

The Weekly Observer

January 5-9, 2026

The 206th edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on China's export controls on Japan, Japan's response to the U.S. action in Venezuela, Japan-U.S. discussions on the \$550 billion investment deal, Defense Minister Koizumi's upcoming visit to the United States, Takaichi's new year's address, plans for the national conference on social security reform, the upcoming finance ministerial meeting on critical minerals next week, the cap on foreign nationals under two working visas, the demand-supply gap in July-September 2025, and more.

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I. News of the Week

1. China Imposes Controls on Dual Use Exports to Japan

- On Tuesday, the Chinese government [announced](#) tightened export controls on dual use goods to Japan, a move viewed as retaliation against Prime Minister Takaichi Sanae's remarks around a Taiwan contingency in November 2025.
- While it has been unclear whether "dual use" covers rare earths such as selenium used in chipmaking and automobile manufacturing, media reports [suggest](#) that export approval for civilian-use rare earths has seen delays. One estimate [found](#) that export controls on rare earths could result in a loss of access to ¥10 trillion worth of goods.
- On Wednesday, Chief Cabinet Secretary Kihara Minoru [stated](#) that measures targeting only Japan "deviate significantly from international practice" and are "absolutely unacceptable and deeply regrettable." In response, Chinese foreign ministry spokesperson Mao Ning [said](#) that the measure was "legitimate and legal" given Japan's "brazen interference" in Chinese domestic affairs. The commerce ministry [explained](#) on Thursday that the measures do not apply to civilian use goods.
- On Thursday, Kihara [revealed](#) that a mobile dredging vessel was installed on the Chinese side of the median line in the East China Sea. Kihara said that the GOJ strongly protested the Chinese side unilaterally placing facilities likely to develop gas fields in the area.
- On Wednesday, the Chinese Ministry of Commerce [announced](#) that it has launched an anti-dumping investigation on Japanese-made speciality gas "dichlorosilane" required for semiconductor and liquid crystal production processes. It did not comment on whether the move was made as a response to the Taiwan contingency remark.
- *Nikkei* [reported](#) that Japanese exports of liquor and food products to China has been delayed, likely as part of efforts to coerce Japan economically since the Taiwan contingency remark. Kihara [said](#) that the GOJ is closely monitoring the situation.

2. Japan in a Tough Position Over Situation in Venezuela

- On Monday, Takaichi [commented](#) on the situation in Venezuela, stating that Japan is "working closely with relevant countries to address the situation." While she stressed the importance of restoring democracy in the country, Japan has not criticized its ally the United States for its actions in Venezuela.
- Chief Cabinet Secretary Kihara [said](#) Tuesday that, "our country is not a direct party to the matter and is not in a position to fully grasp the detailed facts. The government will refrain from commenting, including on legal assessments." Criticizing the United

- States could jeopardize relations with President Donald Trump, while staying silent would contradict Tokyo's promotion of freedom, democracy, and the rule of law.
- On Sunday, Ministry of Foreign Affairs (MOFA) Press Secretary Kitamura Toshihiro [issued](#) a statement emphasizing the importance of restoring democracy in Venezuela and that Japan has consistently respected fundamental values such as freedom and democracy. He said Japan will advance diplomatic efforts to restore democracy.
 - Politicians are criticizing the U.S. attack on Venezuela, with former defense minister Onodera Itsunori [writing](#) on X that the attack “constitutes an attempt to change the status quo by force and contradicting the logic behind criticizing China and Russia.” Members of the ruling Liberal Democratic Party (LDP) also [urged](#) the GOJ to clearly state its position on the matter.
 - LDP coalition partner Japan Innovation Party (*Nippon Ishin no Kai*) leader Yoshimura Hirofumi [said](#) Monday that while adhering to international law is important, “I think there are quite complex underlying circumstances.” Meanwhile, main opposition Constitutional Democratic Party (CDP) leader Noda Yoshihiko [said](#) that the United States has “gone too far” and that Japan’s role is to inform the United States that “changing the status quo by force is unacceptable.”

