

KISHIDA CABINET AND POLICY AGENDAS

Foreign Press Center

Jan 11, 2023

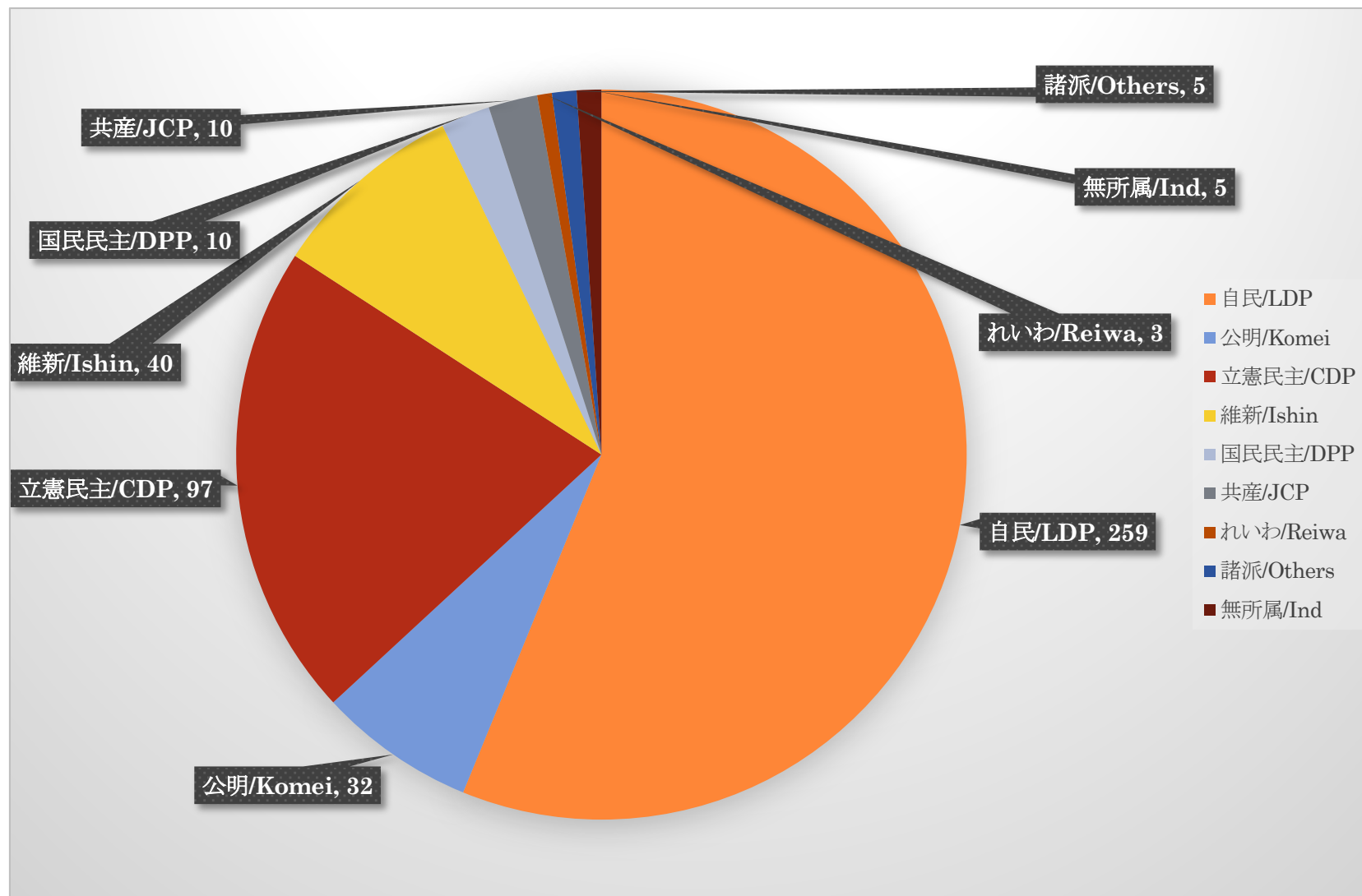
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Harukata Takenaka

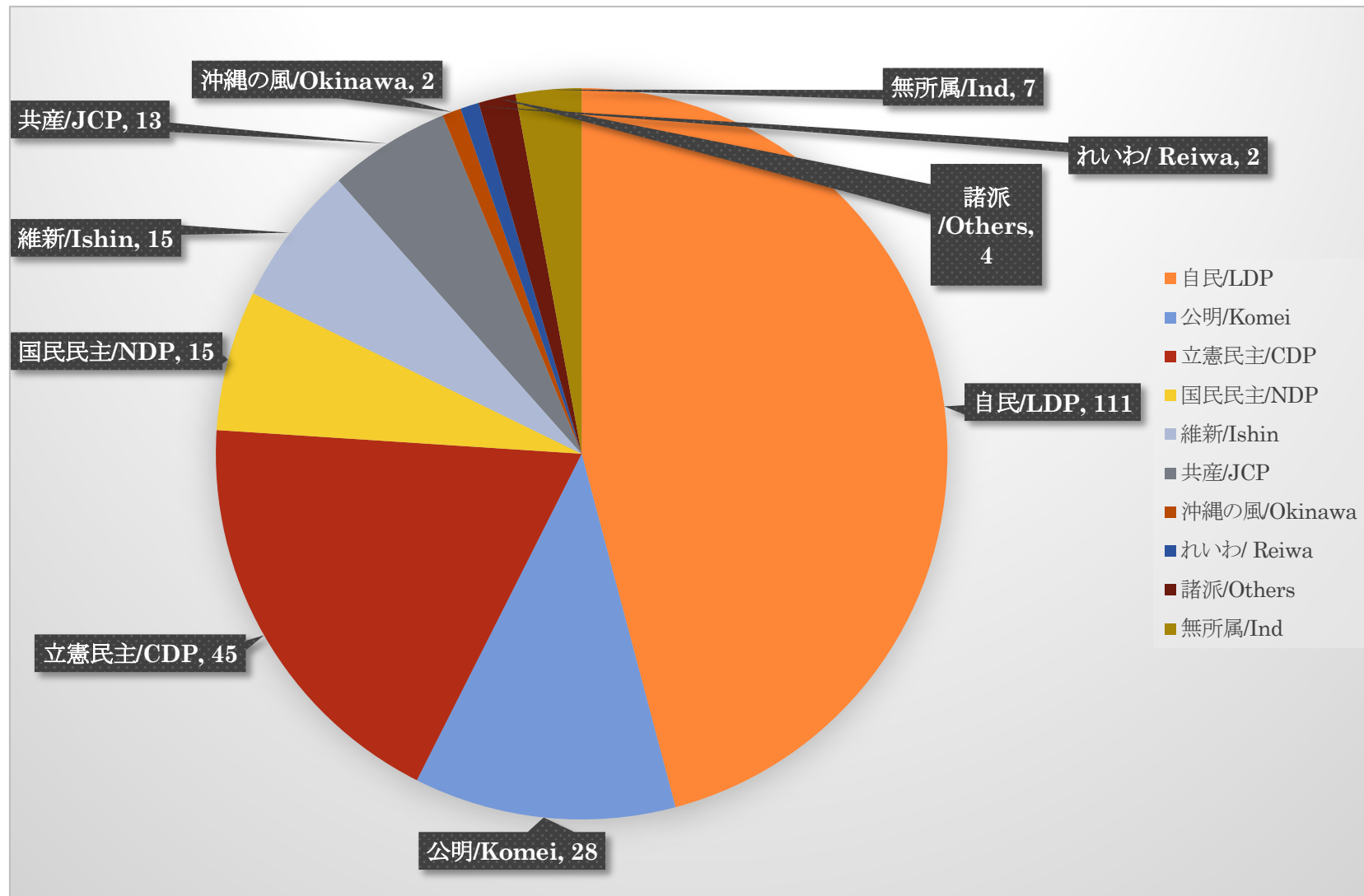
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I. BASICS

