

## ***The Weekly Observer***

March 30-April 3, 2026

*The 218<sup>th</sup> edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on the GOJ's plans to secure supply chains amid the situation in the Middle East, the Japan-France Summit meeting, the Japan-Indonesia Summit meeting, Canada's potential involvement in GCAP as an observer, the first provisional budget in eleven years, key legislation tracker for this year, the LDP-Ishin framework agreement on the second capital initiative, Microsoft's new investment in Japan, the yen depreciating to ¥160 to the dollar, the Bank of Japan's TANKAN for March, and more.*

## **By Content**

### **I. News of the Week**

#### **Foreign Policy/Security**

1. Takaichi Instructs Cabinet to Secure Supply Chains Amid Middle East Tensions
2. Japan and France Hold Series of High-Level Meetings
3. Foreign Policy Developments
4. Defense/Security Developments

#### **Domestic Politics**

5. Diet Enacts First Provisional Budget in Eleven Years
6. Key Legislation Tracker (221st Special Diet Session)
7. Key Political Developments

#### **Economics/Finance**

8. Economic Security and Tech Developments
9. Key Developments
10. State of the Economy

### **II. Public Opinion Polls**

1. Nihon Keizai Shimbun (3/29)

## **I. News of the Week**

### 1. Takaichi Instructs Cabinet to Secure Supply Chains Amid Middle East Tensions

- On Tuesday, Prime Minister Takaichi Sanae [convened](#) a ministerial meeting on the situation in the Middle East and [instructed](#) her Cabinet to make every effort to ensure a stable supply of medical products made from petroleum-derived materials, such as dialysis circuits and syringes.
- Concerns over crude oil supplies stemming from the de facto blockade of the Strait of Hormuz are leading to supply concerns regarding petroleum products such as naphtha, which is used as a raw material for plastics.
- Japan [produces](#) 40 percent of domestic demand for naphtha and imports 40 percent from the Middle East and 20 percent from other regions. Companies like Mitsui Chemicals and Mitsubishi Chemical Group have started identifying alternative sources in regions like the United States and Africa.
- Takaichi also appointed Minister of Economy, Trade and Industry (METI) Akazawa Ryosei as minister in charge of ensuring a stable supply of essential goods amid the situation in the Middle East. Akazawa [chaired](#) a working-level meeting with director-general level officials across the government on Thursday to assess the impact of the situation on supply chains.
- Akazawa [participated](#) in an online meeting of the G7 energy and finance ministers and central bank governors on Monday, which produced a joint communiqué committing to take “all necessary measures” to preserve the stability and security of the energy market. Minister for Foreign Affairs Motegi Toshimitsu [took part](#) in an online meeting on the Strait of Hormuz hosted by the United Kingdom on Thursday. He reiterated the importance of early de-escalation of the situation and the importance of each country making efforts to ensure stable energy supply.
- *Mainichi* [reported](#) Friday that the GOJ is considering requesting that citizens cut back on energy use as early as by the Golden Week holiday in early May as concerns over oil supply continue. However, such a measure would impact economic activity and potentially put a dent in Cabinet approval.

### 2. Japan and France Hold Series of High-Level Meetings

- On Wednesday, Takaichi [hosted](#) French President Emmanuel Macron for a summit meeting in Tokyo. The leaders confirmed stronger cooperation in energy such as the development of fast reactors and the promotion of the nuclear fuel cycle as well as fusion energy. They also welcomed progress in space cooperation.

- The leaders also issued a joint development plan for rare earths. The two countries will also establish a high level dialogue at the vice ministerial level on dual-use technologies like AI. The meeting yielded separate statements on nuclear energy cooperation, AI, and global health.
- This was Macron's first visit to Japan [since](#) the G7 Hiroshima Summit in May 2023. Relations with Japan have become important for European countries as relations with the United States remain rocky. For Japan, Europe has become an invaluable partner in efforts to diversify supply chains and strengthen economic security.
- Motegi and Minister of Defense Koizumi Shinjiro [hosted](#) the Eighth Japan-France Foreign and Defense Ministers' Meeting ("2+2") with their respective counterparts. They discussed cooperation in the space sector, including the dispatch of a JASDF liaison officer to the French Space Command and the comprehensive space dialogue. They also discussed cooperation in areas such as cybersecurity.
- Akazawa [met](#) Minister of the Economy, Finance, and Industrial, Energy, and Digital Sovereignty Roland Lescure and signed the "roadmap on critical minerals cooperation" and the "joint statement on intent on cooperation for startups and innovation." The roadmap discusses cooperation on third country projects like supplying the [Caremag Project](#) (in coordination with JOGMEC) with recycled magnets and raw ore to separate rare earths from.
- On Tuesday, the Ministry of Foreign Affairs [hosted](#) the Eleventh Meeting of the Japan France Joint Committee on Cooperation in Science and Technology. Participants discussed future cooperation in strategic fields of mutual interest like quantum, AI, health, and agriculture, as well as directions in the fields of space and nuclear energy and fusion. They also committed to promoting researcher mobility and collaboration.