3. Foreign Policy Developments

- On Friday, the Japan-U.S. Consultation Committee on the Strategic Investment Initiative [met](#) for the second time this week to discuss the first round of projects likely to be announced when Takaichi visits the United States in March. Minister of Economy, Trade and Industry (METI) Akazawa Ryosei [revealed](#) on Wednesday that the first projects will be announced by the spring.
- The MOFA [announced](#) that Takaichi will meet with South Korean President Lee Jae-myung in her home prefecture of Nara when the latter visits from January 13-14. This is part of the ongoing shuttle diplomacy between the two leaders.
- The MOFA [announced](#) that Italian Prime Minister Giorgia Meloni will pay an official working visit to Japan from January 15-17. This year marks the 160th anniversary of the establishment of diplomatic relations between the two countries.
- The MOFA [announced](#) that former Prime Minister Ishiba Shigeru will be dispatched to the United Arab Emirates from January 15-17 as a special envoy of the prime minister. Ishiba, who serves as chairman of the Japan-UAE Parliamentary Friendship League, will meet with officials in light of the state visit by President Sheikh Mohamed bin Zayed Al Nahyan in February.

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- Minister for Foreign Affairs Motegi Toshimitsu [announced](#) that he will be traveling from January 10-18 to Israel, Palestine, Qatar, the Philippines, and India. He pointed out the importance of cooperation with like-minded countries and the so-called Global South in an effort to maintain the rules-based international order.
- On Wednesday, Motegi [participated](#) in a G7 foreign ministers' telephone meeting, exchanging views on international developments including the situations in Venezuela and Ukraine. The G7 members confirmed that they will continue to coordinate closely on various challenges the international community faces.

4. Defense/Security Developments

- On Friday, the Ministry of Defense (MOD) [announced](#) that Minister Koizumi Shinjiro will visit the United States from January 12-16 for the Honolulu Defense Forum, company visits in Los Angeles, and the Japan-U.S. defense ministerial meeting.
- The Cabinet Office [released](#) a public opinion poll on the JSDF and defense issues, which found that 45.2 percent of respondents supported increasing defense capabilities, a record high number for the poll. The poll also [found](#) that 68.3 percent were positive about promoting the transfer of defense equipment abroad.
- The GOJ [announced](#) that it would begin implementing measures to enter and neutralize source servers of cyber-attacks as part of "active cyber defense" (ACD). The ACD law enacted in May 2025 enables the police and JSDF to neutralize threats to critical infrastructure.
- *Yomiuri* [reported](#) Thursday that the GOJ will establish an expert panel as early as the spring to discuss the revision of the three strategic security documents. The panel will submit recommendations to the government ahead of publication by the end of the year. The LDP's recommendations will be published sometime around April.
- On Tuesday, Chairperson of the LDP's Security Research Commission Onodera Itsunori [met](#) with Israeli Prime Minister Benjamin Netanyahu in Jerusalem. While the discussion focused on the situation in Gaza, Onodera also posted on X prior to his visit that Japan sees value in cutting-edge military drones developed in Israel.
- On Sunday, the MOD [announced](#) that North Korea launched at least two ballistic missiles eastward, landing outside Japan's exclusive economic zone. In response, Japanese, American, and Korean officials [held](#) a telephone meeting to reaffirm cooperation and call on North Korea to cease such provocations.

5. Takaichi Delivers New Year's Address

- On Monday, Takaichi [held](#) her New Year's press conference, where she stated that she plans to convene a "national conference" in January to make progress on cross-party discussions around social security reform. The first order of business is to [introduce](#) cash handouts and tax benefits to reduce the burden on low- and middle-income households.
- *Mainichi* [reported](#) Friday that the GOJ plans to submit sixty-one bills during the ordinary Diet session scheduled to begin on January 23. This list includes a bill to [permit the issuance](#) of new JGBs for five years, but not the bill to introduce penal code punishments for damaging the Japanese national flag.
- While Takaichi denied dissolving the Lower House to call a snap election, [rumors continue to swirl](#) that the prime minister will move forward with dissolution on January 23 to take advantage of sky high approval ratings. Further fueling this rumor is the [notification](#) by the Ministry of Internal Affairs and Communication (MIC) to local election commissions to prepare for an election. Rumor has it that an election could take place on February 8 or 15.
- LDP Secretary General Suzuki Shunichi [said](#) Tuesday that he hopes the Democratic Party for the People (DPFP) can join the LDP-Ishin coalition for "political stability." The three parties could get over the majority line in both Houses. Ishin co-leader Fujita Fumitake [agreed](#) with Suzuki and said his party would welcome the DPFP.
- The ruling parties [held](#) a liaison meeting with the GOJ on Friday. Both parties' executives [welcomed](#) the possibility of the DPFP joining the coalition and pointed out that trust has been steadily built by cooperating on a policy-by-policy basis.
- Meanwhile, DPFP leader Tamaki Yuichiro [said](#) on Sunday that his party will work with the ruling parties to enact the FY 2026 annual budget. He stated that concrete discussions can proceed once trust is established further.