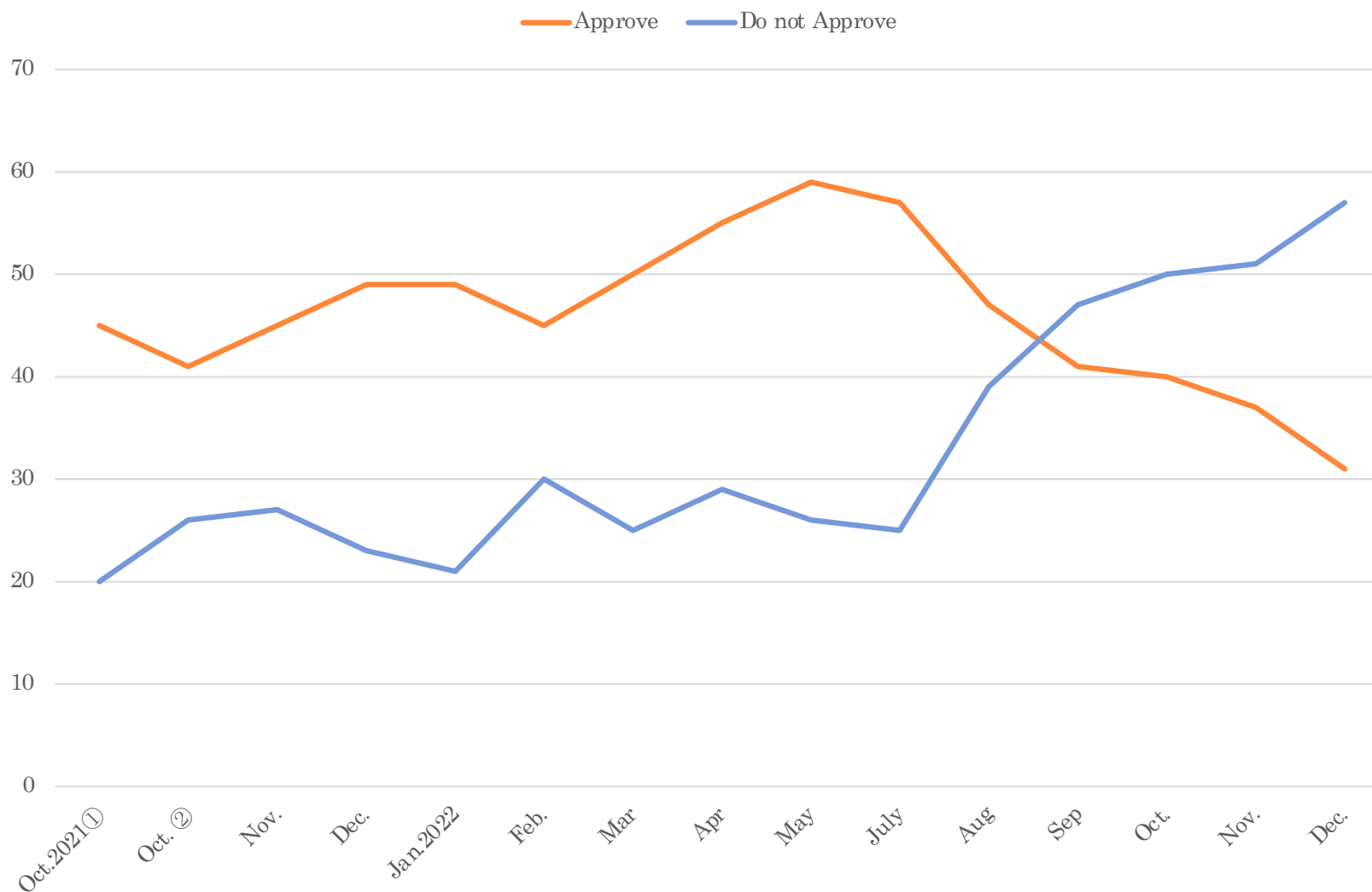
1. Seats Distribution: Lower House



2. Seats Distribution: House of Councilors



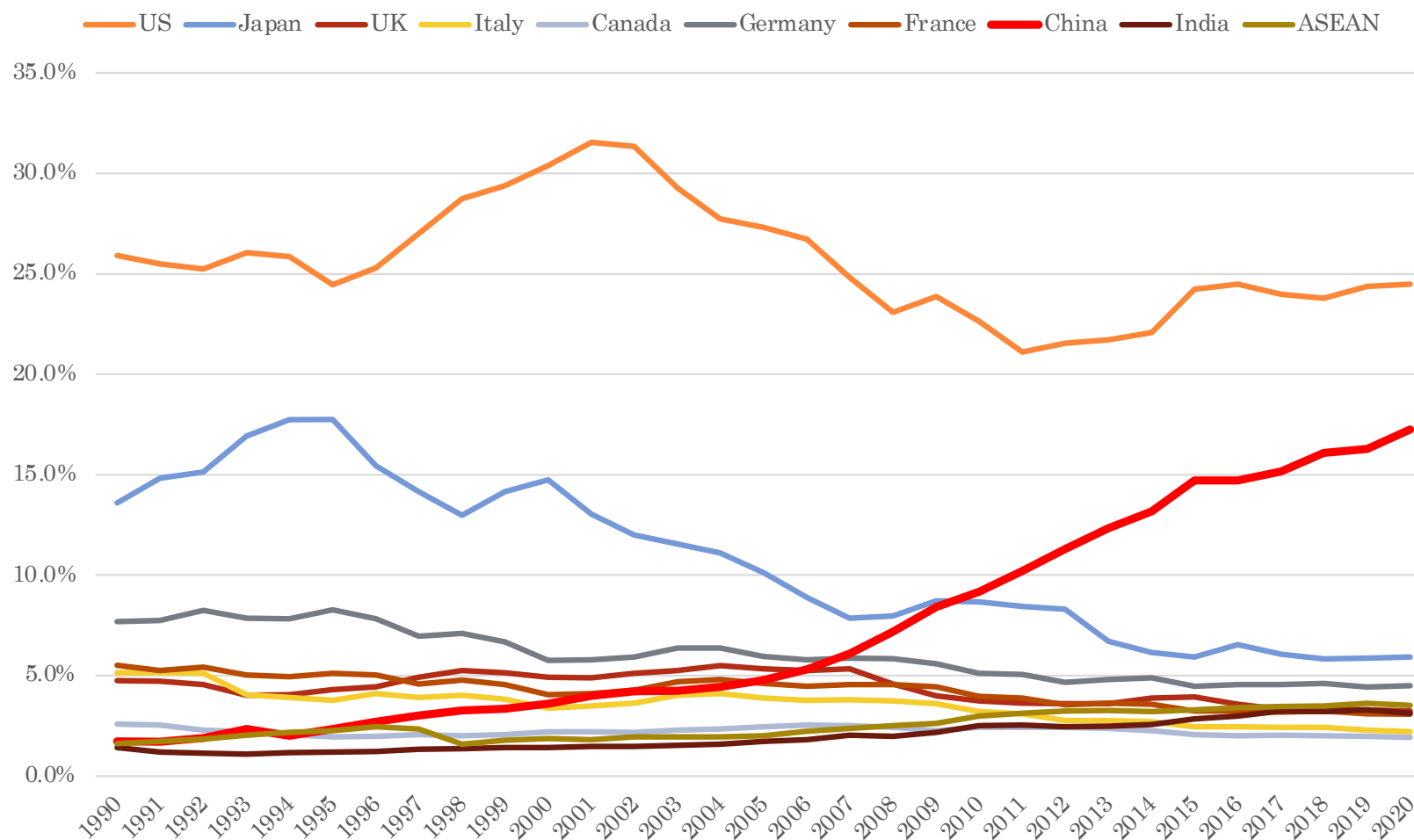
3.Cabinet Approval rate (Asahi)



