

The Weekly Observer

December 8-12, 2025

The 202nd edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on the Japan-China radar illumination incident, the Pax Silica Summit, ongoing discussions around loosening defense export rules, LDP and Ishin's decision to likely postpone submission of the bill to reduce Diet member seats, the GOJ's rumored tax reform measures, the rumored structure of the National Intelligence Council, the virtual G7 finance ministerial meeting, the Economy Watchers Survey for November, and more.

By Content

I. News of the Week

Foreign Policy/Security

1. Japan-China Rift Escalates with Radar Illumination
2. Foreign Policy Developments
3. Defense/Security Developments

Domestic Politics

4. LDP and Ishin Likely to Postpone Submission of Diet Member Reduction Bill
5. Other Political Developments

Economics/Finance

6. Economic Security and Tech Developments
7. Key Developments
8. State of the Economy

II. Public Opinion Polls

1. NHK (12/8)

I. News of the Week

1. Japan-China Rift Escalates with Radar Illumination

- On Sunday, the Ministry of Defense (MOD) [announced](#) that Chinese J-15 jets launched from aircraft carrier Liaoning intermittently illuminated its radar on the JASDF's F-15 fighter jets on two separate occasions.
- Vice Minister for Foreign Affairs Funakoshi Takehiro [summoned](#) Ambassador of China to Japan Wu Jianghao over the incident and made a strong protest that such dangerous acts are extremely regrettable and strongly urged Beijing to ensure that similar actions do not recur.
- A PLA Navy spokesperson [said](#) that the Japanese side had "repeatedly engaged in disruptive behavior" while the Navy conducted carrier-based aircraft takeoff and landing training. Beijing then [claimed](#) that Japan was "misleading the international community," releasing audio that it claimed would prove that the PLA side had given prior notification to the JSDF side upon conducting the exercises.
- In response, Minister of Defense Koizumi Shinjiro [stated](#) on Wednesday that "there was insufficient information to avoid danger," adding that the root of the problem was the fact that the Chinese side intermittently illuminated the radar for thirty minutes. Media [reported](#) that the Chinese side did not respond to Japanese communications over the defense hotline. The United States remained silent on the matter, though a State Department spokesperson [said](#) Tuesday that "China's actions do not contribute to regional peace and stability."
- The Japan-China rift has escalated into the military arena, with Chinese and Russian bombers with nuclear capability [taking flight](#) around Japan on Tuesday, taking a rare route flying out from the Pacific toward Tokyo. On Friday, the JMSDF [announced](#) that the JS Akizuki destroyer took part in a joint naval exercise with nuclear-powered aircraft carrier *USS George Washington* and destroyer *USS Dewey* from December 8-11 in the Pacific, a direct response to the activities of the Liaoning.
- Amid ongoing escalation, Prime Minister Takaichi Sanae [stated](#) on Tuesday that the Japanese side remains "open to various dialogues" with China, stressing that the objective is to increase areas of understanding and cooperation. Japan Business Federation Chairman Tsutsui Yoshinobu [urged](#) both governments to communicate through dialogue to minimize the impact. *Yomiuri* has already [reported](#) that approval of rare earths exports to Japan have been taking longer than expected.

2. Foreign Policy Developments

- On Saturday, Senior Deputy Minister for Foreign Affairs Akahori Takeshi [attended](#) the “Pax Silica Summit” hosted by the U.S. Department of State. The initiative [involves](#) nine countries such as South Korea and Australia to build a secure, prosperous, and innovation driven silicon supply chain critical to AI development.
- On Friday, State Minister for Foreign Affairs Kunimitsu Ayano [attended](#) the G7+ Ministerial Meeting on Ukraine Energy Sector Support, in which the participants discussed the issue of maintaining and restoring energy infrastructure in Ukraine. She reiterated Japan’s continued support for Ukraine’s evolving needs.
- *Mainich* [reported](#) Thursday that Takaichi’s Taiwan contingency remarks that triggered the ongoing Japan-China rift were unplanned and off script, with GOJ documents released after the fact showing that the prime minister was scheduled to refuse any official comment on a Taiwan contingency and stick to past government positions.
- *Asahi* [reported](#) that Minister for Foreign Affairs Motegi Toshimitsu plans to visit Israel and Palestine in mid-January 2026 to inform both sides that Japan supports reconstruction efforts and efforts toward peace in the Middle East. Japan’s focus has been on helping Gaza’s reconstruction efforts.
- On Wednesday, Senior Deputy Minister for Foreign Affairs Namazu Hiroyuki [met](#) with French counterpart Frédéric Mondoloni in Tokyo, exchanging views on regional situations, including the Indo-Pacific, Ukraine, and the Middle East. They committed to strengthening cooperation on priority issues in the region, such as responses to various actions by China. France, next year’s G7 chair, reportedly is considering inviting Xi Jinping to the G7 Summit.
- *Mainichi* [reported](#) that Takaichi may meet South Korean President Lee Jae-myung in Nara City from January 13-14. The two may meet at Tōdai-ji, which has deep ties to the immigrants from Baekje who settled on the Korean Peninsula. The two may also offer flowers at the site of the late Prime Minister Abe Shinzo’s assassination.

