

The Weekly Observer

December 29, 2025-January 2, 2026

The 205th edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on wrapping up the end of the year and looking ahead to the new year.

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I. News of the Week

1. Foreign Policy Developments

- On Friday, Prime Minister Takaichi Sanae [held](#) a summit telephone talk with U.S. President Donald Trump. The leaders affirmed that they will make the momentous 250th anniversary of the founding of America a year in which to carve out a new chapter in the history of the Japan-U.S. alliance. Takaichi [revealed](#) that Trump invited her to visit the United States in spring 2026.
- On Wednesday, Ministry of Foreign Affairs Press Secretary Kitamura Toshihiro [issued](#) a statement noting that the GOJ had “conveyed its concerns” to China about its recent military exercises around Taiwan that “constitute actions that increase tensions across the Taiwan Strait.” The Chinese side [called out](#) the “hypocrisy” of Japan and others ignoring Taiwan’s independence movements while intervening in Chinese actions to protect sovereignty.
- The Japan-China Economic Association — made up of Japan’s largest business organizations — [announced](#) that it plans to postpone a delegation visit to China from January 20-23, 2026, given ongoing tensions between the two countries. Beijing [urged](#) the Japanese side to “prepare the right conditions for normal exchanges.”
- *Yomiuri* [reported](#) Tuesday that Takaichi will forgo any diplomatic travel at the beginning of the new year to focus on inflation relief measures at home. It is customary for prime ministers to visit two countries before the annual ordinary Diet session convenes in mid- to late-January.

2. Defense/Security Developments

- *Mainichi* [reported](#) Tuesday that the GOJ is preparing to set up a new organization tasked with promoting equipment exports, in preparation for the abolishment of the five permitted categories related to the transfer of defense equipment in spring 2026.
- *Nikkei* [reported](#) that the GOJ plans to come up with the outline of the three strategic national security documents by the summer of 2026, with plans to issue the finalized version by the end of the year. Discussions will proceed in parallel with the Basic Policy on Economic and Fiscal Management and Reform (*Honebuto*).
- *Nikkei* [reported](#) that the GOJ and European Union (EU) will explore joint development of defense equipment as part of the EU’s efforts to support international partnerships in the defense industry. Joint development of products like drones could be subject to “Security Action for Europe” (SAFE) funding (loans).

- *Nikkei* [reported](#) Sunday that the GOJ will support Ecuador, Peru, Argentina, and Uruguay with drones, rubber boats, and other equipment necessary to strengthen coast guard capabilities as the countries face illegal fishing activities by China.
- *Sankei* [reported](#) last Friday that the GOJ and ruling parties are exploring the idea of limiting the export of defense equipment with lethal capabilities to countries with which Japan has signed an agreement on the transfer of defense equipment and technology. This includes sixteen countries such as the United States, Italy, Australia, India, the Philippines, and the United Arab Emirates.

3. Key Political Developments

- On Thursday, Takaichi [issued](#) her New Year's reflections, stating that "we will not fear change and will resolutely implement necessary reforms" toward making the "Japanese archipelago strong and prosperous, and through this, to create 'hope' for this nation."
- *Yomiuri* [reported](#) Wednesday that the GOJ's basic guidelines for policies related to foreign nationals, which will be compiled as early as January 2026, will include tighter rules around residency status such as permanent residency and nationality acquisition, and thoroughly implementing measures to prevent tax evasion and fraudulent receipt of social security benefits.
- *Jiji* [reported](#) that the Takaichi Administration has started exploring an anti-espionage law to prevent information theft by foreign entities. Such a bill would be supported by the Japan Innovation Party (*Nippon Ishin no Kai*), the Democratic Party for the People (DPFP), and *Sanseitō*.
- The GOJ [abolished](#) the provisional gasoline tax rate of ¥25.1 per liter as part of the cross-party consensus that led to enactment of legislation in the fall. There will be a projected loss of revenue amounting to ¥1.5 trillion per year.
- *Nikkei* [reported](#) Monday that the GOJ and national political parties plan to set up a "national conference" with policy experts as early as January 2026 to discuss social security reform, starting with the cash handout plus tax deduction scheme. It remains to be seen how long a consensus would take given the involvement of all major political parties. The targeted date for an agreement is the end of 2026.
- *Yomiuri* [reported](#) that the DPFP plans to submit legislation next year to legalize the "special municipal city" scheme that would strengthen government ordinance cities and move administrative functions from prefectural governments. The plan is viewed as a counter-proposal to *Ishin's* Osaka Metropolis Plan.

4. Economic Security and Tech Developments

- *Nikkei* [reported](#) Friday that the GOJ will begin supporting the development of robots necessary to reduce personnel costs in the domestic shipbuilding industry. The plan is to finalize plans in January and open calls for project leading businesses in February. Projects will be expected to be put into use within a year or so.
- *Nikkei* [reported](#) Tuesday that the Japan Patent Office (JPO) will create corporate guidelines related to whether domestic patent rights extend to services utilizing overseas servers. The goal is to make it easier for companies to protect their patents. The JPO aims to release the guidelines around spring 2026.
- *Nikkei* [reported](#) Monday that the Ministry of Internal Affairs and Communications (MIC) will promote the development of a road repair support system utilizing high-precision location information from the quasi-zenith satellite system *Michibiki*. The first use case will be connected cars in the Philippines as early as late January.
- *Nikkei* [reported](#) last Friday that NEC will suspend the development of equipment related to base stations for existing communications standards for smartphones and other devices. NEC believes that it cannot compete with Chinese and European peers and will shift focus to defense equipment and next-generation communications.

5. Key Economic/Financial Developments

- *Nikkei* [reported](#) Friday that the Ministry of Economy, Trade and Industry (METI) will support the establishment of university departments and research units supported by corporations, creating an ecosystem that aligns curriculum and opportunities with businesses and creates a pipeline between universities and businesses. Subsidies and funding for about ten years will be allotted starting as early as FY 2027.
- On Tuesday, the Tokyo Stock Exchange [finished](#) the year's business, with the Nikkei Stock Average (Nikkei 225) rounding out to ¥50,339.48, some ¥187.44 down from the previous day. This is the first time that the average topped ¥50,000 at the end of the year. The rate of increase also hit ¥10,000 for the first time.
- *Nikkei* [reported](#) that Chinese automakers surpassed Japanese automakers in selling the most new automobiles globally in 2025, adding to its already impressive global leader status in total automobile exports. The growth in Chinese automobile sales is a strong reflection of cost-effective electric vehicle sales.
- On Monday, the Bank of Japan (BOJ) [released](#) a summary of opinions from its monthly monetary policy meeting held from December 18-19. Board members [stated](#)

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that “adjustments to the degree of monetary easing at appropriate times will continue to be necessary,” hinting at stronger support for continued rate hikes.

II. Public Opinion Poll

- None