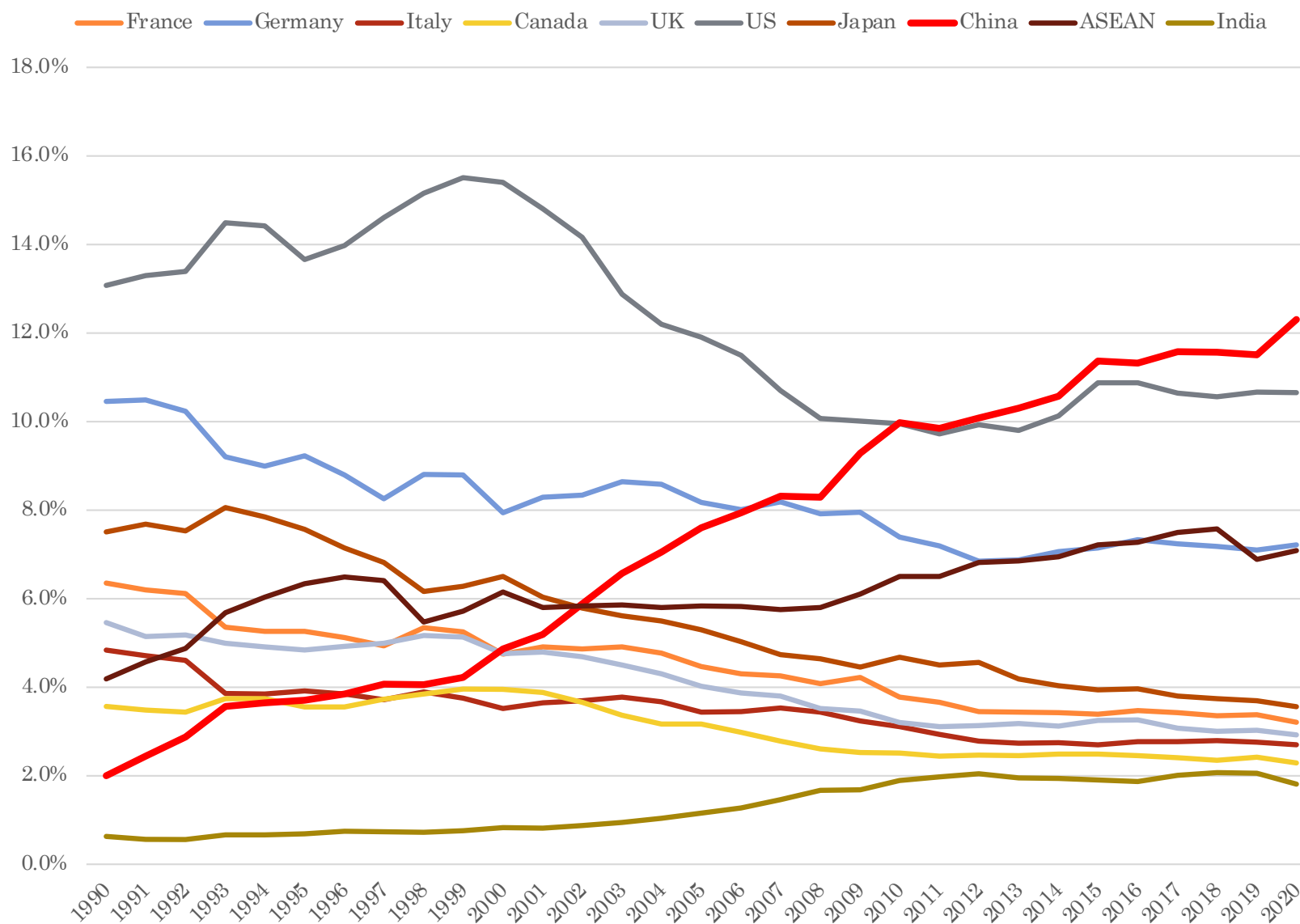
II. ANALYTICAL PERSPECTIVE

1. International Environment

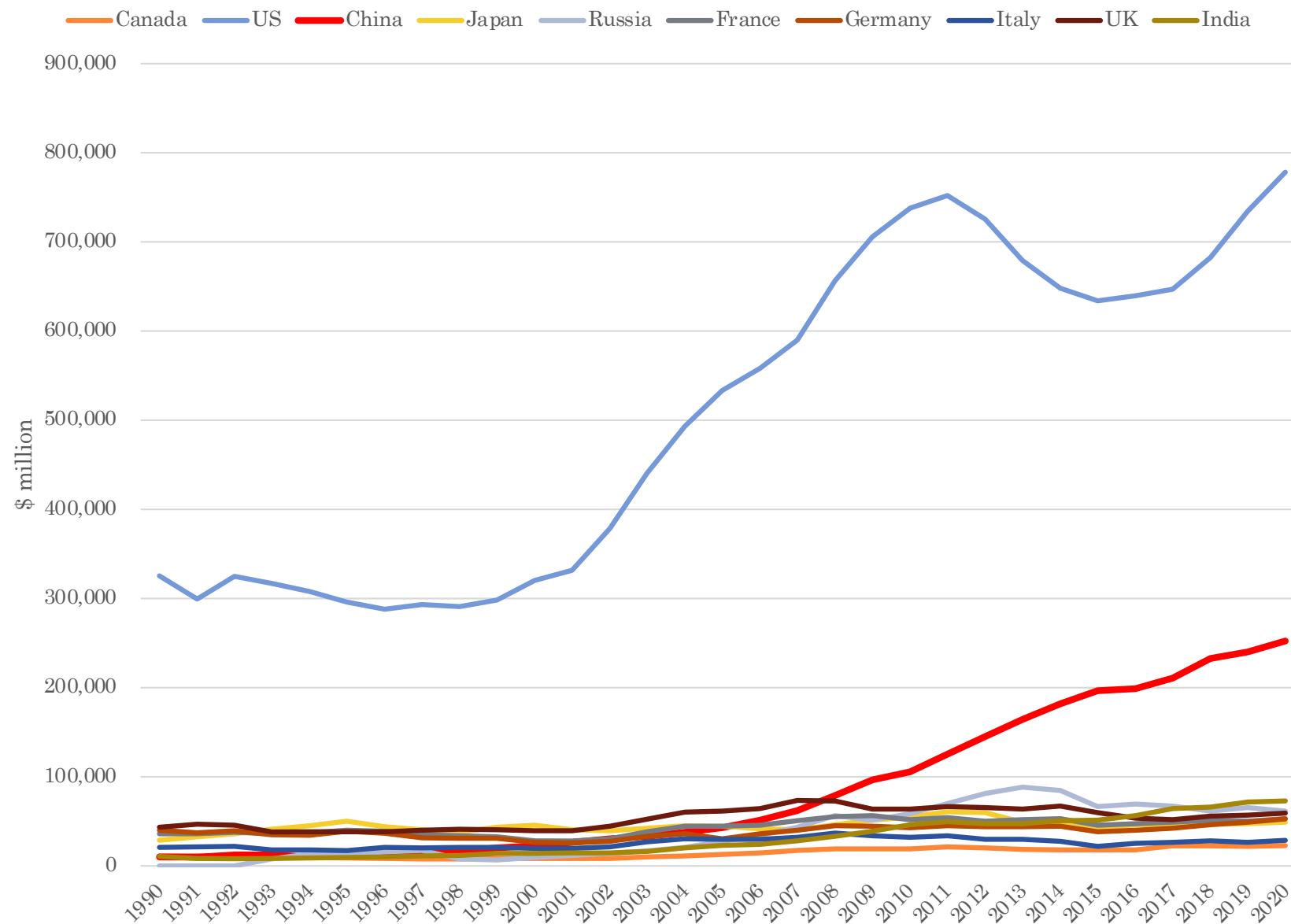
Share in the GDP of the World



Share in the World Trade



Military Expenditure



2. Transformation of Japanese Domestic Political Institutions

(Harukata Takenaka "Expansion of Japanese Prime Minister's Power" Asian Survey, vol59(5), 844-869.)

(1) Japan adopts parliamentary system.

