

The Weekly Observer

May 18-22, 2026

The 225th edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on the Takaichi-Lee Summit, the first Japan-Brazil foreign ministerial strategic dialogue, the LDP's recommendations for the upcoming revision of the three strategic national security documents, the draft strategic industrial cluster plan, key legislation being discussed in the Diet, the new LDP group supporting Takaichi's core policy agenda, the announcement of Project YATA-Shield in response to Anthropic's frontier AI model, the LDP's "Digital Nippon 2026" recommendations, Akazawa's attendance at the APEC trade ministerial meeting, real wages in FY 2025, and more.

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I. News of the Week

1. Takaichi and Lee Continue Shuttle Diplomacy in South Korea

- On Tuesday, Prime Minister Takaichi Sanae [met](#) with South Korean President Lee Jae-myung in his hometown of Andong for a summit meeting. This is a continuation of “shuttle diplomacy” after Lee visited Takaichi’s hometown of Nara in January.
- The two leaders shared a recognition of the importance of the two countries taking the initiative in promoting peace and stability of the Indo-Pacific region, including maintaining and strengthening deterrence and response capabilities through the Japan-U.S. Alliance, the U.S.-ROK Alliance, and trilateral coordination. They also discussed close coordination with the United States on North Korea policy.
- The leaders also agreed to launch a bilateral initiative and jointly explore the tangible actions to contribute to securing energy supply chains rooted in the updated “Free and Open Indo-Pacific.” The initiative comprises two pillars: 1) strengthening energy supply resilience including stockpiles through the POWERR Asia initiative and 2) enhancing energy security through mutual supply and swaps of crude oil, petroleum, and liquefied natural gas (LNG).
- During the joint press conference following the summit, Takaichi [stated](#) that “we will continue discussions among the relevant authorities with the aim of promoting mutually beneficial cooperation” in areas like AI and economic security. They also discussed cooperation in cutting-edge areas like space and biotechnology.
- The two sides also agreed to launch an “industrial and trade policy dialogue” to discuss supply chain resilience and energy cooperation. On China, Lee stated that it is important for Japan, China, and South Korea to respect one another, cooperate and seek common interests for the sake of peace and stability in Northeast Asia.
- On Monday, Minister of Economy, Trade and Industry Akazawa Ryosei [met](#) virtually with Minister of Trade, Industry and Resources Jung-Kwan Kim and issued a joint press release on enhanced cooperation on energy security and supply chain resilience as a follow-up to the summit (issued on Tuesday).

2. Foreign Policy Developments

- On Saturday, Minister for Foreign Affairs Motegi Toshimitsu [issued](#) a statement on the Eleventh Treaty on the Non-Proliferation of Nuclear Weapons (NPT) Review Conference. He expressed “extreme regret” that the president of the conference announced that consensus of the final draft document could not be achieved.

- On Friday, the Ministry of Foreign Affairs (MOFA) [announced](#) that Motegi will be traveling to New Delhi, India, from May 25-27 for the Quad foreign ministers' meeting. Japan, the United States, Australia and India are [expected to agree](#) on cooperation to strengthen critical minerals supply chains.
- *Nikkei* [reported](#) Thursday that Japan and the Philippines will elevate bilateral ties to a "comprehensive strategic partnership" when Takaichi and President Ferdinand Marcos Jr. meet next week. The two countries are [preparing to commence](#) negotiations on the General Security of Military Information Agreement (GSOMIA) to securely share and protect classified military intelligence.
- Takaichi [instructed](#) her Cabinet during a ministerial meeting concerning the situation in the Middle East to [work to resolve](#) bottlenecks in the distribution process of petroleum products derived from naphtha refined from crude oil. She also [announced](#) that the GOJ will release 1.6 million stockpiled medical gloves to the 412 medical institutions requesting supply starting Saturday. Meanwhile, Motegi had a telephone call with Iranian Foreign Minister Seyyed Abbas Araghchi on Friday, [expressing](#) his hope that Iran will continue to show "maximum flexibility" and that the talks with the United States will resume promptly.
- State Minister for Foreign Affairs Horii Iwao, who is in China for the [APEC trade ministerial meeting](#), [stated](#) that the GOJ has called on Beijing to "severely punish the suspects" involved in the incident in Shanghai in which three people, including two Japanese nationals, were injured. Chief Cabinet Secretary Kihara Minoru [said](#) Wednesday that the GOJ asked for clarification of the facts, strict punishment, prevention of similar incidents, and ensuring the safety of Japanese nationals.
- On Monday, Motegi [held](#) the first Japan-Brazil Foreign Ministers' Strategic Dialogue with Foreign Minister Mauro Vieira in Tokyo. He stated that bilateral relations hold "great potential" from the perspective of diversifying supply chains for critical minerals and ensuring energy and food security. Vieira stated that Brazil is prepared to engage in constructive dialogue regarding the procurement of Brazilian crude oil in Japan. The two sides also [signed](#) a memorandum of cooperation on assisting Japanese and Brazilian nationals abroad.