3. Defense/Security Developments

- On Friday, the ruling Liberal Democratic Party’s (LDP) Research Commission on Security [presented](#) a proposed outline of key issues related to the five permitted categories of defense equipment exports. The LDP and Japan Innovation Party (*Nippon Ishin no Kai*) will hold discussions soon to discuss the matter.

Necessity of revising the permitted categories	Strengthening collaboration with like-minded countries
	Strengthening sustained warfighting capability

	Strengthening the defense industrial base
Categories of defense equipment	Scope of transferrable equipment
	Relation with joint development and licensed production
	Transfer to countries under attack or in active combat
Process	Stringent screening, appropriate management
Explanation	Relation with principles of a peace-loving nation, necessity from security standpoint, contributions to economic growth

- Minister of Defense Koizumi Shinjiro [held](#) a telephone conference with U.S. Secretary of War Pete Hegseth, expressing serious concern over any actions to increase regional tensions, as China's actions in the radar incident are not conducive to regional peace and stability.
- On Thursday, LDP Tax Research Commission Chair Onodera Itsunori [met](#) with his *Ishin* counterpart Umemura Satoshi to discuss next year's tax system reform. Umemura indicated that his party remains split on whether to support an income tax hike for defense spending. Democratic Party for the People (DPFP) leader Tamaki Yuichiro [indicated](#) that a corporate and tobacco tax hike would suffice.
- On Wednesday, Koizumi [held](#) a video teleconference with Italian Defense Minister Guido Crosetto, confirming their commitments to cooperate for the success of the Global Combat Aviation Program (GCAP) and their intention to further promote bilateral defense cooperation for peace and stability of the region.
- On Monday, the GOJ [adopted](#) draft amendments to the Act on Remuneration of Ministry of Defense (MOD) Personnel, which raises the monthly salary at all age and ranks by over ¥200,000 in a bid to secure and retain JSDF officers.
- On Sunday, Koizumi [met](#) with Australian Deputy Prime Minister and Defense Minister Richard Marles, announcing the establishment of the Framework for Strategic Defense Coordination (FSDC) led by the two ministers. The FSDC convenes at least annually to align defense policy and cooperation across a range of issues from intelligence to industry and technology to capabilities. The two noted the "unprecedented strategic alignment" between the two countries.

4. LDP and Ishin Likely to Postpone Submission of Diet Member Reduction Bill

- *Yomiuri* [reported](#) Saturday that Takaichi and *Ishin* leader Yoshimura Hirofumi are scheduled to meet ahead of the end of the Diet session next week to discuss the status of the bill to reduce the number of Lower House Diet member seats. Though the two sides aim for enactment this year, it is looking likely that this will be postponed.
- There have been growing frustrations within *Ishin* over the lack of progress on the bill, which has been pushed to the side for ongoing deliberations over the corporate donation regulations. While *Ishin* co-leader Fujita Fumitake [criticized](#) the LDP's lack of enthusiasm for the bill, Yoshimura [said](#) that he will not blame Takaichi for failure to enact the bill as she "kept her promise" to table the bill for consideration.
- The opposition parties have [refused](#) to deliberate the bill until there is a vote on the bill to revise rules around corporate and organizational political donations. Main opposition Constitutional Democratic Party (CDP) leader Noda Yoshihiko [said](#) Saturday that the issue can be discussed next year as part of larger efforts to reform the Lower House electoral system.
- The ruling and opposition parties [agreed](#) on Wednesday to hear expert testimony on December 15 on the three bills pertaining to corporate political donations. With the Diet session set to end on December 17, this makes it highly unlikely that the other bills will be discussed. *Ishin* for its part has tried to speed up the process by [indicating](#) an interest to take part in the revision process of the bill co-submitted by the DPFP and Komeito. It aims to move forward with the Diet member reduction bill.
- Ahead of the end of the Diet session, Noda [said](#) Friday that he believes it is "too early" to assess the performance of the Takaichi Cabinet, ruling out the possibility that his party submits a no-confidence motion next week.
- The Lower House [passed](#) the FY 2025 supplementary budget on Thursday, amounting to ¥18.3 trillion, the largest supplementary budget in the post-COVID era. The budget is expected to be enacted before the end of the session with the support of the DPFP and Komeito — a product of the compromises made by Takaichi and her government.