① Parliamentary system as a chain of delegation



② PM's preference

- Discretion from MPs
- Control over Ministers

(2) Transformation of Japanese parliamentary system

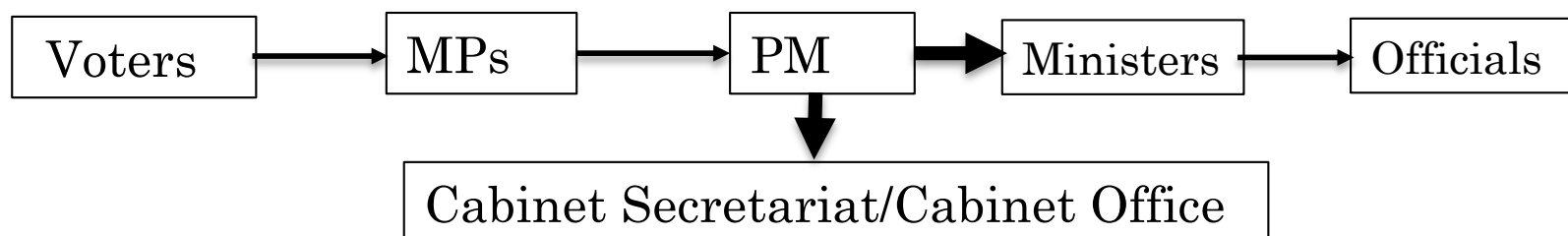
① Before political reform of 1994



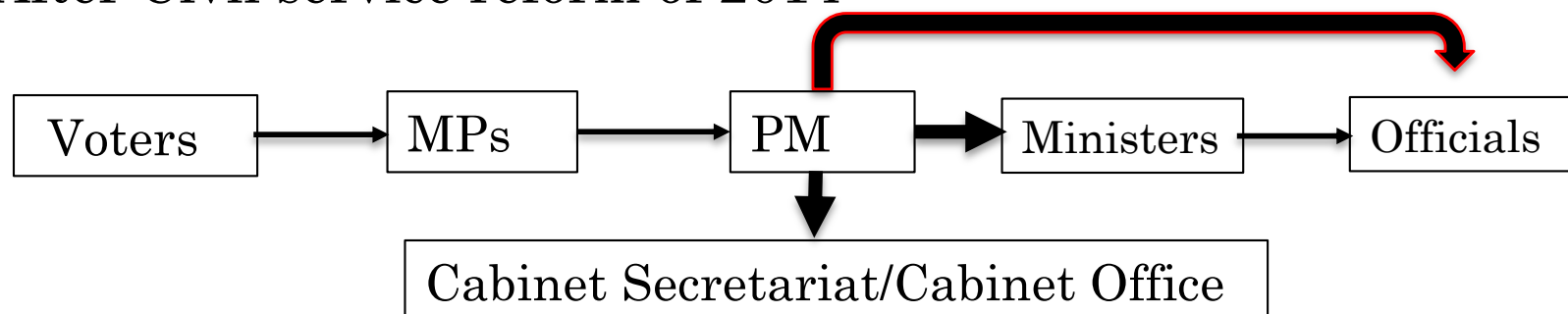
② After political reform of 1994



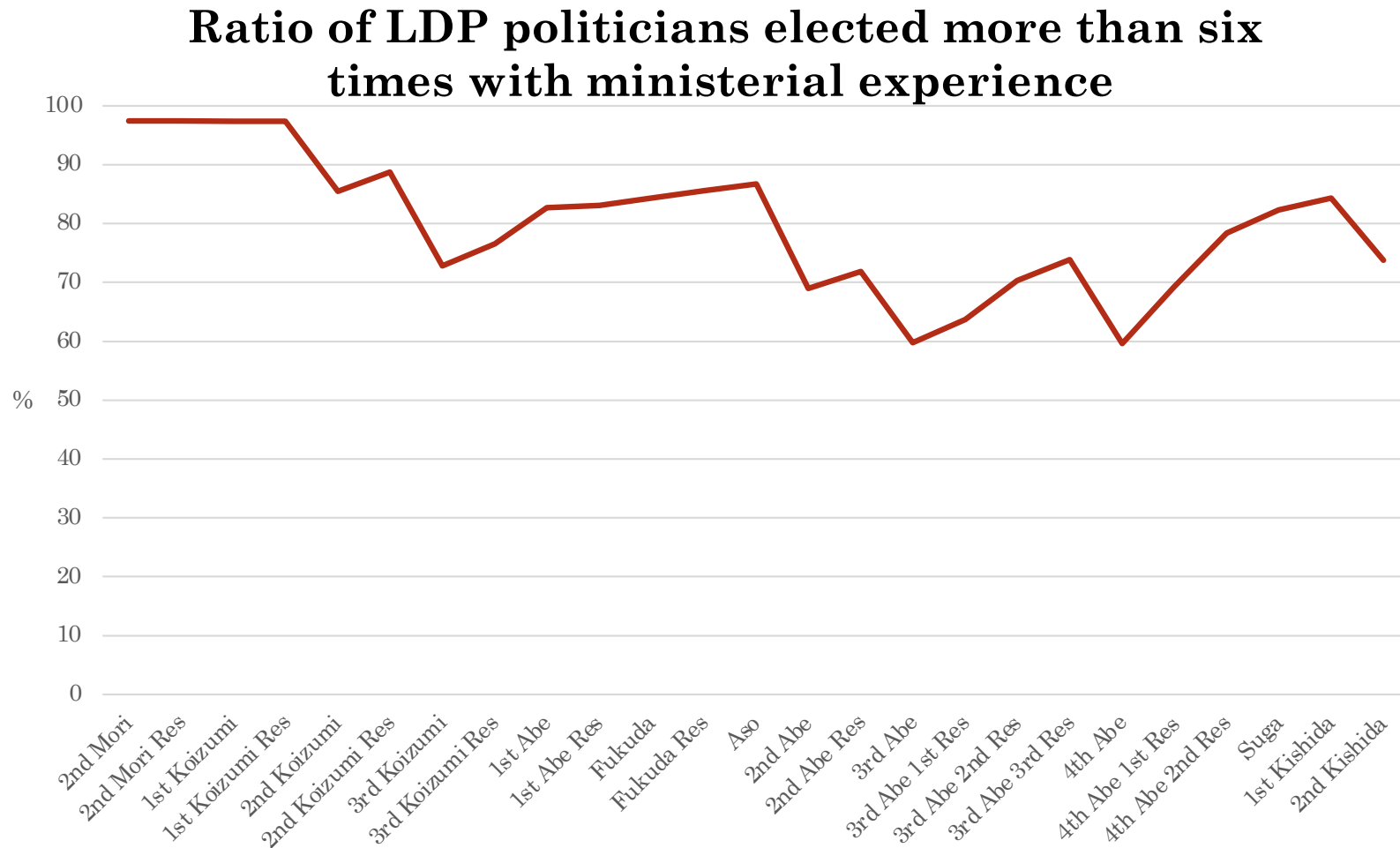
③ After administrative reform of 2001



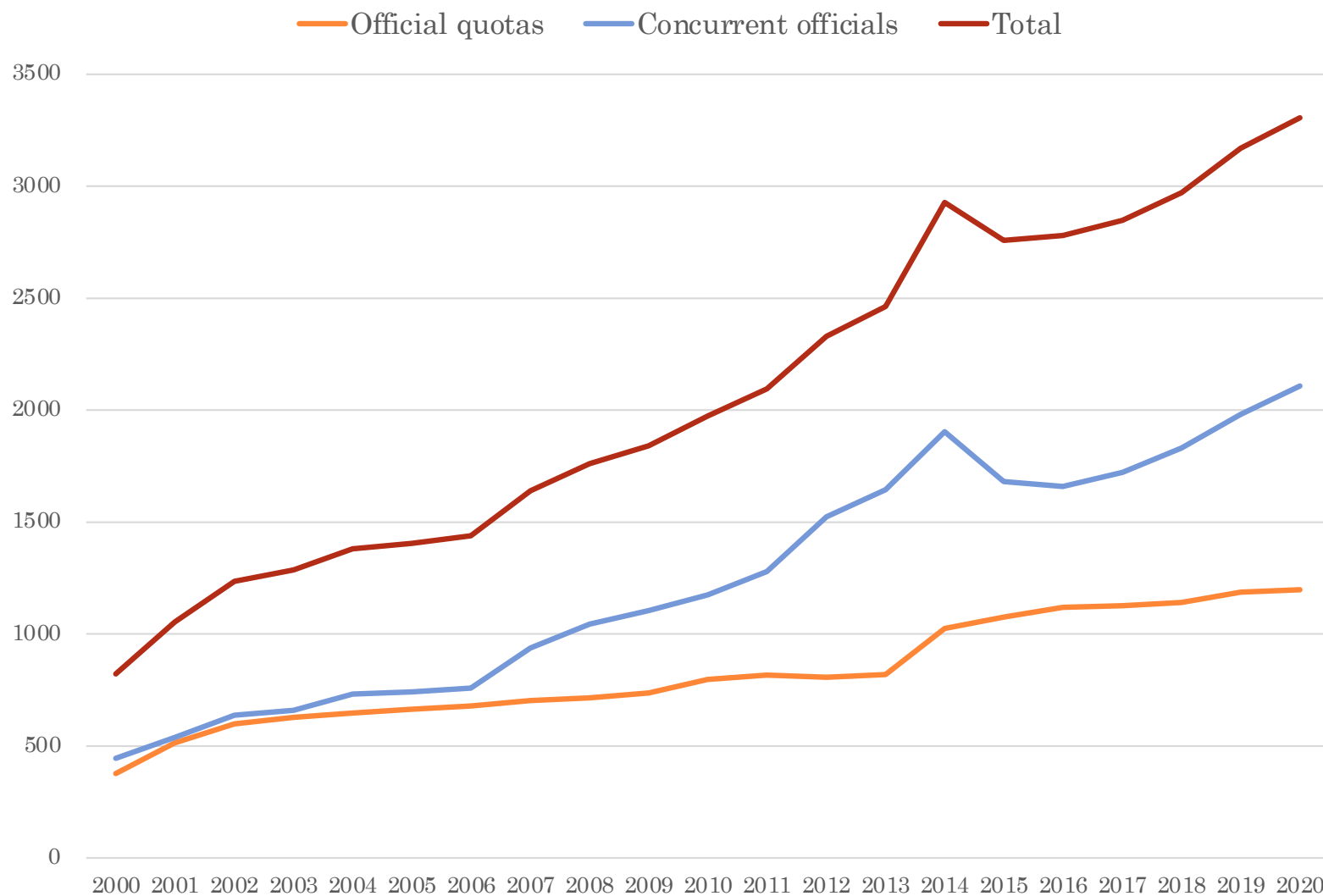
④ After Civil service reform of 2014



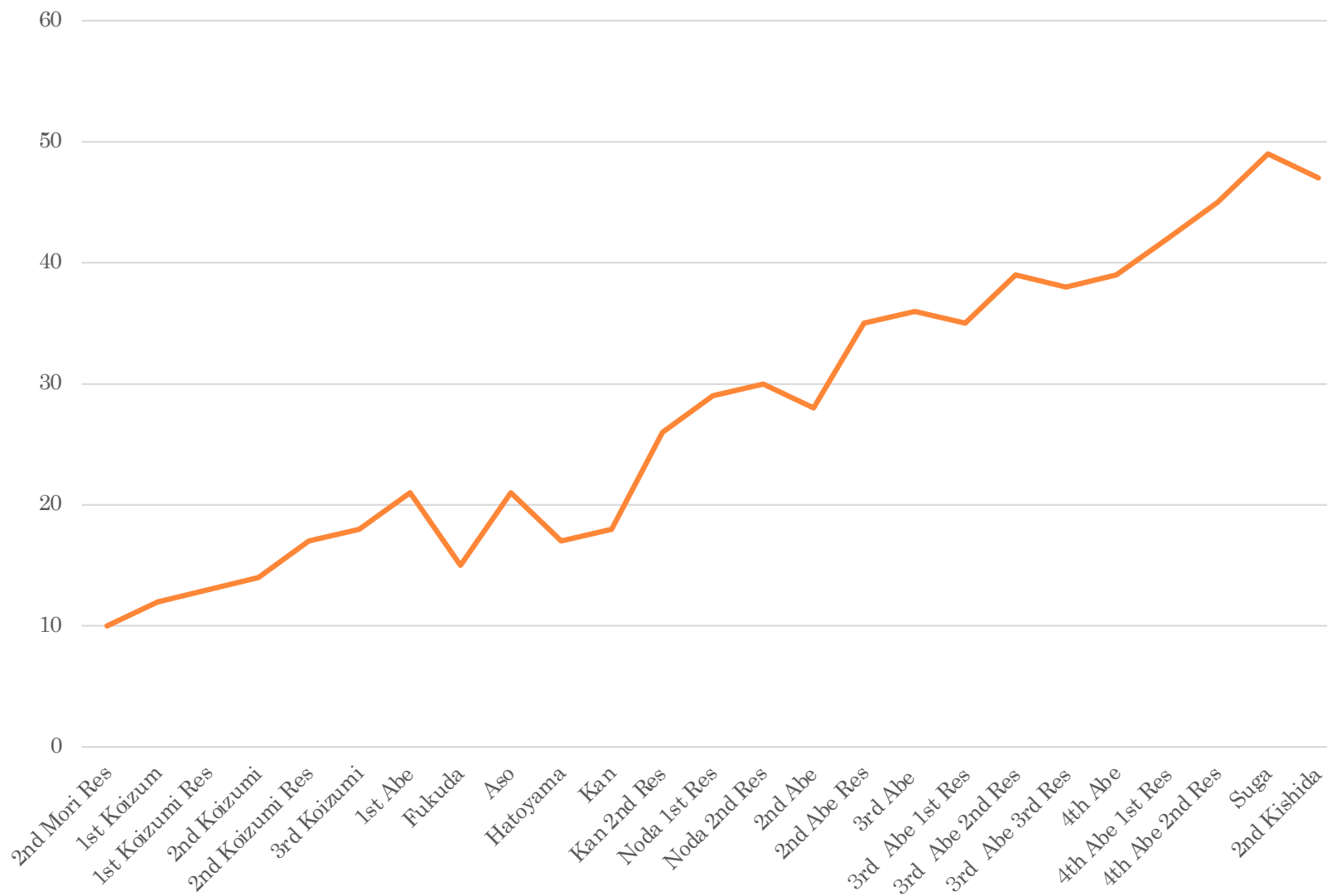
(3) Expansion of prime minister's power



Number of Officers in the Cabinet Secretariat



Special Policy Units in the Cabinet Secretariat



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Takenaka
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III. SECOND KISHIDA ADMINISTRATION (RESHUFFLED IN AUGUST 2022)

1. Ministers

PM	Kishida	Kishida	9
Finance	Suzuki	Aso	10
Home & Com	Matsumoto	Aso	8
Justice	Saito	Ind	5
Foreign	Hayashi	Kishida	1(HOC5)
Edu & Sci	Nagaoka	Aso	6
Welfare	Katoh	Motegi	7
Agri	Nomura	Motegi	Hoc4