3. Defense/Security Developments

- On Friday, the ruling Liberal Democratic Party's (LDP) Research Commission on Security [approved](#) recommendations to the GOJ concerning the revision of the three strategic national security documents. In it, the LDP touches on how other U.S. allies like South Korea and NATO are increasing defense spending, writing that Japan should "secure the necessary budget and complete the transformation of our defense

capabilities within five years.” The Commission will finalize the recommendations as early as June.

- *Mainichi* [reported](#) that the JGSDF will co-host the annual large-scale Japan-U.S. Exercise Resolute Dragon in Kyushu and Okinawa from June 20-30. The JGSDF announced that Osprey aircraft will be deployed to Miyakojima for the first time, while stand-off missile units from Camp Kengun (Kumamoto) and Camp Fuji (Shizuoka) will also participate.
- On Tuesday, the Development Bank of Japan [effectively lifted](#) the ban on investment and financing for domestic companies involved in weapons manufacturing, revising its internal guidelines from the previous stipulation of “proceed with caution” to “may be considered.” Minister of Defense Koizumi Shinjiro [welcomed](#) the move, stating that “this is intended to encourage startups to enter the defense sector and strengthen the defense industry.”
- *Nikkei* [reported](#) that the GOJ is launching a demonstration project to introduce thin, flexible next-generation “perovskite solar cells” at JSDF bases and garrisons, starting first in Okinawa this summer. The project aims to secure demand from government facilities to accelerate development and adoption of the solar cells.
- *Yomiuri* [reported](#) Monday that the GOJ has started considering the introduction of unmanned aerial vehicles equipped with early warning radar for the JSDF, with the aim of strengthening defense in the Pacific — mostly against China — by monitoring a wide area and detecting threats at an early stage. There are plans to deploy mobile early warning and control radars on Iwo Jima (Tokyo) and Chichijima in the Ogasawara Islands (Tokyo).
- *Nikkei* [reported](#) that the GOJ will allow advance payments in government procurement as part of measures to foster startups working on dual-use technologies such as AI, drones, and space technology. A policy package for supporting new technology development will be finalized as early as late May. This move will support cash flow, promote the development and practical application of promising technologies, and contribute to strengthening defense capabilities.

4. GOJ Releases Draft of Strategic Industrial Cluster Plan

- On Monday, the GOJ [presented](#) a draft of its “strategic industrial cluster plan,” which distributes the seventeen strategic sectors identified by the Takaichi Administration into ten regional blocs for intensive state-led financial support.

