential Election

- This week, four more candidates joined former Liberal Democratic Party (LDP) Secretary General Motegi Toshimitsu in the race to become the next party president.
- They are Minister of Agriculture, Forestry and Fisheries Koizumi Shinjiro, ex-Economic Security Minister Takaichi Sanae, Chief Cabinet Secretary Hayashi Yoshimasa, and ex-Economic Security Minister Kobayashi Takayuki.
- Ishiba is [said](#) to be keen to see either Koizumi or Hayashi win the presidency, as they are likely to succeed his policy agenda as members of his Cabinet. Top Ishiba aide and Minister of Defense Nakatani Gen said Tuesday that he would be backing Hayashi for his capabilities to see out policies.
- The four candidates' centerpiece policies are as below:
 - Koizumi: [Increasing](#) average wages by ¥1 million over the next five years
 - Takaichi: "Crisis management investment" and "growth investment" to [realize](#) a strong economy
 - Hayashi: [Prioritize](#) a positive cycle of growth and distribution, centered around sustained increase in real wages by around 1 percent
 - Kobayashi: A Japan that [grows](#) strong, centered around a temporary fixed rate income tax cut for younger and working age generations
- A key question will be which opposition parties the new president attempts to form a coalition government with. The two parties named consistently are the Japan Innovation Party (*Nippon Ishin no Kai*) and the Democratic Party for the People (DPFP).
- *Ishin* leader Yoshimura Hirofumi [said](#) that he will not "rule out" joining the coalition, though he [added](#) that the party cannot join forces with the ruling parties if the new president rejects the party's second capital initiative positioning Osaka as the alternative capital to Tokyo. The DPFP [plans to issue](#) a special autonomous city

proposal to counter *Ishin*'s proposal and prevent the party from getting closer to the ruling parties.

5. Other Political Developments

- On Friday, Ishiba [met](#) with Komeito Chief Representative Saito Tetsuo and main opposition Constitutional Democratic Party (CDP) leader Noda Yoshihiko, agreeing to begin discussions on a “cash handouts and tax deduction” plan to support low- and medium-income earners as part of inflation relief.
- The LDP Presidential Election Commission [finalized](#) its guidelines for social media use during the presidential race, taking legal action, including requests for disclosure of personal information, against accounts that impersonate others on social media or repeatedly spread false or misleading information and engage in slander or defamation.
- *Ishin* [submitted](#) recommendations to Minister of Justice Suzuki Keisuke on policies related to foreign nationals, proposing a cap on the number of foreign nationals entering the country at a certain ratio to the Japanese population. *Ishin* also proposes tightening screening for acquiring Japanese nationality and the establishment of a system for revoking naturalization.
- On Wednesday, the Japanese Trade Union Confederation (RENGO) [announced](#) that it would re-elect President Yoshino Tomoko to a third term, evaluating her successful stewardship to realize an over 5 percent wage hike for the second consecutive year. Yoshino became the first female RENGO president in October 2021.
- *Ishin* [removed](#) Rep. Morishima Tadashi, Rep. Saiki Takeshi, and Rep. Abe Hiroki from the party after the three submitted letters notifying the party of their intent to leave. The three criticized the direction the party is headed under new co-leader Fujita Fumitake. The party refused to accept their letters of intent to leave the party.
- CDP Secretary General Azumi Jun [met](#) with *Ishin* Secretary General Nakatsuka Hiroshi and Japan Communist Party Secretary General Koike Akira, agreeing to cooperate toward scrapping the provisional gasoline tax by the end of the year. Azumi also asked them to join ongoing discussions with the ruling parties over the “cash handouts and tax deduction” proposal.

6. Nikkei 225 Hits a Record High

- On Friday, the Nikkei Stock Average [fell](#) ¥257.62 to ¥45,045.81, with added upward pressure to sell due to the Bank of Japan's (BOJ) decision to sell exchange traded funds. The index was on the rise until the BOJ made its announcement.

- The transaction amount in the prime market of the Tokyo Stock Exchange hit ¥8.76 trillion, the largest amount since the market reorganization. The range between values hit ¥1,357, the first time it hit a high since April 10 (¥2,318).
- Market analysts assess that sales skyrocketed as investors saw the sale of exchange traded funds by the BOJ and two board members calling for rate hikes as a sign that the BOJ may raise rates in October.
- On Thursday, the Nikkei average [hit](#) the ¥45,000 range for the first time as global trends continue upward due to the increase in global investment money and AI-induced high expectations in the market.
- The [yield](#) on newly issued ten-year JGBs — an indicator of long-term rates — rose 0.005 percent to 1.595 percent, with the newly issued two year bond yield hitting 0.880 percent, the first high since late March. Investors are selling super long-term bonds as well.