Eco, Trade & Industry	Nishimura	Abe	7
Land & Tranp	Saito	Komei	10
Env	Nishimura	Abe	6

Defence	Hamada	Ind	10
Cab Sec	Matsuno	Abe	7
Reconstruction	Watanabe	Motegi	8
NPSC	Nani	Nikai	7
Degital	Kohno	Aso	9
Econ & Finance	Gotoh	Ind	7
Econ Sec	Takaichi	Ind	9
Demography	Ogura	Ind	4
Okinawa & Deregulation	Okada	Abe	HOC4

2. Kantei = PMO

(1) DCCS

- Seiji Kihara
- Yoshihiko Isozaki
- Shunichi Kuryu

(2) Political Secretary

- Shotaro Kishida
- Takashi Shimada (METI)

(3) Administrative Secretary

- Hirotaka Unami (MOF)
- Mitsuteru Nakayama (MOF)
- Masayoshi Arai (METI)
- Tetsuya Ohtsuru (MOFA)
- Takashi Osaka (NPA)
- Koichiro Nakajima (MOD)

IV. POLITICAL CRISIS

1. Unification Church Issue

- (1) Assassination of Abe in July
- (2) Reshuffling of Cabinet in August
 - 7 ministers held relationships with the church → removed.
 - 8 ministers turned out to have relationships with the church.
- (3) LDP announced that 180 out of 379 LDP politicians have links with the church.
- (4) Special Minister for Economy and Fiscal Policy Yamagiwa forced to resign in October 2022.

