

The Weekly Observer

January 12-16, 2026

The 207th edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on the Japan-ROK Summit, Foreign Minister Motegi's diplomatic tour; the Japan-Italy Summit, the Japan-U.S. defense ministerial meeting, Prime Minister Takaichi's decision to dissolve the Lower House next week, the birth of a new centrist opposition party, rumored plans to finalize foreign nationals policy next week, the GOJ expert panel's outline for recommendations around the Economic Security Promotion Act, the Nikkei Stock Average hitting record highs, the Economy Watchers Survey for December 2025, and more.

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I. News of the Week

1. Takaichi and Lee Pledge to Further Elevate Japan-ROK Ties

- On Tuesday, Prime Minister Takaichi Sanae [hosted](#) Republic of Korea President Lee Jae-myung for a summit meeting in Nara Prefecture.
- Takaichi welcomed Lee on the first occasion of “shuttle diplomacy” this year, expressing her intention to develop the Japan-ROK relations to greater heights starting with the president’s visit.
- The two leaders shared the strategic importance of bilateral relations and the importance of strategic coordination on bilateral security cooperation as well as trilateral cooperation with the United States.
- The two leaders agreed to deepen discussions among relevant ministries in order to promote strategic and mutually beneficial cooperation in the field of economy and economic security. They agreed to draft a document to accelerate cooperation on dealing with transnational organized fraud.
- Takaichi [noted](#) in the post-summit joint press conference that Lee’s visit to her home prefecture “indicates the friendship and relationship of trust between me and the president,” while Lee stated the importance of bilateral exchanges and cooperation in light of changes in the international environment.
- Takaichi [revealed](#) that the leaders had an in-depth conversation about supply chain cooperation, likely in relation to China’s tightened export controls around dual-use items. On China, Lee revealed that he emphasized the need for maximizing common ground and cooperation through dialogue. Lee visited China before Japan.

2. Foreign Minister Motegi Embarks on World Diplomatic Tour

- Minister for Foreign Affairs Motegi Toshimitsu has been on a diplomatic tour since January 10, [meeting](#) with his counterparts from Israel, Palestine, Qatar, the Philippines, and India.
- On Sunday, Motegi [met](#) with Israeli Foreign Minister Gideon Sa’ar, expressing Japan’s commitment to playing a proactive role in improving the humanitarian situation in Gaza and in engaging in the early recovery and reconstruction through “Efforts for Sustaining Peace.”
- Motegi also [met](#) with Prime Minister Mohammad Mustafa of Palestine the same day, [announcing](#) that the GOJ will dispatch Ambassador in charge of Gaza Rebuilding Assistance Okubo Takeshi and one expert to the Civil-Military Coordination Center.

The two sides agreed on working together for peace and stability in the Middle East, and on establishing the bilateral “High-level Political Dialogue.”

- On Tuesday, Motegi [held](#) the Third Japan-Qatar Strategic Dialogue with Prime Minister and Foreign Minister of Qatar Sheikh Mohammed bin Abdulrahman bin Jassim Al-Thani. The two confirmed the critical importance of strengthening mutually beneficial relations through liquefied natural gas, advancing cooperation in third countries on development and assistance, and on further deepening academic and people-to-people exchanges.
- On Thursday, Motegi [met](#) with Secretary of Foreign Affairs of the Philippines Maria Theresa Lazaro, signing an agreement concerning the reciprocal provision of supplies and services between the JSDF and the Armed Forces of the Philippines. The two also signed and exchanged notes for the first infrastructure project under “official security assistance” to construct boathouses and slipways for rigid-hulled inflatable boats.
- On Friday, Motegi [held](#) the 18th Japan-India Foreign Ministers’ Strategic Dialogue with Minister of External Affairs Dr. Subrahmanyam Jaishankar, agreeing to launch the private sector dialogue on economic security within the first quarter of the year for cooperation in semiconductors, critical minerals, information and communication technology, clean energy, and pharmaceuticals. The two also agreed to establish the Japan-India AI strategic dialogue to promote concrete cooperation in AI, with Motegi inviting five hundred skilled AI professionals by 2030 to promote joint research.