7. Bank of Japan Maintains Policy Interest Rates at 0.5 Percent

- On Friday, the BOJ [decided](#) at its monetary policy meeting to maintain its policy interest rate at 0.5 percent, as it continues to monitor the effects of U.S. tariffs on the domestic economy. The rate has been kept consistent since January.
- The [yield](#) on newly issued ten-year JGBs, an indicator of long-term interest rates, rose 0.035 percent to 1.635 percent, the first high in two weeks as investors increasingly believe in the likelihood of an early rate hike.
- Two BOJ board members proposed raising the rate to 0.25 percent, leading to speculation that the BOJ would move toward an early rate hike.
- BOJ Governor Ueda Kazuo [explained](#) at a press conference that the Bank decided to sell off exchange traded funds and real estate investment trust, stating that knowledge regarding the sale has been accumulated and enabled the BOJ to create a practical plan for its sale.
- The BOJ [decided](#) to sell ETFs at a pace of ¥330 billion at book value per year and ¥620 billion at market value per year. Ueda explained that the Bank would perform temporary adjustments or suspensions, slowly selling its assets off.

8. Japan and EU Announce Battery Supply Chain Partnership

- On Tuesday, Minister of Economy, Trade and Industry (METI) Muto Yoji [met](#) with Stéphane Séjourné, Executive Vice President for Prosperity and Industrial Strategy of the European Commission.

- The two [exchanged](#) views on potential collaboration in wide-ranging sectors of economic importance, including critical minerals, batteries, and biotechnology. They reaffirmed the importance of establishing resilient supply chains, including by exploring concrete cooperation to stimulate supply and demand in support of lead markets and considering non-price criteria.
- Agency for Natural Resources and Energy Commissioner Murase Yoshifumi [met](#) with European Commission Director-General for Energy Ditte Juul Jørgensen for the Japan-EU Energy Dialogue 2025, confirming the importance of building resilient and reliable supply chains in clean energy sectors, as well as the important role of resilient natural gas and LNG sector as the Japan-EU Intergovernmental Gas Dialogue was launched.
- On Monday, the Japan Battery Association for Supply Chain (BASC) and the European Battery Alliance RECHARGE [signed](#) a memorandum of understanding (MOU) to boost battery supply chain resilience.
- Strategic areas of cooperation under the MOU include recycling, data sharing, human resources development, and industry cooperation. The comprehensive agreement is expected to be part of both Japan and the EU's [efforts to reduce](#) dependence on Chinese battery makers.

9. Economic Security and Tech Developments

- On Friday, the GOJ's "Expert Research Council on AI Strategy" [convened](#) for the first time to discuss the framework of the AI Basic Plan. Most members of the Council have [stayed on](#) from the AI Strategy Council/AI system study group.
- The GOJ's expert panel on cybersecurity [met](#) for the first time and presented a draft of the basic guidelines for implementing the "active cyber defense" law to be approved by the Cabinet by year-end. The guidelines [center](#) around three pillars: 1) achieving prevention and deterrence of cyber threats; 2) improving cybersecurity and resilience across society; and 3) developing a talent and technology ecosystem.
- The Cabinet [discussed](#) policies to promote digital industries abroad, strengthening support to develop internationally competitive services toward reducing the digital trade deficit. The Personal Information Protection Commission and the EU also [issued](#) a joint statement on personal data transfers related to academic research.
- The Ministry of Health, Labor and Welfare (MHLW) [presented](#) a proposal to designate electronic medical record sharing services developed and managed by the Health Insurance Claims Review & Reimbursement Services as a core infrastructure area under the Economic Security Promotion Act. This would require prior approval

by the GOJ to introduce new equipment and IT systems with proper cybersecurity measures in place.

- *Yomiuri* [reported](#) Thursday that the GOJ's draft for this year's "Basic Plan on Science, Technology, and Innovation" will for the first time indicate a plan to coordinate science and technology and security policies as Japan's security environment worsens. The seventh plan for the 2026-2030 period will position science and technology as a "foundation for comprehensive national power."
- On Wednesday, the GOJ [presented](#) a plan to the LDP to almost double national shipbuilding capacity by 2035 to eighteen million tons, raising global market share from 13 percent to 20 percent. The GOJ will explore support for investments to enhance shipbuilding capacity and for talent development. Kobayashi Takayuki [indicated](#) a need to set aside funding in the FY 2025 supplementary budget for a fund to support domestic shipbuilding.

10. Key Economic/Financial Developments

- On Friday, the Japanese Trade Union Confederation (RENGO) [compiled](#) its first-ever expert report examining past spring wage negotiations, [questioning](#) the scientific rationale behind wage hike demands and urging small- and medium-sized enterprises to craft management plans indicating how they aim to achieve wage improvements.
- The Ministry of Agriculture, Forestry and Fisheries (MAFF) [announced](#) the demand-supply outlook for staple rice produced in 2025, with demand expected to be the same or lower than 2024 yields and supply to increase at most by 10 percent. It remains to be seen whether this will help suppress rice prices.
- On Thursday, the GOJ's Financial System Council working group on regulations around unfair transactions [met](#) for the first time to discuss tightening insider trading regulations as the number of violations increases around takeover bids. The new measures could extend to companies being bought out.
- On Wednesday, the GOJ [presented](#) a proposal on the period restricting job transfers for the new "talent development visa" to begin in 2027 at an expert panel session, setting the restriction on transfers at "one year" for nine out of seventeen sectors like accommodation and logistics storage, while setting the restrictions at "two years" for eight sectors including nursing care and automobile maintenance.
- METI [designated](#) waters off the coast of Kujukuri in Chiba Prefecture for underground storage of carbon dioxide, opening applications for test drilling by companies. METI has already selected Japan Petroleum Exploration Co. (JAPEX) for test drilling off the coast of Tomakomai in Hokkaido Prefecture.