6. Key Political Developments

- *Jiji* [reported](#) Saturday that the CDP, DPFP, and Komeito plan to join the ruling parties in the "national conference" to be set up as early as January to discuss social security reform. The opposition parties agreed to join after the LDP decided to position the conference not as a government council but somewhere between the GOJ and Diet.
- *Nikkei* [reported](#) that the GOJ plans to reorganize the incident response and crisis management office within the Cabinet Secretariat as the "National Crisis Management Office" responsible not just for natural disaster response but to address heightened tensions in the international community.

- *Mainichi* [reported](#) Friday that its investigation found that an average of 5 percent of expenditure reported in official expense reports from the LDP's prefectural branch secretary generals disclosed individual items. An average of 70 percent of income reportedly came from corporate and organizational donors.
- *Yomiuri* [reported](#) Thursday that the GOJ's expert panel discussing revisions to policies related to foreign nationals plans to propose a new learning program for foreign nationals on language and social manners that would target medium- to long-term visa holders. The experts asked for "legislative facts" to justify new legal rules. Meanwhile, Ishin [believes](#) that the GOJ is "not doing enough," proposing "quantitative management" of the total number of foreign workers in Japan.
- *Nikkei* [reported](#) Monday that the GOJ will comprehensively review its policies related to foreign nationals, attempting to balance cohabitation with tighter rules to prevent foreign nationals from residing in Japan on the wrong visa. For instance, 20 percent of all foreign nationals in Japan have permanent residency. The GOJ plans to impose stricter language requirements and a longer residency condition to obtain the visa.

7. Economic Security and Tech Developments

- On Friday, Minister of Finance Katayama Satsuki [revealed](#) that she plans to visit next week to attend a finance ministerial meeting in Washington on critical minerals supply chains. She stated that China's potential rare earths export controls targeting Japan are "extremely regrettable" given the impact on global supply chains.
- *Nikkei* [reported](#) Thursday that the GOJ plans to submit legislation to make it easier for AI developers to utilize state-held data. Private companies will be required to submit business plans for data utilization to the government. Meanwhile, the Personal Information Protection Commission [released](#) its proposed changes to the Personal Information Protection Act, which would allow companies to utilize personal information for AI development so long as it is for statistical purposes.
- *Mainichi* [reported](#) Wednesday that the GOJ plans to establish a Japanese version of the Committee on Foreign Investment in the United States (CFIUS) involving the Ministry of Finance, METI, and the National Security Secretariat as early as June to strengthen screening of foreign investment in sectors critical to economic security.
- *Yomiuri* [reported](#) that the GOJ plans to subsidize up to 50 percent of funding for the development of drones — added to the list of specially designated critical commodities under the Economic Security Promotion Act — to hit the target of manufacturing 80,000 drones by 2030.

- On Tuesday, Imabari Shipbuilding — Japan’s largest shipbuilding company — [held](#) a press conference on the occasion of acquiring Japan Marine United as a wholly-owned subsidiary. The two companies possess control over 52 percent of the domestic shipbuilding market and aim to compete with Chinese and Korean peers.
- *Nikkei* [reported](#) Sunday that the MIC appropriated ¥150 billion in the FY 2025 supplementary budget to provide subsidies over multiple years for expenses such as equipment procurement and launches for satellite constellations to develop domestic satellite communications infrastructure.