3. Foreign Policy Developments

- On Saturday, former Prime Minister Ishiba Shigeru [completed](#) a two-day visit to the United Arab Emirates as special envoy of the prime minister. Ishiba stated that President Sheikh Mohamed bin Zayed Al-Nahyan’s scheduled state visit to Japan in February will mark a new chapter in the over fifty year history of bilateral relations.
- On Friday, Takaichi [hosted](#) Italian Prime Minister Giorgia Meloni for a summit meeting, agreeing to further enhance security and defense cooperation, economic security cooperation to enhance supply chain resilience including critical raw minerals, and advanced technology cooperation including AI.
- The Ministry of Foreign Affairs (MOFA) [issued](#) a statement expressing that it is “extremely regrettable” that China is advancing unilateral development of installations on the west side of the geographical equidistance line in the East China Sea. The GOJ strongly urged China again for an early resumption of the negotiations on the implementation of the June 2008 agreement to cooperate on the development of natural resources in the East China Sea.

- Minister of Internal Affairs and Communications (MIC) Hayashi Yoshimasa [participated](#) in the Sixth ASEAN-Japan Digital Ministerial Meeting in Hanoi, Vietnam, where the member states [adopted](#) the joint statement on promoting safe, secure, and trustworthy AI, which focuses on governance; AI development and digital infrastructure; capacity building and human resource development; co-creation of AI solutions; inclusive and trustworthy AI; and digital solidarity and economic development.
- On Thursday, the G7 foreign ministers [issued](#) a statement on Iran, voicing grave concern over the developments surrounding the ongoing protests. The ministers strongly opposed the intensification of brutal repression and urged the Iranian authorities to exercise full restraint, to refrain from violence, and to uphold the human rights and fundamental freedoms of Iran's citizens.
- The Chinese Ministry of Commerce (MOFCOM) [emphasized](#) that dual-use export controls on Japan "do not affect civilian goods," explaining that the measure is designed to "prevent attempts at rearmament and nuclear acquisition." The Japanese Chamber of Commerce and Industry in China [submitted](#) a request to MOFCOM on Monday urging for thorough notification of this approach, especially as companies report delays in screening and approval of exports to Japan.

4. Defense/Security Developments

- *Asahi* [reported](#) Friday that the Board of Audit of Japan found that foreign military sales from the U.S. Government to the Ministry of Defense (MOD) between FY 2018-2023 amounted to ¥3.55 trillion, with amounts in FY 2023 over tripling from five years prior. The Board estimates around ¥300 billion in additional expenses between FY 2023-2025 due to yen depreciation.
- The MOD [announced](#) that it certified Mitsubishi Heavy Industries and NEC for contracts related to the Australian Government's next frigate project, providing approximately ¥24.7 billion in subsidies for the defense equipment transfer.
- On Thursday, Minister of Defense Koizumi Shinjiro [met](#) with U.S. Secretary of War Pete Hegseth in Washington, D.C., explaining progress made towards the further reinforcement of Japan's own defense capabilities. He stated that Japan does not rule out any option in consideration of the revision of the three strategic documents.
- The ministers [agreed](#) to accelerate mutually beneficial efforts to enhance the defense industrial base under the Defense Industrial Cooperation, Acquisition and Sustainment (DICAS) framework, advance discussion to substantially increase the production of the SM-3 Block IIA interceptor missile, and the necessity of enhancing cooperation in Integrated Air Missile Defense capabilities and space domain.

- On Monday, Koizumi [met](#) with U.S. Navy Admiral and Commander of the U.S. Indo-Pacific Command Samuel Paparo in Hawaii on the occasion of the Honolulu Defense Forum. The two sides agreed to deepen defense cooperation in the Indo-Pacific region in light of developments related to China and North Korea.