### 3. Foreign Policy Developments

- On Thursday, Motegi [spoke](#) over the phone with South Korean Minister of Foreign Affairs Cho Hyun to discuss the importance of strategic coordination bilaterally and with the United States. They agreed on cooperating toward an early de-escalation of the situation in the Middle East.
- On Wednesday, Motegi [held](#) a telephone call with Minister of Foreign Affairs of Kuwait Sheikh Jarrah Jaber Al-Ahmad Al-Sabah. He said that Japan will continue to make every diplomatic effort in coordination with Kuwait. They concurred on continuing cooperation to ensure peace and stability in the Middle East, including safe navigation through the Hormuz and a stable supply of energy and critical goods.

- On Tuesday, Takaichi [hosted](#) Indonesian President Prabowo Subianto for a summit meeting. The two leaders agreed to cooperate on the development of industrial human resources, including in AI. Takaichi expressed that Japan would like to assist Indonesia through official security assistance (OSA) in the field of maritime security. Prior to the summit, Japanese and Indonesian businesses [agreed](#) on economic cooperation worth \$22.6 billion in energy such as methyl alcohol production and geothermal energy generation.
- The Office of the United States Trade Representative [released](#) the 2026 National Trade Estimate Report, which stated that “overall sales of U.S.-made vehicles and automotive parts in Japan remain low” due to a variety of non-tariff barriers. It also noted that Japan has not followed through on its tariff agreement commitment to forgo additional safety reviews for vehicles and parts meeting U.S. standards.
- On Monday, the Chinese Ministry of Foreign Affairs [announced](#) sanctions — asset freeze and entry ban — against ruling Liberal Democratic Party (LDP) politician and Japan-ROC Parliamentary Friendship Group (Nikkakon) Chairperson Furuya Keiji for visiting Taipei in March, stating that he “colluded with Taiwanese independence forces to grossly interfere in China’s internal affairs, thereby seriously undermining China’s sovereignty and territorial integrity.” He is just the second Japanese politician to be sanctioned by Beijing.
- On Sunday, the Tokyo Metropolitan Police Department [searched](#) the home of Murata Kodai, second lieutenant in the JGSDF, inside JGSDF Camp Ebino in Miyazaki Prefecture for entering the grounds of the Chinese Embassy in Japan on March 24. Murata told the police that he wanted to express his opinion on bilateral relations to the ambassador and surprise him by taking his own life if not heard.

#### 4. Defense/Security Developments

- *Yomiuri* [reported](#) Saturday that the GOJ’s proposed revisions to the implementation guidelines of the Three Principles on Transfer of Defense Equipment and Technology will include an “ex post facto” obligation to notify the Diet of any sales of lethal weapons to third countries approved by the National Security Council.
- *Yomiuri* [reported](#) Wednesday that the GOJ and ruling parties are considering introducing drones for long-range strikes as an effective means to supplement standoff missiles designed as counterstrike capabilities. The Ministry of Defense (MOD) had [just deployed](#) its first set of long-range standoff missiles at JGSDF Camp Kengun in Kumamoto and Camp Fuji in Shizuoka on Tuesday.
- *Asahi* [reported](#) Tuesday that Canada is arranging to join the Global Combat Air Program (GCAP) as an observer, sharing confidential information and exploring

procurement while not taking part in co-development with Japan, the United Kingdom, and Italy. Singapore, Australia, India, and Saudi Arabia are said to have been in contact regarding participation in the GCAP.

- The GOJ [adopted](#) its basic plan for securing emergency evacuation shelters, aiming to cover one hundred percent of the population by 2030. The GOJ will [research](#) nuclear resistant shelters abroad as it plans to develop “dual-use” shelters capable of shielding citizens from armed attack and natural disasters.
- On Monday, Ambassador of Japan to Fiji Tajima Hiroshi [signed and exchanged](#) notes with the Republic of Fiji Government for ¥400 million for Japan’s OSA project in FY 2025. The project will provide ambulances and other emergency medical care equipment to Fiji to strengthen its medical capabilities in emergencies.
- *Nikkei* [reported](#) Sunday that the GOJ will consider legal amendments to tighten regulations regarding sales and acquisition of land critical to national security such as land close to JSDF bases. Approval may become necessary for all individuals buying or selling land near critical facilities regardless of nationality.