- Takaichi [instructed](#) the Cabinet to expedite consideration of the regulatory reforms and fiscal measures necessary to implement the plan, stating that “we will spare no effort in supporting motivated local governments.”
- The plan will formally be adopted in the summer as part of the “Regional Future Strategy” along with other initiatives, such as the “Regional Industrial Cluster Plan” led by prefectural governors.
- The ten regional blocks will focus on the following:
 - **Hokkaido:** AI/semiconductors
 - **Tohoku:** Energy security, including offshore wind
 - **Kanto:** Aviation industry centered around Narita Airport
 - **Hokuriku:** Materials industry through wide-region collaboration
 - **Chubu:** Hydrogen/ammonia utilizing the competitiveness of the automobile industry
 - **Kinki:** Air mobility making use of the legacy of the Osaka/Kansai Expo
 - **Chugoku:** Green transformation (GX) in industrial complexes
 - **Shikoku:** Revitalization of the shipbuilding industry
 - **Kyushu:** Semiconductor industry and disaster management making use of the experience of large-scale disasters
 - **Okinawa:** Medical/biotechnology, information communication
- The plan [divides](#) the country in ten blocks and identifies the industries that should be prioritized in each region, aiming to revitalize the local economy by bringing together related companies and research institutions to encourage investment.
- The plan will be developed according to three categories: 1) “strategic industries” that span prefectural boundaries, 2) “regional industries” at the prefectural level, and 3) “local industries” centered on municipalities.

5. Key Legislation Tracker (221st Special Diet Session)

- **Amended Economic Security Promotion Act:** [Passed](#) by the Lower House on Tuesday. This is the first major amendment to the Act enacted in 2022.
- **Amended Code of Criminal Procedure:** The ruling and opposition parties [agreed](#) to begin deliberations on May 26. The bill would prohibit, in principle, appeals by the prosecution against decisions to grant a retrial. The opposition has submitted a counter-bill to outright ban retrial appeals.

- **Act to Establish the Disaster Management Agency:** Upper House [began](#) deliberations on Friday. The bill is expected to be enacted by the end of the special Diet session on July 17.

6. Key Political Developments

- On Friday, Minister of Finance Katayama Satsuki [stated](#) that Takaichi will explain the details of the FY 2026 supplementary budget proposal on May 25. The GOJ is considering a budget of around ¥3 trillion, with an additional ¥500 billion from the FY 2026 annual budget for utility subsidies. Takaichi [reassured](#) during the political party leaders' debate on Wednesday that funding will not be an issue.
- The LDP's project team on policies regarding the desecration of national flags [approved](#) an outline of the legislation, which considers the act of filming or photographing oneself inflicting self-harm and sharing or posting such content on social media will be subject to penalties. The provision on social media was made clear to prevent ambiguous application of the law that may infringe on the constitutional right to freedom of expression and thought.
- On Thursday, the LDP group supporting Takaichi's core policy agenda was [formally established](#) as the "National Power Research Group." It includes 347 of the four hundred or so LDP lawmakers, led by an all-star set of lawmakers including LDP Vice President Aso Taro and key Cabinet members like Motegi and Koizumi. The group will be chaired by former Minister of Finance Kato Katsunobu. Some [question](#) the value of the group, which includes those who are not supportive of Takaichi's policy agenda, who likely joined to prevent the emergence of a Takaichi "faction."
- The Lower House Commission on the Constitution [discussed](#) the draft proposal to create an "emergency situations clause" for the second time, with the opposition stating that giving the GOJ authority to issue "emergency ordinances" equivalent to law during emergency situations resulting in parliamentary dysfunction is "out of the question." Meanwhile, the opposition also [rejected](#) the LDP's proposal to discuss dissolution of the at-large constituencies in the Upper House, arguing that discussions on elections should be dealt with through electoral system reform.
- On Wednesday, the LDP Headquarters for Political System Reform [presented](#) its position on electoral system reform, which stated that the party will work with the Japan Innovation Party (*Nippon Ishin no Kai*) to enact legislation to reduce the number of Lower House seats by 10 percent. The majority opinion in the party [leans](#) toward maintaining the single-member district-proportional representation (PR) system, with reform coming as redistricting or reorganizing the PR blocks.

- On Tuesday, the National Conference on Social Security’s expert panel [heard](#) from experts on the proposal to streamline the design of the refundable tax credit system to provide a single, income-based handout. Experts were split on the proposal, with some arguing that a simple version could be rolled out before full implementation, while others pointed out that full implementation would be too burdensome for local governments and small- and medium-sized businesses. Takaichi is [expected](#) to make a decision on whether or not to pursue zero consumption tax on food and beverages, which may take more time to implement, or a one percent tax as early as June.