5. Other Political Developments

- On Friday, LDP Tax Research Commission Chair Onodera and DPFP counterpart Furukawa Motohisa [discussed](#) raising the income tax exemption threshold from ¥1.60 million to ¥1.78 million and did not come to an agreement on specifics. While the LDP wants to base the deduction on inflation rate in the last two years and add deductions for low-income earners, the DPFP wants to expand the deduction for medium-income earners to enhance benefits for a larger group. Discussions on tax-related matters continue into next week.

Tax Cut
5-year extension on home loan tax cuts, expanding for used homes
Open accumulated NISA to those under the age of 18
Separate 20 percent taxation on cryptocurrency transactions
Tax exemption for parking fees for my car users
Expand tax exempt amount for workplace lunch subsidies from ¥3,500 to ¥7,500
Immediate depreciation and/or 7 percent deduction on capital investments
Added tax cut on R&D related to AI, quantum, etc.
Tax Hike
Expand target pool for measures to address the rich “¥100 million barrier”
Change asset evaluation method to prevent real estate tax savings
Scrap special measures for lump-sum gift of ¥15 million education funding
Consumption tax on cross-border e-commerce products under price of ¥10,000
Cap deduction on hometown tax donations
Raise international tourist tax from ¥1,000 to ¥3,000
Remove large- and medium-sized enterprises off wage hike tax cut target
To Be Discussed Next Week
Raise income tax exemption threshold
1 percent added income tax to reinforce defense capabilities
Reduce dependent deduction for parents of high school students
Revise special measures related to consumption tax invoice scheme
Revise automobile related taxation like 2 year suspension on environmental standards tax

- The GOJ’s Gender Equality Council made an [unprecedented decision](#) to postpone submission of a set of recommendations to Takaichi toward crafting the Sixth Basic Plan on Gender Equality, as experts like RENGO President Yoshino Tomoko opposed

the inclusion of language legalizing use of maiden names that was added after the initial draft was presented to the Council in August.

- The DPFP [submitted](#) legislation outlining the basic approach to improving transparency around political activities, including requiring disclosure of process and decision making on use of political funds in political party charters and parties to submit to third-party oversight by lawyers and accountants.
- *Ishin* [agreed](#) to the LDP and Ministry of Health, Labor and Welfare's (MHLW) position on "OTC-like drugs," effectively giving up on its demands to exclude such drugs from public health insurance coverage. The two sides are planning to require additional expenses on patients while maintaining insurance coverage.
- *Asahi* [reported](#) Thursday that the Disaster Management Agency will be led by a minister in charge of disaster management with four bureaus under the minister — Policy Bureau, Disaster Response Bureau, Disaster Prevention Planning Bureau, and the Community Disaster Prevention Bureau. There will also be a National Disaster Prevention Academy attached to the Agency.
- On Tuesday, the GOJ [adopted](#) the basic guidelines for the FY 2026 budget formulation process, which strives for "responsible proactive fiscal policy" prioritizing expenditures and tax measures that contribute to economic growth, while reviewing expenses with limited effectiveness and promoting a transformation of the government's fiscal structure.

6. Economic Security and Tech Developments

- *Nikkei* [reported](#) Saturday that twenty-two new companies, including Honda, Canon, Kyocera, and Chiba Bank, plan to invest in chip foundry Rapidus. The company will now have thirty investors and reach its private investment target of ¥130 billion.
- On Friday, the Ministry of Economy, Trade and Industry (METI) [announced](#) that it plans to operate a testing facility for cutting-edge semiconductors as early as FY 2029. METI will pitch in ¥100 billion to create the facility in Chitose City, Hokkaido, where Rapidus has its chipmaking facility.
- *Nikkei* [reported](#) that the GOJ's National Security Council will determine how to implement the "active cyber defense" legislation to neutralize cyber-attacks from foreign servers on Japanese critical infrastructure. Meanwhile, forty-five domestic IT firms including Trend Micro and Sakura Internet [announced](#) the establishment of a cybersecurity industry organization to promote domestic goods and services.