→ **Legislation of relief law in December 2022**

2. Resignation of Three Ministers

- (1) Minister of Justice Hanashi in November 2022
- (2) Minister of Home Affairs and Communications Terada in November 2022.
- (3) Minister of Reconstruction Akiba in December 2022.

→ **All troubled ministers gone!!**

V. NEW FORM OF CAPITALISM

1. More investment for new technologies

(1) Introduction of the 10 Trillion Yen Fund to support research in sciences in major universities

(2) Increase in investment in the field of semi-conductor, quantum computer, bio-technology and AI (30 trillion yen by government and 120 trillion yen by government and private sector in 5 yrs from 2021)

2. Economic security (economic statecraft)

(1)Securing of important materials and equipment
(Specially Important Material = Tokutei Jyuyo
Busshi).

→ Kishida administration will specify them by the
end of the year.

- Semi-Conductors
- Batteries
- Important mineral resources
- Antibiotics
- LNG
- Machine tools and robots

(2) More investment for semi-conductors

- \$2.4 billion = 400 billion yen to invite TSMC to Kumamoto (FY 2021)
- US-Japan agreement in July 2022 on joint research for advanced semi-conductors and on the introduction of a new research center in Japan
- \$8 billion = 1.3 trillion yen with 2nd supplementary budget for FY 2022.
- Establishment of Rapidas

(3) More investment for other technologies such as batteries.

3. Green transformation (GX)

(1)GX bond

- 20 trillion yen between 2023 and 2032
- 1.6 trillion yen in 2023

(2)Kishida administration aims at expanding investment by public and private sector to 150 trillion yen in 10 yrs.