7. GOJ Announces Project "YATA Shield" in Response to Claude Mythos

- On Monday, the GOJ [held](#) its first cross-ministerial meeting related to the emergence of high-performance AI models like Anthropic’s “Claude Mythos.” It [presented](#) a draft of Project “YATA-Shield,” which includes measures to rapidly establish a public-private cyber defense framework against future high-performance AI models.
- The [key measures](#) in Project “YATA-Shield” ([named](#) after Yata no Kagami, a sacred regalia that is known as the symbol of “absolute defense”) is as follows:
 - Information sharing with critical infrastructure providers (fifteen sectors) based on collected incident reports and requiring such providers to take “necessary measures” when vulnerabilities are identified.
 - Cautionary alerts to software developers on methods to swiftly identify vulnerabilities utilizing high-performance AI models.
 - The creation of corporate guidelines by the National Cyber Office and AI Safety Institute based on information collected on assessing the capability of AI models.
 - Deepening coordination with foreign government agencies and AI developers.
- On Friday, Katayama [revealed](#) that the GOJ has secured access to Claude Mythos for government ministries and agencies, as well as financial institutions. U.S. Secretary of the Treasury Scott Bessent informed Katayama on May 12 that access will be granted within two weeks. Japan’s three megabanks will gain access this month.
- The Japan Financial Services Agency (JFSA) [requested](#) that financial institutions take emergency countermeasures to build resilience against high-performance AI models, which may be able to find previously unidentifiable system vulnerabilities. The JFSA urged institutions to consider in advance the option of proactively shutting down critical services and IT systems based on management judgment in order to prevent further damage.

- Meanwhile, the Ministry of Health, Labor and Welfare (MHLW) [urged](#) medical institutions to strengthen security measures and develop contingency plans in the event of a cyber attack. The Ministry of Internal Affairs and Communications (MIC) also [requested](#) on Thursday that company management take the lead in advancing cybersecurity measures. The JFSA [requested](#) on Wednesday that regional banks take the lead in implementing measures against cyber attacks too.
- *Nikkei* [reported](#) Thursday that OpenAI is considering granting access to its latest AI model “GPT-5.5-Cyber” to Japan, as part of its efforts to widen partnerships with U.S. allies including the European Union. Anthropic [announced](#) on Friday that Mythos identified over ten thousand vulnerabilities in IT systems used by companies using the AI model, urging for immediate patching of software.

8. Economic Security and Tech Developments

- *Nikkei* [reported](#) Friday that the LDP’s AI/Web3 subcommittee under the Headquarters for the Promotion of a Digital Society will soon submit its updated “AI White Paper 2.0” to Takaichi. It proposes a “paradigm shift” from sovereign AI to AI sovereignty, a reconsideration of the pursuit of a fully domestic AI stack and focusing instead on industry-specific AI in areas of strength such as manufacturing and healthcare.
- *Nikkei* [reported](#) Thursday that the GOJ will lead the development of international standards that benefit Japan in the seventeen strategic growth sectors. The Integrated Innovation Strategy 2026, to be finalized in June, will target international standardization by FY 2030 for the sixty-one key products and technologies in accordance with the public-private investment roadmap.
- *Sankei* [reported](#) that the LDP’s Japan’s Growth Strategy Headquarters will submit recommendations to the GOJ as early as this month on investment promotion in the seventeen strategic sectors. It proposes advancing investment projects with like-minded countries, including the Japan-U.S. Strategic Investment Initiative, as well as the development of country- and region-specific strategies to promote investment. The proposals will be reflected in the growth strategy and *Honebuto* to be compiled in the summer.
- On Wednesday, the LDP’s Digital Society Promotion HQ [presented](#) the “Digital Nippon 2026” recommendations, which aims to drive societal progress by balancing freedom, safety, and ethics, without allowing fear of risk to lead to excessive regulation and stagnation in an era of unprecedented technological innovation.
- It also issued the [AI White Paper 2.0](#), [Recommendations on Digital Human Resources 2026](#), [Disaster Management DX PT Recommendations](#), and the [Recommendations Project Team on Next-Generation AI and On-Chain Finance Vision](#).