- *Asahi* [reported](#) Wednesday that the proposed “National Intelligence Council” will be chaired by the prime minister with a “National Intelligence Secretariat” (NIS) serving as the intelligence counterpart to the National Security Secretariat. The GOJ will submit a bill as early as February 2026 for its creation. *Jiji* [reported](#) that the GOJ will also consider creating a ministerial role in charge of intelligence to oversee the NIS.
- *Yomiuri* [reported](#) Tuesday that the GOJ’s proposed amendments to the implementation guidelines of the Act on the Protection of Specially Designated Secrets will center around designating information critical to economic security like critical commodities and cutting-edge technology supply chain information as specially designated secrets for protection, including by utilizing security clearance.
- *Nikkei* [reported](#) Sunday that Japan, the United States, the United Kingdom, Australia, and Canada plan to soon hold a closed session of the Global Coalition on Telecommunications (GCOT) in Tokyo, which has been dubbed as the communications version of the Five Eyes. The grouping will discuss cooperation on cutting-edge technologies like AI and 6G.

7. Key Economic/Financial Developments

- NHK [reported](#) Saturday that the Ministry of Agriculture, Forestry and Fisheries (MAFF) plans to introduce a new framework requiring individuals and entities to disclose nationality when registering forest acquisitions. This is part of a larger effort to revise foreign nationals policy to be finalized in January 2026.
- *Nikkei* [reported](#) that the Bank of Japan (BOJ) plans to hike interest rates to 0.75 percent, the first time in thirty years that the rate rises above 0.5 percent. The BOJ has made the decision as it believes that the impact of the U.S. tariffs has subsided faster than anticipated. As the yen [depreciates](#) and yields on JGBs [rise](#), Minister of Finance Katayama Satsuki [effectively approved](#) the rate hike, stating that “there is no major disagreement between us and the Bank of Japan.”
- *Mainichi* [reported](#) Friday that the GOJ is exploring the “quantitative management” of foreign nationals in the country, specifically targeting permanent residents who make up around 23 percent of foreign nationals in Japan and have no restrictions around employment. *Nikkei* [reported](#) that the GOJ will also consider tighter regulations around part-time employment of foreign nationals on student visas as illegal employment has become commonplace.
- *Nikkei* [reported](#) that the GOJ will expand the scope of mandatory environmental assessments for megasolar generators from “over 30,000 kilowatts” to “over 15,000 kilowatts” as a way to prevent environmentally damaging development. The GOJ will

also [revise](#) seven ordinances and implementation guidelines to require third-party approval of safety before construction of megasolar generators begin.

- *Nikkei* [reported](#) Thursday that the MHLW plans to raise the annual premium cap for late-stage elderly medical care system for those over the age of seventy-five from ¥800,000 to ¥850,000, raising the burden on the 1.2 percent of high income earners to manage ballooning medical costs.
- On Monday, Katayama [participated](#) virtually in the G7 finance ministerial meeting, where the ministers discussed measures to strengthen critical minerals supply chains. Katayama stated that “critical minerals that gain price competitiveness by disregarding non-market policies and practices, human rights, environmental standards, and governance must never be allowed to dominate the market.” The GOJ [denied](#) a *Politico* report that claimed Japan rejected utilizing frozen Russian assets to provide loans for Ukraine due to domestic legal constraints.