#### 5. Diet Enacts First Provisional Budget in Eleven Years

- On Monday, both Houses [passed](#) the FY 2026 provisional budget following a decision to abandon plans to enact the budget by the March 31 end of the fiscal year. This is the first provisional budget enacted since 2015.
- The ¥8.6 trillion budget covers minimum necessary expenditures for the period between April 1-11, including ¥5.1 trillion for local allocation tax grants, ¥2.8 trillion for social security costs, and funding for policies to realize free high school education and elementary school lunches starting in the new fiscal year.
- Though Takaichi failed to enact the budget by the end of the fiscal year, the GOJ and ruling parties [aim to enact](#) the annual budget as early as April 7, ahead of the thirty day period since the Lower House passed the budget at which time the budget is enacted regardless of the Upper House vote. The opposition parties are [demanding](#) revisions to the budget to take into account the situation in the Middle East.
- On Wednesday, the LDP [postponed](#) plans to enact the budget by the end of the week, as the main opposition Constitutional Democratic Party (CDP) demands more deliberation hours on the budget. The LDP [plans to comply](#) with the request for more questioning of the prime minister on April 6.
- The budget is expected to be enacted next week, after *Yomiuri* [found out](#) that three independents plan to vote in favor of the budget. The ruling parties are four seats

short of a majority in the Upper House. The Japan Conservative Party is also leaning toward supporting the budget. It has two seats in the Upper House.

- The conservative party [agreed](#) to support the budget in exchange for cooperation on policies related to foreign nationals and the crafting of an anti-espionage bill. The party will also join the National Conference on Social Security.

#### 6. Key Legislation Tracker (221st Special Diet Session)

- **In the Diet**

- **Act to Establish the National Intelligence Council:** Initial deliberations [began](#) on Thursday, with plans to issue a medium- to long-term intelligence strategy once established. Takaichi assured that the new intelligence agency would not be used for political purposes to invade peoples' privacy.
- **Amended Act on Granting Tuition Support for High Schools:** The Upper House [passed](#) the bill on Tuesday. The provisional budget enacted on Monday covers expenditures related to the bill, which scraps the income restrictions on receiving tuition support for high school education starting April.
- **Amendments to tax-related legislation:** [Enacted](#) on Tuesday. It raises the income tax exemption threshold from ¥1.60 million to ¥1.78 million and scraps the provisional light oil transaction tax and the vehicle environmental performance-based tax. The **Act on Special Provisions concerning Issuance of Government Bonds** was also enacted to allow the GOJ to issue so-called deficit bonds for the next five fiscal years.

- **Adopted by the Cabinet**

- **Act on Revitalization of Science, Technology and Innovation Creation:** [Creates](#) the Global Startup Campus to support companies and entrepreneurs aiming to commercialize cutting-edge technologies — referred to as “deep tech” — in fields such as AI and semiconductors.
- **Act on the Promotion of Recycling of Solar Battery Waste, etc.:** [Requires](#) so-called megasolar business operators to submit plans for discarding solar panels. Small and medium enterprises will likely become targets in the late 2030s as the number of discarded solar panels [peak](#) around that time.
- **Amended Act on Stabilization of Supply, Demand and Prices of Staple Food:** [Shifts](#) rice policy away from managed production to production based on demand. Requires regular reporting on the state of logistics in retail, processing, and

restaurant businesses. Creates a new private sector stockpile amounting to 20 percent of total reserves starting FY 2028.