5. Takaichi Decides to Dissolve the Lower House

- *Nikkei* [reported](#) Wednesday that Takaichi informed executives of the ruling Liberal Democratic Party (LDP) and Japan Innovation Party (*Nippon Ishin no Kai*) that she intends to dissolve the Lower House at the beginning of the ordinary Diet session set to convene on January 23. A snap election is expected in early- to mid-February.
- The [earliest date](#) of the election could be February 8, which would make it the shortest period between dissolution and voting in post-war history. Rumors of an election to strengthen her grip on legislative power surfaced after the ruling parties [did not propose](#) a schedule for the prime minister's speech customary at the start of a new Diet session. The decision has [shocked](#) some within the LDP as Takaichi reportedly did not coordinate with senior party members.
- This would be only the [fourth instance](#) that a prime minister has decided to dissolve the Lower House at the beginning of a Diet session. It is only the [second time](#) a dissolution has occurred in January. On the contrary, sixty percent of prime ministers have [dissolved](#) the Lower House within a year since taking office. A total of 703 candidates are expected to run for 465 seats, [according](#) to *Jiji*.
- *Ishin* leader Yoshimura Hirofumi [revealed](#) Sunday that he was told by Takaichi that an election would be the best way to stabilize politics despite concerns over delayed enactment of the FY 2026 annual budget. Co-leader Fujita Fumitake [set](#) an increase in seats as the party's goal, [adding](#) that there will not be any election cooperation with the LDP as the two ruling parties seek to secure a majority on their own.
- Meanwhile, Democratic Party for the People (DPFP) leader Tamaki Yuichiro [said](#) Monday that his party would have to reconsider its support for the FY 2026 budget if the prime minister prioritizes political gains over alleviating inflationary pressures, [noting](#) that "trust in the Takaichi Administration (in his party) will waver."
- Other parties [criticized](#) Takaichi for choosing to dissolve the Lower House and push back economic policy implementation. *Kyodo* [reported](#) Wednesday that the main opposition Constitutional Democratic Party (CDP) and former LDP partner Komeito are considering election cooperation with an eye toward forming a new party.

6. CDP and Komeito Form New "Centrist Reform Alliance" Party

- On Friday, the CDP and Komeito [formed](#) the “Centrist Reform Alliance,” planning to field approximately two hundred candidates in single-member districts. The party aims to lay out a middle ground between leftist and right-wing parties. Its campaign manifesto will reportedly be [anchored](#) around 1) realizing an inclusive society, 2) realistic foreign and defense policies and deepening discussions on amending the Constitution, and 3) continuous political reform.
- *Asahi* [reported](#) that the two parties were prompted to form a party together after losing ground in the 2025 Upper House election. The “trigger” was Takaichi’s abrupt dissolution announcement. *Mainichi* [reported](#) that talks began under the surface in the summer of 2025 through a series of policy-based collaboration on common issues like separate surnames for married couples and political funding reform.
- LDP Secretary General Suzuki Shunichi [criticized](#) the new party on Friday, calling it a “mutual election support group” that neglects alignment on policy. Referring to the CDP’s past cooperation with the Communist Party, he stated that the “CDP’s middle ground is pretty far to the left.”
- News of the centrist party is creating reasons for concern for the LDP, as *Mainichi* [projected](#) that the loss of Komeito’s organized voting by *Soka Gakkai* may cost forty-two single-member district incumbents their seats. *Nikkei* [projected](#) that 20 percent of single-member district candidates may be in trouble. Meanwhile, another headache is the LDP and *Ishin* [competing](#) in sixty-five districts themselves.
- *Nikkei* has [pointed out](#) that the new party has similarities with the New Frontier Party (*Shinshintō*) formed in 1994 between opposition parties seeking to dethrone the LDP, Socialist Party and *Sakigake* Party alliance. Both parties had support from organized voting blocs like *Soka Gakkai* and labor unions. The party disbanded in 1997.
- The new party is causing some confusion amongst its supporters, with *Asahi* [reporting](#) that party supporters are uncertain about voting for a candidate from the other party in the merger after spending more than a decade as enemies. Some Komeito officials — like in Hyogo where the party holds single-member district seats — are also [surprised](#) at the decision to withdraw from single-member districts in favor of high placement of the proportional representation list.

7. Key Political Developments

- *Mainichi* [reported](#) Friday that the GOJ plans to finalize its policies related to foreign nationals on January 23 ahead of the dissolution of the Lower House. Measures include tightening visa screening and setting appropriate rules around illegal acts. This is viewed as a move to win over conservative voters ahead of the election.