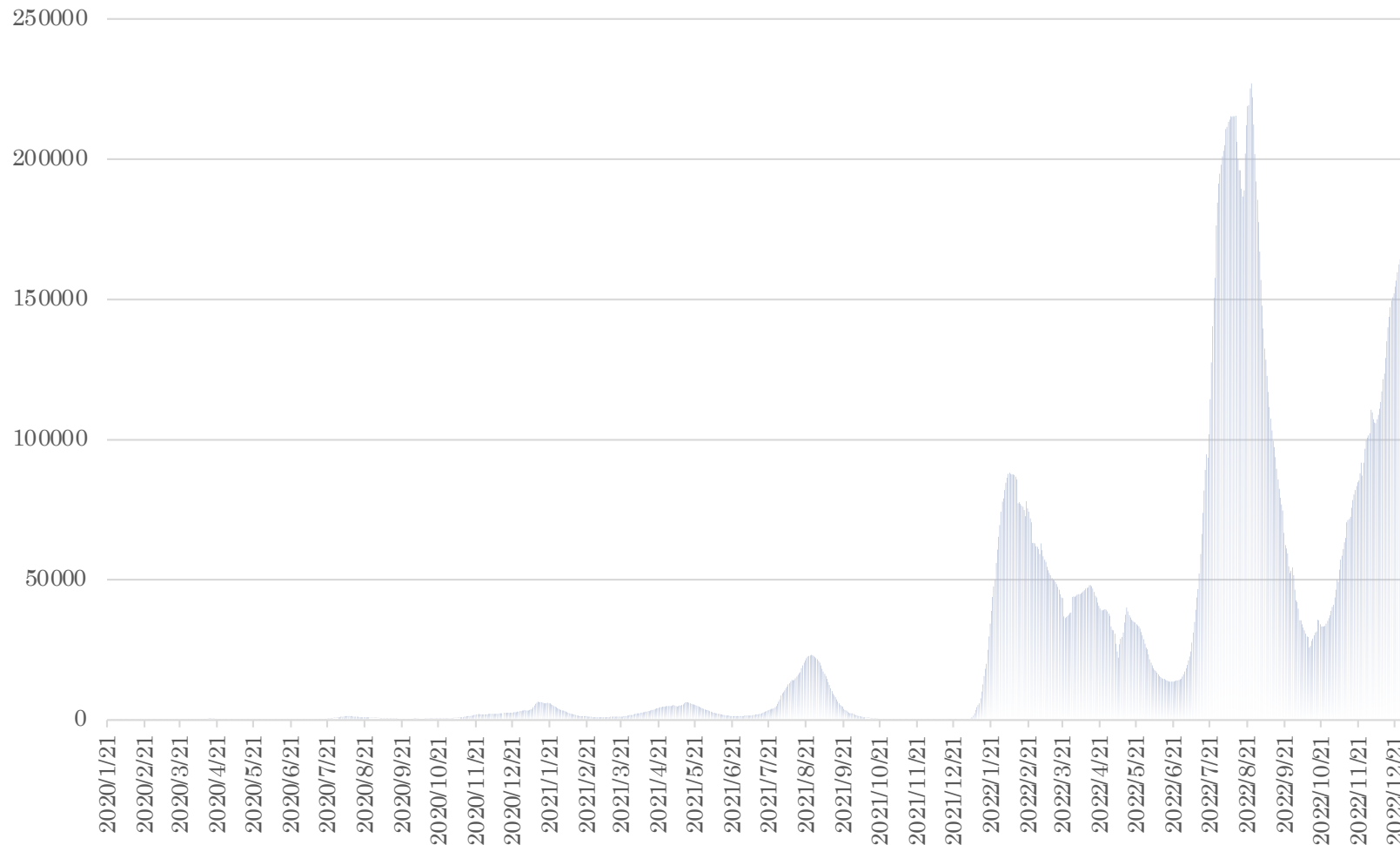
(3)Targets

- Hydrogen
- Anmonia
- Batteries
- Semi-conductors

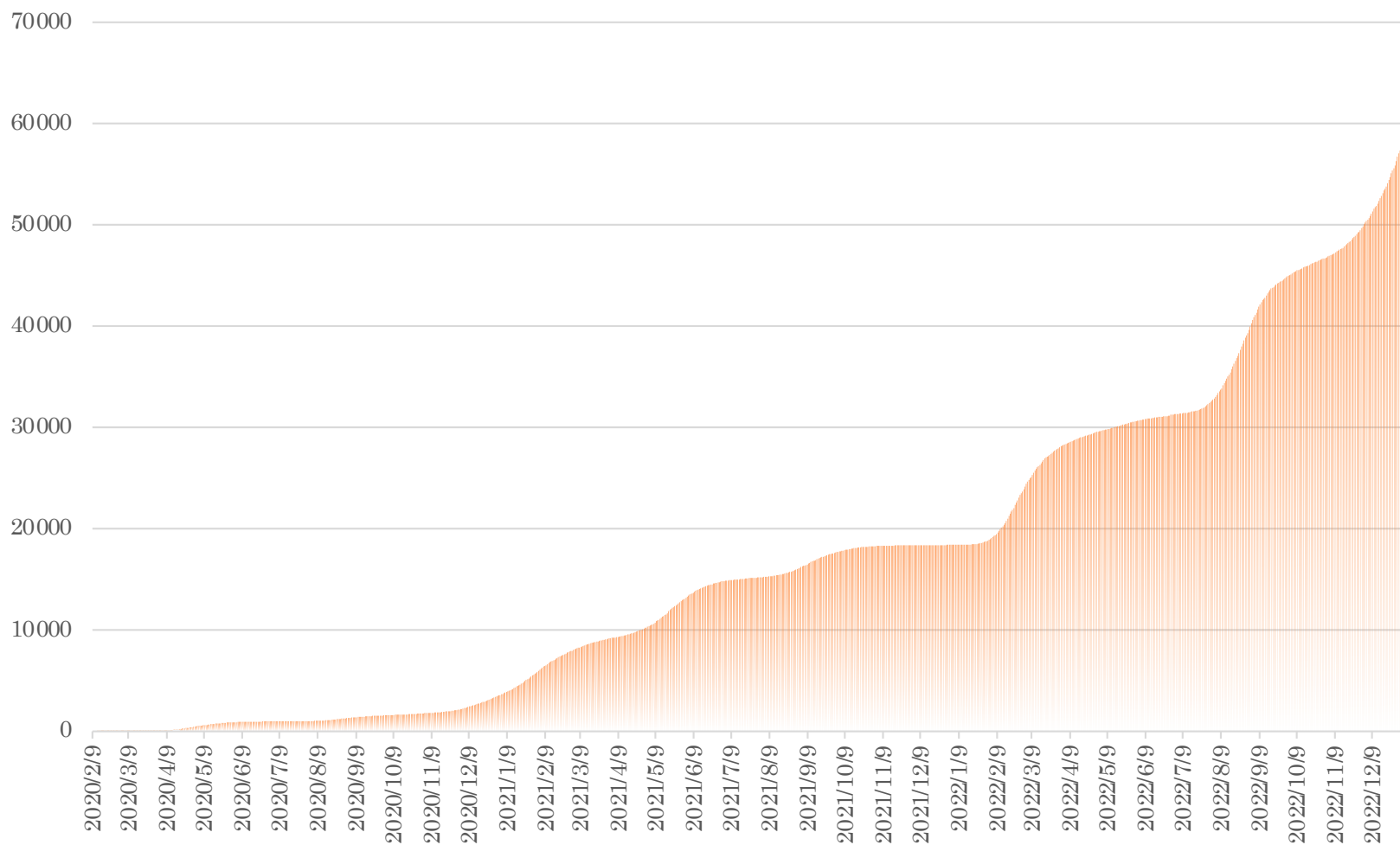
VI. COVID 19 CRISIS

1. Data

Number of Patients 1wk moving average



Total number of deaths



2.Vaccination for Omicron variant

(1)For BA1 from September 2022

(2)For BA4.0, BA5.0 from October 2022

3.Home remedy

From September to November 2022, the government introduces arrangement under which doctors and nurses contact patients recovering at home

4.Walkin care : 42000 institutions as of December 2022.

5.Amendment of Infectious Disease Act in Dec. 2022

- Government obtains powers to order large and public hospitals to provide beds.

VII. EXPANSION OF DEFENSE BUDGET

1. Comprehensive revision of security policy in Dec. 2022

(1) National Security Strategy

(2) National Defense Strategy

(3) Defense Buildup Program

2. Two pillars

(1) Counterstrike capabilities

(2) Spend 2% of GDP as defense budget.

(43 trillion yen between 2023 and 2027)

3. How to finance increased spending