## 7. Key Political Developments

- On Friday, eight ruling and opposition parties [resumed](#) discussions around the creation of a third party “Political Funding Oversight Committee” proposed by the Democratic Party for the People (DPFP) and Komeito in a bill enacted in December 2024. The committee, composed of experts selected by the speakers of both Houses, would audit political expenditure reports for any fraudulent entries.
- Speaker of the Lower House Mori Eisuke [indicated](#) that the all-party council to discuss fundamental electoral system reform will be revived following its abolishment after the February election. The council will also discuss the ruling parties’ proposal to reduce the number of Lower House seats by 10 percent.
- Japan Conservative Party leader Hyakuta Naoki [informed](#) LDP Tax Research Commission Chair Onodera Itsunori that his party plans to join the next working level meeting of the National Conference on Social Security. This was one of the conditions set in exchange for a supporting vote for the annual budget.
- On Thursday, the GOJ [presented](#) data to the National Conference on Social Security’s expert panel projecting that households with an annual income of less than ¥5.4 million yen face a heavier financial burden than the average in major countries in the United States and Europe. This calculates the “pure burden” placed on households after deducting benefits like child allowances and welfare from the cost of taxes and social insurance premiums.
- On Tuesday, the LDP and Japan Innovation Party (*Nippon Ishin no Kai*) [agreed](#) on a framework for legislation related to the “second capital initiative,” which would designate an alternative area substituting capital functions in anticipation of disasters and to create a multi-polar, dispersed economic area. The conditions include 1) having a government agency in the area, 2) economic and population size, and 3) meeting standards for regional administrative bodies. Designation as a special ward — *Ishin*’s plan to limit the choice to Osaka — is not a requirement.
- The LDP’s project team discussing the criminalization of desecrating the national flag [met](#) for the first time to discuss foreign case studies. Members like former Foreign Minister Iwaya Takeshi do not see the need for such a bill as it would limit freedom of expression and thought, and would not be equivalent to desecrating a foreign flag, which could become a diplomatic issue.

## 8. Economic Security and Tech Developments

- On Friday, Microsoft [announced](#) that it will be investing \$10 billion over four years in Japan, partnering with SoftBank and Sakura Internet to develop AI data centers. President Brad Smith explained the new investment to Takaichi.
- Minister for Digital Transformation Matsumoto Hisashi [announced](#) that the GOJ has crafted a new public-private standard to classify roles and skills required in the cybersecurity field. The standards categorize jobs into thirteen categories and four levels based on experience and knowledge. Meanwhile, the “Cyber Communication Information Oversight Committee” was [established](#) on April 1 to monitor the GOJ’s implementation of “active cyber defense.”
- On Wednesday, the LDP’s Research Commission on Intellectual Property Strategy [discussed](#) its policy recommendations related to IP creation and protection. The GOJ plans to utilize a method called “IP landscape” to analyze IP along with market data to apply these insights into corporate business strategies in the seventeen strategic growth fields such as AI and quantum.
- *Nikkei* [reported](#) Tuesday that Fujitsu plans to develop “neural processing units” (AI semiconductors), contracting domestic chip foundry Rapidus to manufacture cutting-edge 1.4 nanometer chips. The METI plans to financially support the project.
- A public-private high level forum to increase international standards favorable to Japan [compiled](#) recommendations to the GOJ, urging the government to reflect efforts related to international standards in its public-private investment roadmap for the seventeen strategic growth areas. Aligning Japanese standards to international standards will make it easier for companies to expand overseas.
- *Nikkei* [reported](#) Monday that the Ministry of Internal Affairs and Communications (MIC) finalized recommendations toward increasing international standards developed in Japan around information communication like 6G and optical communications. The MIC will recommend creating a “personnel bank” of experts that can be called on to represent Japan at international conferences.

## 9. Key Economic/Financial Developments

- On Friday, the Nikkei Stock Average (Nikkei 225) [rebounded](#) ¥660.22 (1.26 percent) from the previous day to ¥53,123.49, driven by buying in futures by short-term overseas investors spurred by the rise in U.S. tech stocks. The situation in the Middle East tempered the surge, while the highest accepted yield on two-year JGBs [rose](#) to a thirty year high of 1.376 percent and the yield on newly issued ten-year JGBs [rose](#) to a twenty-seven year high of 2.395 percent at one point.

- On Wednesday, the Nuclear Regulation Authority (NRA) [officially decided](#) to change the deadline for installing anti-terrorism facilities at nuclear power plants to “within five years of the plant’s start of operations,” effectively extending the period from within five years of design and construction approval.
- *Nikkei* [reported](#) that Japan’s three megabanks — Mitsubishi UFJ, Mitsui Sumitomo, and Mizuho — plan to reduce policy-held shares by a total of more than ¥1 trillion by the end of March 2029. The banks aim to use the funds to invest in growth businesses and improve capital efficiency.
- On Tuesday, the Ministry of Education, Culture, Sports, Science and Technology (MEXT) [released](#) its five year plan for FY 2026-2030 related to national universities, proposing “innovation commons” that collaborate with industry and local communities to advance education and research and foster industry creation.
- On Monday, the Bank of Japan (BOJ) [released](#) a summary of opinions from the monetary policy meeting held on March 18-19. A member of the policy board [stated](#) that, amid soaring oil prices caused by the situation in the Middle East, “it is necessary to proceed with interest rate hikes without hesitation, unless there are signs that the economic environment or the stance on wage increases among small and medium-sized enterprises is significantly deteriorating.”
- The yen [depreciated](#) at one point to ¥160 to the dollar, with investors selling the yen and buying the “safe” dollar as tensions mount in the Middle East. Vice Minister of Finance for International Affairs Mimura Atsushi said that “it is about time we took decisive action,” spreading concerns that the GOJ and BOJ may intervene in the foreign exchange market.