8. State of the Economy

- *Nikkei* [reported](#) Saturday that the projected impact of U.S. tariffs on Japan’s thirty-five major listed companies has shrunk ¥300 billion from projections in August, as prices increase and the impact of high tariffs on the global economy and demand has been less severe than anticipated.
- On Thursday, the Cabinet Office (CAO) and Ministry of Finance (MOF) [announced](#) that the business situation index of large companies across all industries for the October-December period was 4.9, the second consecutive quarter in the [positive range](#) as both manufacturing and non-manufacturing improved. Meanwhile, the BOJ [announced](#) Wednesday that the corporate goods price index (CGPI) in November [rose](#) 2.7 percent to 128.
- On Monday, the CAO [announced](#) that nominal GDP in 2024 reflecting revision of standards made every five years increased ¥26 trillion to ¥634.23 trillion mostly due to higher than estimated software investments. Meanwhile, the revised real GDP growth rate in the July-September period [fell](#) 0.6 percent from the previous quarter, or 2.3 percent on an annual basis, [slightly lower](#) than the November announcement (0.4 percent, 1.8 percent annually).
- The CAO [released](#) its Economy Watchers Survey for November, which found that the seasonally adjusted diffusion index for future conditions fell 2.8 points to 50.3, the first time in seven months that the index has worsened. Survey respondents [voiced concern](#) over worsening Japan-China relations and the rise in real estate prices. The index for current conditions fell 0.4 points to 48.7. The CAO maintained the assessment that “the economy is picking up.”

- The MHLW [announced](#) that real wages fell 0.7 percent in October from the same month last year, the tenth consecutive month in [decline](#) as nominal wages cannot keep up with inflation. Nominal wages rose 2.6 percent to ¥300,141, while base salary rose 2.6 percent to ¥271,663.
- The MOF [announced](#) that Japan ran a ¥2.83 trillion current account surplus in October, a 15.5 percent [increase](#) in the surplus from the same month last year and the largest surplus in a given October. The primary income surplus related to interest and dividend income and expenses from overseas investments increased by 8.6 percent to ¥3.46 trillion.

II. Public Opinion Poll

- An NHK poll [released](#) on Sunday found that the Takaichi Cabinet's approval rating was 64 percent, down two points from November, while disapproval was 19 percent, up four points from last month.
 - 37 percent of respondents [said](#) that they support the Takaichi Cabinet because it has executive ability; 23 percent said because it seems better than the alternatives; and 20 percent said because they have high expectations for its policies.
 - 29 percent of respondents said that they do not support the Cabinet because they have no expectations for its policies; 25 percent said because they do not trust the prime minister; and 19 percent said because it does not include a political party they support.
 - 41 percent of respondents said that they somewhat approve of the GOJ's response to China's opposition to Takaichi's Taiwan contingency remarks; 20 percent said they strongly approve; 18 percent said they somewhat disapprove; and 11 percent said they strongly disapprove.
 - 40 percent of respondents said that they are somewhat concerned about the economic impact of current Japan-China relations; 27 percent said they are somewhat unconcerned; 14 percent said they are very concerned; and 12 percent said they are not concerned.
 - 45 percent of respondents said that they somewhat approve of the GOJ's economic stimulus package; 26 percent said they somewhat disapprove; 14 percent said they strongly approve; and 8 percent said they strongly disapprove.
 - 70 percent of respondents said that they do not believe the rice vouchers included in the stimulus package is effective as an inflation relief measure, while 20 percent believe the vouchers will be an effective inflation relief measure.
 - 42 percent of respondents said that they do not believe Takaichi's responsible proactive fiscal spending approach will have any special effect on the economy or fiscal situation; 27 percent said they believe it will have a positive effect; and 17 percent said they believe it will have a negative effect.

- 45 percent of respondents said that they believe the number of Lower House members should be reduced swiftly; 35 percent said they believe it should be discussed in depth; and 11 percent said there is no need to make the reduction.
 - 70 percent of respondents said that they support the GOJ's revision of foreign nationals policy, while 14 percent said they oppose it.
 - 38 percent of respondents said that they support restarting existing nuclear power plants; 37 percent said they cannot say either way; and 17 percent said they oppose it.
 - 53 percent of respondents said that they are very concerned about the increase in cyber-attack incidents; 31 percent said they are somewhat concerned; 7 percent said they are not so concerned; and 1 percent said they are not concerned.
- The survey also collected data on the latest approval ratings of political parties.

Political Party	Approval Rating (%)
Liberal Democratic Party	30.6 (-0.1)
Constitutional Democratic Party	6 (-1.2)
Japan Innovation Party	2.5 (-0.8)
Komeito	3.4 (+0.8)
Democratic Party for the People	2.9 (-0.6)
Japan Communist Party	1.9 (-0.7)
Reiwa Shinsengumi	1.3 (+0.4)
Do It Yourself Party (Sanseitō)	3.1 (-0.3)
Japan Conservative Party	0.4 (-0.3)
Social Democratic Party	0.4 (+0.2)
Team Future (Mirai)	0.3 (+0.1)
Independent (No Party)	41.4 (+2.7)