- *Ishin* leader and Osaka Governor Yoshimura and Osaka City Mayor Yokoyama Hideyuki [resigned](#) from their respective positions to set up a “double election” on February 8, potentially on the same day as the Lower House election. The two hope to seek confidence from voters on the “Osaka Metropolis Plan” despite [strong opposition](#) from local party members who questioned the necessity of an election.
- *Nikkei* [reported](#) Thursday that the GOJ will compile policy measures by summer 2026 including tax benefits to financially support users of housekeeping support services and babysitter services in an effort to prevent child rearing generations from leaving work to take care of a child.
- On Wednesday, the GOJ [presented](#) a draft bill proposal that would enable the government to issue deficit bonds from FY 2026 to 2030, a major boost for Takaichi’s “responsible proactive fiscal policy” agenda. That bill could be in jeopardy as the DFPF is now [reluctant to support](#) Takaichi following her abrupt dissolution decision. The LDP needs the DFPF to secure a majority in both Houses.
- *Nikkei* [reported](#) Tuesday that the GOJ will support those who have been out of work for an extended period of time to get back into the habit of working through work experience programs. The program will focus on the “employment ice age generation” currently in their forties. Funding is planned for FY 2026.
- *Nikkei* [reported](#) that the GOJ will encourage companies to move or expand their headquarters into rural areas through tax incentives, offering tax deductions and special depreciation rates not just on new buildings but used buildings too. New building construction is expensive now due to soaring land and resource costs.

8. Economic Security and Tech Developments

- On Friday, the Ministry of Education, Culture, Sports, Science and Technology (MEXT) [announced](#) that it will solicit applications for additional universities to receive financial support for accepting overseas researchers. It will subsidize salaries and living expenses for researchers at the eleven selected schools and other schools.
- On Thursday, the GOJ expert panel on economic security [finalized](#) its recommendations ahead of the revision of the Economic Security Promotion Act, [proposing](#) a new support scheme via the Japan Bank for International Cooperation to support Japanese companies expanding business abroad in critical sectors.
- On Tuesday, MIC and the Ministry of Economy, Trade and Industry (METI) [held](#) a forum to promote “watt-bit coordination,” a plan to develop power sources and data centers close to each other and outside of the greater Tokyo and Osaka areas.

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- On Monday, Minister of Finance Katayama Satsuki [participated](#) in a G7+ finance ministerial meeting — including Australia, India, South Korea, and Mexico — to discuss critical minerals. The ministers discussed setting a price floor on critical minerals to protect the global market from cheap Chinese exports.
- The Japan Agency for Marine-Earth Science and Technology’s deep-sea scientific drilling vessel CHIKYU [left](#) Shimizu Port in Shizuoka Prefecture to begin test drilling for mud with rare earths off the coast of Minamitorishima, Ogasawara Islands. The GOJ aims to develop domestic rare earths supply to reduce dependence on China, which still [accounts](#) for 63 percent of Japan’s imports as of 2024.

9. Key Economic/Financial Developments

- On Wednesday, the Nikkei Stock Average [increased](#) for the third consecutive business day to a record high of ¥54,341.23, pushed by expectations of strong government spending by the newly elected supermajority. Meanwhile, the yen [depreciated](#) to ¥159.20 the same day as the market braced for an early election and expectations of expansionary fiscal policy under Takaichi.
- The Ministry of Health, Labor and Welfare’s (MHLW) Central Social Insurance Medical Council [approved](#) raising the initial consultation fee and follow-up consultation fee as part of FY 2026 price reforms. The measure increases basic fees to stabilize hospital operations as rising prices worsen their financial situation.
- The Nuclear Regulation Authority [decided](#) to go back to the drawing board over the restart of Chubu Electric Co.’s Hamaoka Nuclear Power Plant in Shizuoka, after issues surfaced over Chubu underestimating the anticipated seismic motion that is a necessary condition for the Authority’s safety review.
- On Tuesday, METI Minister Akazawa Ryosei [returned](#) from Saudi Arabia and the United Arab Emirates, where he agreed to strengthen collaboration in multiple sectors like AI and space. With Saudi, he agreed on a loan of \$1.5 billion through Mitsui Sumitomo Bank and others with government guarantees.
- On Monday, Katayama [met](#) with U.S. Secretary of the Treasury Scott Bessent in Washington, informing the latter that “we witnessed a unilateral yen depreciation on January 9, which is a cause for serious concern.” Bessent [told](#) Katayama that “excessive exchange rate fluctuations are undesirable.” He supports a rate hike to respond to yen depreciation.