#### 10. State of the Economy

- On Wednesday, the BOJ [released](#) its Short-term Economic Survey of Enterprises in Japan (TANKAN) for March, which [found](#) that the diffusion index indicating the economic conditions facing large manufacturers improved for the first time in four quarters to seventeen (one point improvement). The diffusion index for large non-manufacturers remained at thirty-six.
- The future index indicating the economic conditions three months from now worsened for large manufacturers by three points to fourteen and for non-manufacturers by seven points to twenty-nine. In addition to the uncertainty in the business environment, rising energy prices — which are driving up costs — and slowing consumer spending are causing concern.

- The Ministry of Finance (MOF) [announced](#) that ordinary account tax revenue in February increased 5.1 percent from the same month last year to ¥7.02 trillion, as corporate tax revenue [rose](#) 10.5 percent to ¥2.07 trillion and consumption tax revenue rose 3.4 percent to ¥3.06 trillion.
- On Tuesday, the Ministry of Health, Labor and Welfare (MHLW) [announced](#) that the seasonally adjusted jobs-to-applicants ratio in February was 1.19 times, a 0.01 point increase from January and the first improvement in two months. Meanwhile, the MIC announced that unemployment [fell](#) for the first time in seven months, down 0.1 points from January to 2.6 percent.
- The number of new job openings, considered a leading economic indicator, [fell](#) 7.8 percent from February 2025 as all major industries cut back on job openings as business was lost due to Chinese tourists not traveling to Japan and fatigue from wage hikes. MHLW officials also said that labor saving measures like automated check-in systems and self-checkout machines affected the number of job openings.

## **II. Public Opinion Poll**

- A *Nikkei* poll [released](#) on Monday found that the Takaichi Cabinet's approval rating was 72 percent, up four points from February, while disapproval was 23 percent, down three points.
  - 50 percent of respondents said that they want the prime minister to focus on inflation relief; 40 percent said pensions, medical care, and nursing care; and 33 percent said foreign policy and security.
  - 65 percent of respondents said that they approved of the Takaichi-Trump Summit, while 23 percent said they disapproved.
  - 68 percent of respondents said that they understood the GOJ's decision to avoid a legal assessment of the U.S./Israeli attack on Iran, while 25 percent said they did not understand.
  - 74 percent of respondents said that they do not believe that the JSDF should be deployed to secure the Strait of Hormuz, while 18 percent said they believe the JSDF should be deployed.
  - 48 percent of respondents said that they oppose the GOJ's plan to export fighter jets and frigates, while 44 percent said they support it.
  - 65 percent of respondents said that they believe the GOJ's approach to surging crude oil prices has been appropriate, while 28 percent said they believe it has not been appropriate.
  - 57 percent of respondents said that they desire a stronger yen; 16 percent said it is at desirable levels; and 11 percent said they desire a weaker yen.

*The Weekly Observer (3/30-4/3)*

- 60 percent of respondents said that they do not believe that the two-year suspension of the consumption tax on food and beverages is an effective solution to inflation, while 33 percent said they believe it is.
- The survey also collected data on the latest approval ratings of political parties.

<b>Political Party</b>	<b>Approval Rating (%)</b>
Liberal Democratic Party	41 (±0)
Centrist Reform Alliance	3 (-5)
Japan Innovation Party	4 (-1)
Democratic Party for the People	6 (-1)
Japan Communist Party	4 (+1)
Reiwa Shinsengumi	1 (-1)
Suffrage Party (Sanseitō)	5 (-1)
Japan Conservative Party	1 (±0)
Socialist Democratic Party	N/A (-)
Team Mirai	3 (-3)
Constitutional Democratic Party	4 (+2)
Komeito	1 (±0)
Independent (No Party)	22 (+5)