9. Key Economic/Financial Developments

- On Friday, Takaichi [revealed](#) during the GOJ's Economic and Fiscal Policy Council meeting that the GOJ is [considering revising](#) the pandemic-era rule that limits new budget allocations to national funds to a maximum of three years' worth of expenses. This aims to secure multi-year funding for areas like semiconductors and AI to stimulate investment. On the "new investment framework," she stated that the GOJ will "enable budget requests for the necessary amounts to ensure that required funds are secured, without being constrained by the previous year's budget allocations."
- The APEC trade ministerial meeting [started](#) in Suzhou, China. Akazawa aims to meet with Chinese Commerce Minister Wang Wentao in what would become the first ministerial meeting since Takaichi's Taiwan contingency remark in November 2025. Akazawa reiterated that Japan's China policy has not changed.
- On Tuesday, the G7 finance ministers and central bank governors' meeting [concluded](#) in Paris, France. The communiqué [issued](#) after the meeting mentioned "concern" about concentrated production and processing capacity, non-market policies and practices that distort global markets and undermine fair competition, and arbitrary export restrictions that disrupt global critical minerals supply chains. It also commits to enhancing information sharing and identifying best practices in light of the recent developments regarding frontier AI models.
- Akazawa [met](#) with Australian Minister for Trade and Tourism Don Farrell for the Sixth Japan-Australia Ministerial Economic Dialogue in Tokyo. They discussed issues such as trade, supply chain cooperation, critical minerals, and energy. They also discussed regional energy security and the stable supply of energy and resources under the Partnership On Wide Energy and Resources Resilience (POWVER) Asia Initiative together with Australia, Japan's special strategic partner.
- U.S. Secretary of the Treasury Bessent [posted](#) on X about his meeting with Bank of Japan (BOJ) Governor Ueda Kazuo, writing that he is "confident that Governor Ueda will successfully guide Japan's monetary policy, and I believe the fundamentals of the Japanese economy are strong and that excess FX volatility is undesirable." Ueda did not comment about the meeting, [indicating](#) that current long-term interest rates are "rising rapidly." Ueda [met](#) with Takaichi on Friday to discuss economic and price trends in light of the situation in Iran.
- *Mainichi* [reported](#) that the GOJ plans to announce its intention to begin negotiations for an economic partnership agreement with Mercosur (Argentina, Brazil, Paraguay, Uruguay, and Bolivia) by the end of the year. The business community views this as

the “last large-scale economic agreement,” given Mercosur’s rich resources like rare earths and crude oil and close to three hundred million population.