10. State of the Economy

- On Thursday, the Bank of Japan (BOJ) [announced](#) that the corporate goods price index (CGPI) in 2025 rose 3.2 percent from the previous year to 126.7, the fourth consecutive year the index has hit record highs. The rate of increase also exceeded last year's 2.4 percent, as the surge in food prices, led by rice, drove overall inflation.
- The BOJ also [announced](#) that the CGPI in December 2025 rose 2.4 percent to 128.1, a weaker growth rate than in November. The CGPI and services producer price index [affect](#) the consumer price index.
- On Tuesday, the Ministry of Finance (MOF) [announced](#) that Japan ran a ¥3.67 trillion current account surplus in November, a record high in November and a 10 percent increase from the same month last year, as the trade surplus [led](#) the way. The trade surplus was ¥625.3 billion, an over quintuple increase from the same month last year. Meanwhile, the tourism balance [fell](#) 19 percent as Chinese tourists decreased.
- The Cabinet Office (CAO) [released](#) the Economy Watchers Survey for December 2025, which found that the seasonally adjusted diffusion index fell 0.1 point to 48.6, the second consecutive month the [index has worsened](#). CAO maintained the assessment that the “economy is picking up.”
- Tokyo Shoko Research [announced](#) that the number of bankruptcies in 2025 increased 3 percent from 2024 to 10,300 companies, a high last recorded in 2013 after the Greater East Japan Earthquake. The number of bankruptcies resulting from labor shortages [increased](#) 40 percent from 2013 to 397 companies.

II. Public Opinion Poll

- A NHK poll [released](#) on Tuesday found that the Takaichi Cabinet's approval rating was 62 percent, down 2 points from December, while disapproval was 21 percent, up 2 points from last month.
 - 33 percent of respondents [said](#) that they support the Cabinet because it has executive ability; 25 percent said because it seems better than the alternatives; and 21 percent said because they have high expectations for its policies.
 - 25 percent of respondents each said that they do not support the Cabinet because they have no expectations for its policies and cannot trust the prime minister; and 17 percent each said because the alternatives seem better and it does not include a party they support.
 - 46 percent of respondents said that they somewhat approve of the LDP-Ishin coalition government; 27 percent said they somewhat disapprove; 12 percent said they strongly disapprove; and 9 percent said they strongly approve.

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- 45 percent of respondents said that they want the Takaichi Cabinet to prioritize inflation relief measures; 16 percent said foreign policy and security; and 13 percent said social security and child care policies.
 - 48 percent of respondents said they somewhat approve of the LDP-DPPF agreement to raise the income tax exemption threshold to ¥1.78 million; 19 percent said they strongly approve; 18 percent said they somewhat disapprove; and 6 percent said they strongly disapprove.
 - 45 percent of respondents said that they do not want the DPPF to join the coalition government, while 31 percent said they do want it to join.
 - 41 percent of respondents said that they are somewhat concerned about the impact of China’s export control measures targeting Japan on the economy; 26 percent said they are very concerned; 19 percent said they are somewhat unconcerned; and 6 percent said they are not concerned at all.
 - 44 percent of respondents said that they somewhat approve of the GOJ’s response to the situation in Venezuela; 27 percent said they somewhat disapprove; 10 percent said they strongly approve; and 8 percent said they strongly disapprove.
 - 42 percent of respondents said that they are very concerned about the U.S. military action’s impact on international order; 32 percent said they are somewhat concerned; 13 percent said they are somewhat unconcerned; and 4 percent said they are not concerned at all.
 - 45 percent of respondents said that they believe the number of Lower House seats should be reduced swiftly; 35 percent said it should be discussed more; and 10 percent said there is no need.
 - 52 percent of respondents said that they do not believe the state of the economy will change; 21 percent said it will get worse; and 17 percent said it will get better.
- The survey also collected data on the latest approval ratings of political parties.

Political Party	Approval Rating (%)
Liberal Democratic Party	32.2 (+1.6)
Constitutional Democratic Party	7 (+1)
Japan Innovation Party	3.7 (+1.2)
Democratic Party for the People	4.6 (+1.7)
Komeito	2.6 (-0.8)
Suffrage Party (Sanseitō)	2.6 (-0.5)
Reiwa Shinsengumi	1 (-0.3)

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Japan Communist Party	2.5 (+0.6)
Japan Conservative Party	0.7 (+0.3)
Socialist Democratic Party	0.4 (± 0)
Team Mirai	0.1 (-0.2)
Independent (No Party)	37 (-4.4)