8. Key Economic/Financial Developments

- On Wednesday, a GOJ expert panel [finalized](#) plans to accept approximately 1.23 million foreign workers under the Specified Skilled Workers and Employment for Skill Development visas from April 2026 to March 2029. The latter visa is set to be introduced on April 1 for a three-year program to develop skills in relevant industries.
- *Nikkei* [reported](#) that the Nuclear Regulation Authority (NRA) will go back to the drawing board on its safety review of the Hamaoka Nuclear Power Plant in Shizuoka Prefecture after an improper earthquake evaluation was exposed. The NRA plans an on-site inspection of Chubu Electric to uncover the falsified safety assessment.
- On Tuesday, the heads of the three largest business organizations — Japan Business Federation, Japan Chamber of Commerce and Industry, and Japan Association of Corporate Executives — [hosted](#) a New Year’s get-together. Business owners announced that they would be raising wages above 5 percent ahead of the 2026 spring wage negotiations.
- The Ministry of Finance (MOF) [set](#) the surface interest rate on ten-year JGB bids at 2.1 percent, raising the rate from 1.7 percent in December 2025 for the first time to a twenty-eight year high. Meanwhile, the yield on newly issued ten-year JGBs on Monday [hit](#) a twenty-seven year high of 2.125 percent as investors anticipate a faster pace of rate hikes due to the rapidly depreciating yen.
- The MOF [announced](#) that ordinary account tax revenue in November 2025 increased 9.4 percent from the same month last year to ¥11.41 trillion, with corporate tax revenue increasing 12.1 percent to ¥5.9 trillion.
- On Monday, Bank of Japan (BOJ) Governor Ueda Kazuo [emphasized](#) the BOJ’s rate hike approach, stating that “the mechanism whereby wages and prices both rise gradually is likely to be maintained.”

9. State of the Economy

- On Friday, the MIC [announced](#) that real expenditure amounts by households with over two persons in November increased 2.9 percent from the same month last year to ¥314,242, the [first increase](#) in two months as food items led the way.
- The Cabinet Office (CAO) [announced](#) that the coincident index of business conditions in November fell 0.7 point to 115.2, the [first decline](#) in three months. The CAO maintained the assessment that the index is “halting to fall.”
- On Thursday, the Ministry of Health, Labor and Welfare (MHLW) [announced](#) that real wages in November fell 2.8 percent from the same month last year, the eleventh consecutive month that price increases [exceeded](#) wage hikes. Nominal wages increased 0.5 percent to ¥310,202.
- The BOJ [released](#) its Regional Economic Report (Sakura Report) for January, which maintained the assessment in all nine regions in the country from a quarter prior. The report [pointed out](#) that many companies are looking to raise wages at the same level as FY 2025 as corporate profits increase with less uncertainty over U.S. tariffs.
- On Wednesday, the BOJ [announced](#) that Japan is in a demand shortage and supply surplus, running a negative 0.35 percent “demand-supply gap” (GDP gap) in July-September 2025. Though this [narrowed](#) the 0.40 percent deficit in April-June, Japan has been in a demand shortage for the last five-and-a-half years.

II. Public Opinion Poll

- A JNN poll [released](#) on Sunday found that the Takaichi Cabinet’s approval rating was 78.1 percent, up 2.3 points from December, while disapproval was 18.6 percent, down 2.1 points from last month.
 - 48 percent of respondents said that they approve of the LDP and Ishin’s performance running the government, while 33 percent said they disapprove.
 - 42 percent of respondents said that they support the DPFP joining the ruling parties, while 30 percent said they oppose it.
 - 58 percent of respondents said that they do not expect any changes to the economy this year; 19 percent said they believe it will get worse; and 18 percent said they believe it will get better.
 - 42 percent of respondents said that they are somewhat concerned about the impact of deteriorating Japan-China relations on the economy; 30 percent said they are not so worried; 16 percent said they are very worried; and 11 percent said they are not worried at all.
 - 43 percent of respondents said that they do not really support the U.S. attack on Venezuela; 30 percent said they do not support it at all; 18 percent said they somewhat support; and 4 percent said they strongly support.

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- 40 percent of respondents said that they somewhat approve of the GOJ's response to the U.S. actions in Venezuela; 33 percent said they somewhat disapprove; and 12 percent each said they strongly approve and disapprove.
- 45 percent of respondents said that they want the Diet to focus on economic response including inflation; 16 percent said social security; and 10 percent said childcare.
- The survey also collected data on the latest approval ratings of political parties.

Political Party	Approval Rating (%)
Liberal Democratic Party	29.7 (+0.2)
Constitutional Democratic Party	5 (-1.3)
Japan Innovation Party	5 (\pm 0)
Komeito	2.8 (+0.1)
Japan Communist Party	1.1 (-0.7)
Democratic Party for the People	6.3 (+2.2)
Reiwa Shinsengumi	1.2 (-0.3)
Suffrage Party (Sanseitō)	3.7 (-0.6)
Japan Conservative Party	0.8 (-0.4)
Socialist Democratic Party	0.2 (\pm 0)
Team Mirai	0.1 (-0.4)
Independent (No Party)	40.3 (+0.8)