10. State of the Economy

- On Friday, the MHLW [announced](#) that real wages in FY 2025 fell 0.5 percent from the previous year, the fourth consecutive year that wages decreased as inflation continues to outpace wage hikes. The consumer price index (CPI), used to calculate real wages, [rose](#) 3 percent from the previous year, the fourth consecutive year that the index’s growth rate remained above 3 percent.
- The MIC [announced](#) that the comprehensive CPI excluding volatile fresh food items in April rose 1.4 percent to 112.5, with GOJ subsidies lowering energy prices and keeping the growth rate below 2 percent for the third consecutive month. Energy prices in particular [fell](#) 3.9 percent. Food items excluding fresh food rose 4.1 percent, the ninth consecutive month that the growth rate increased.
- On Thursday, the Ministry of Finance (MOF) [announced](#) that Japan ran a ¥301.9 billion trade surplus in April, the third consecutive month in surplus as exports of electronic components like semiconductors and non-ferrous metals are increasing. Meanwhile, crude oil imports from the Middle East [fell](#) 67 percent (lowest since comparable statistics became available in 1979), though the unit import price [increased](#) 37.9 percent to a record high of ¥101,400 per kiloliter.
- The Cabinet Office (CAO) [announced](#) that seasonally adjusted machinery orders, a leading indicator of capital investment, in the January-March quarter increased 6.4 percent from the previous quarter to ¥3.11 trillion, the second consecutive quarter that orders increased. The CAO [maintained](#) the assessment that there are “signs of picking up,” as it cannot yet assess the impact of the situation in the Middle East. Estimated orders in April-June were set at a 0.3 percent increase.
- On Wednesday, the Japan National Tourism Organization (JNTO) [announced](#) that the number of foreign travelers to Japan in April decreased 5.5 percent from the same month last year to 3.69 million. The number of travelers [fell](#) for the first time in three months compared to the same month the previous year as China continues to request citizens to refrain from travel and as flight cancellations caused by the deteriorating situation in the Middle East had an impact.
- On Tuesday, the CAO [announced](#) that the seasonally adjusted real GDP growth rate for the January-March quarter was 0.5 percent, or 2.1 percent on an annual basis. Automobile exports, which had been down in the previous quarter, [rebounded](#), marking the second consecutive quarter of positive growth.

II. Public Opinion Poll

- An *Asahi* poll [released](#) on Sunday found that the Takaichi Cabinet's approval rating was 60 percent, down four points from April, while disapproval was 26 percent, up two points.
 - 39 percent of respondents said that they approve of the Cabinet because it is better than the alternatives; 27 percent said because of its policies; and 23 percent said because Takaichi is prime minister.
 - 43 percent of respondents said that they disapprove of the Cabinet because of its policies; 34 percent said because it is centered around the LDP; and 10 percent said because Takaichi is prime minister.
 - 50 percent of respondents said that they believe the consumption tax rate should be lowered even if temporarily, while 43 percent said it should be left as is.
 - 57 percent of respondents said that they believe the consumption tax on food and beverages should be one percent if implemented faster, while 30 percent said they believe it should be zero.
 - 43 percent of respondents said that they approve of the GOJ's response to shortages of petroleum-related products due to the situation in the Middle East, while 39 percent said they disapprove.
 - 50 percent of respondents said that the shortage of petroleum-related products due to the situation in the Middle East is a serious problem; 37 percent said it is somewhat of a problem; 9 percent said it is not so much of a problem; and 2 percent said it is not a problem at all.
 - 42 percent of respondents said that they are somewhat concerned about the situation in the Middle East making life more difficult; 36 percent said they are very concerned; 16 percent said they are not so concerned; and 5 percent said they are not concerned at all.
 - 72 percent of respondents said that they believe the Imperial Household Law should be revised to enable women to become the Emperor, while 18 percent said they believe it should be restricted to men.
 - 74 percent of respondents said that they believe emperors can come from the female lineage, while 18 percent said they believe emperors should remain from the male lineage.
 - 65 percent of respondents said that they support allowing female Imperial family members to maintain their status after marriage to a civilian, while 19 percent said they oppose it.
 - 42 percent of respondents each said that they support and oppose allowing the husband and children of female Imperial family members who remain in the family after marriage to be considered part of the Imperial family.

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- 47 percent of respondents said that they support the “adoption” of former male members of the Imperial family on the male lineage side back into the Imperial family, while 36 percent said they oppose it.
- The survey also collected data on the latest approval ratings of political parties.

Political Party	Approval Rating (%)
Liberal Democratic Party	34 (-1)
Centrist Reform Alliance	3 (±0)
Japan Innovation Party	3 (+1)
Democratic Party for the People	3 (-1)
Japan Communist Party	2 (±0)
Reiwa Shinsengumi	1 (±0)
Suffrage Party (Sanseitō)	5 (+2)
Japan Conservative Party	1 (±0)
Socialist Democratic Party	0 (±0)
Team Mirai	2 (±0)
Constitutional Democratic Party	3 (+2)
Komeito	2 (+1)
Independent (No Party)	36 (-3)