- *Jiji* [reported](#) Monday that MOFA decided to appoint a representative (ambassador) to the World Trade Organization at its mission in Geneva, as it elevates the importance of coordination with the WTO and its member states to maintain the multilateral trading system amid the Trump Administration's tariff strategy. Nagai Katsuro, deputy chief of mission at the Embassy in Indonesia, took the role on Wednesday.

11. State of the Economy

- On Friday, the Ministry of Internal Affairs and Communications (MIC) [announced](#) that the consumer price index excluding volatile fresh food items in August rose 2.7 percent from the same month last year to 111.6, the third consecutive month that the rate of increase shrunk. Energy costs [fell](#) 3.3 percent as the GOJ resumed subsidies for utilities back in July.
- On Thursday, the Cabinet Office (CAO) [announced](#) that seasonally adjusted machinery orders, a leading indicator of capital investment, in July fell 4.6 percent to ¥898 billion, the [first decrease](#) in two months. CAO maintained the assessment that there are signs of recovery.
- The BOJ [announced](#) that household financial assets as of June 2025 (April-June 2025) increased one percent from the same quarter last year to ¥2,239 trillion, pushed up by the increase in investment trust funds via the new Nippon Individual Savings Account (NISA) scheme and the rise in domestic stock prices.
- On Wednesday, MOF [announced](#) that Japan ran a ¥242.5 billion trade deficit in August, the second consecutive month in the red as exports fell by 0.1 percent. Exports to the United States [fell](#) 13.8 percent from the same month last year to ¥1.39 trillion, resulting in a ¥323.9 billion trade surplus, or a 50.5 percent cut in the surplus.
- On Tuesday, CAO [announced](#) that the demand-supply (GDP) gap in the April-June quarter was 0.3 percent, or around ¥2 trillion demand surplus. This is the first high level of demand surplus recorded [since](#) the pre-pandemic era in July-September 2019, as the hot weather increased consumer consumption of food and drinks.
- On Monday, MIC [announced](#) that the estimated population of senior citizens over the age of sixty-five fell 50,000 from last year to 36.19 million, though the ratio to the entire population rose 0.1 point to a record-high 29.4 percent. The number of senior employees also [hit](#) a record high of 9.3 million.

II. Public Opinion Poll

- A *Yomiuri* poll [released](#) on Monday found that the Ishiba Cabinet's approval rating was 34 percent, down five points from August, while disapproval was 54 percent, up four points.
 - 38 percent of respondents said that they somewhat approve of the Ishiba Cabinet's record over the last year; 36 percent said that they somewhat disapprove; 19 percent said they strongly disapprove; and 6 percent said they strongly approve.
 - 64 percent of respondents said that they believe Ishiba's resignation was appropriate, while 28 percent said they do not believe it was appropriate.
 - 29 percent of respondents said that they believe Takaichi Sanae should be the next LDP president; 25 percent said Koizumi Shinjiro; 14 percent said none of the above; 7 percent each said Motegi Toshimitsu and Kono Taro; 6 percent said Hayashi Yoshimasa; 3 percent said Kobayashi Takayuki; 2 percent said Kamikawa Yoko; and 1 percent said Kato Katsunobu.
 - 80 percent of respondents said that the next LDP president should be someone with an eye for reform; 75 percent said someone they can trust; and 69 percent said someone with promising policies.
 - 88 percent of respondents said that they want inflation relief measures to be discussed during the LDP presidential election; 85 percent said economy and employment; and 78 percent said foreign policy and security.
 - 84 percent of respondents said that they believe the LDP presidential candidates should explain how they plan to cooperate with other political parties, while 10 percent said they do not believe such explanation is necessary.
 - 38 percent of respondents said that they believe the LDP and Komeito should work with the DPFP to secure a majority in both Houses; 21 percent said the Japan Innovation Party (*Nippon Ishin no Kai*); and 20 percent said the CDP.
 - 61 percent of respondents said that they believe the Lower House election should be held as early as possible after the LDP presidential election, while 32 percent said they do not believe it should take place immediately after.
- The survey also collected data on the latest approval ratings of political parties.

Political Party	Approval Rating (%)
Liberal Democratic Party	27 (+4)
Constitutional Democratic Party	5 (-2)
Japan Innovation Party	2 (-2)
Komeito	3 (-1)
Democratic Party for the People	9 (±0)

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Japan Communist Party	2 (± 0)
Reiwa Shinsengumi	3 (± 0)
Do It Yourself Party (Sanseitō)	8 (-4)
Japan Conservative Party	1 (-1)
Social Democratic Party	1 (+1)
Team Future (Mirai)	N/A (-1)
Independent (No Party)	35 (+3)