- (1) Defense budget 8.9 trillion yen by 2027.
- (2) 3.5 trillion yen increase from 2022.
- (3) PM announces on December 8th that he will finance 3 trillion yen by revenue increase and revision of existing expenditure and 1 trillion yen by tax hikes.
- (4) LDP Tax research committee makes a tax reform plan for FY 2023 on December 16th.
 - ① 4.0 or 4.5% on the corporate tax (800billion yen?)
 - ② 1.0% on the income tax and tobacco tax hike (200billion)
 - ③ implement these measures several times after 2023 and by 2027 secure 1 trillion yen

VIII. LOW BIRTH RATE COUNTER MEASURES

1. Policies at a different dimension
 - (1) Increase in allowances
 - (2) Expansion of childcare services
 - (3) Workstyle reform
2. Financial source of these policies
3. PM expects to prepare draft policy by March.

IX. MONETARY AND FISCAL POLICY

1. FY 2023 Budget

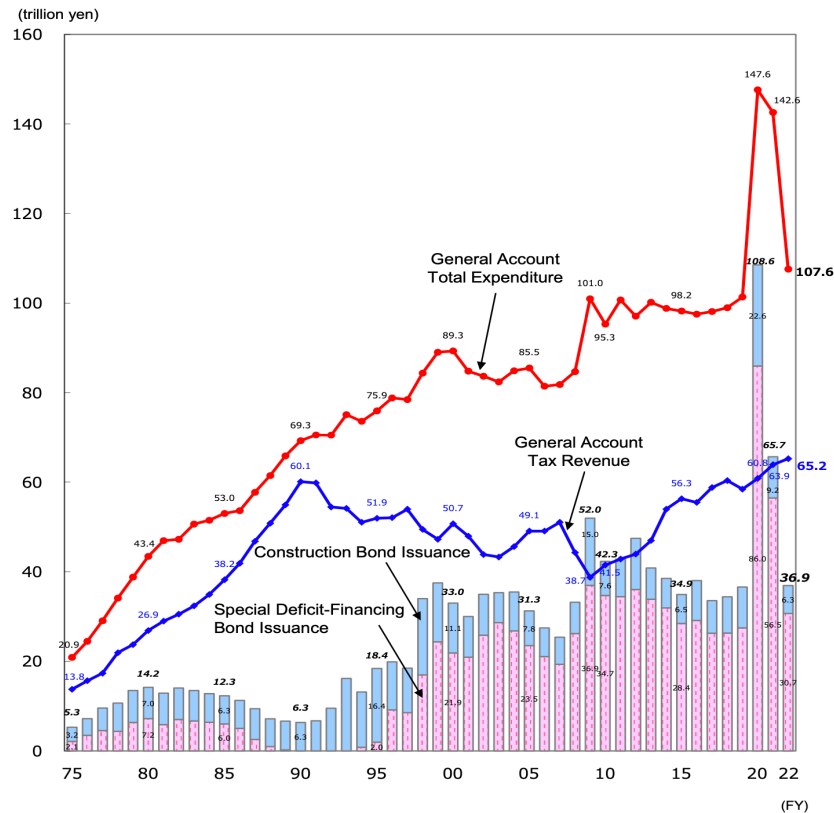
(1) 114 trillion yen (normal expenditure 72.7 trillion)
yen

(2) JGB 36.9 trillion yen (31.1% of revenue)

2. Fiscal Condition

2. General Account Expenditure and Tax Revenue

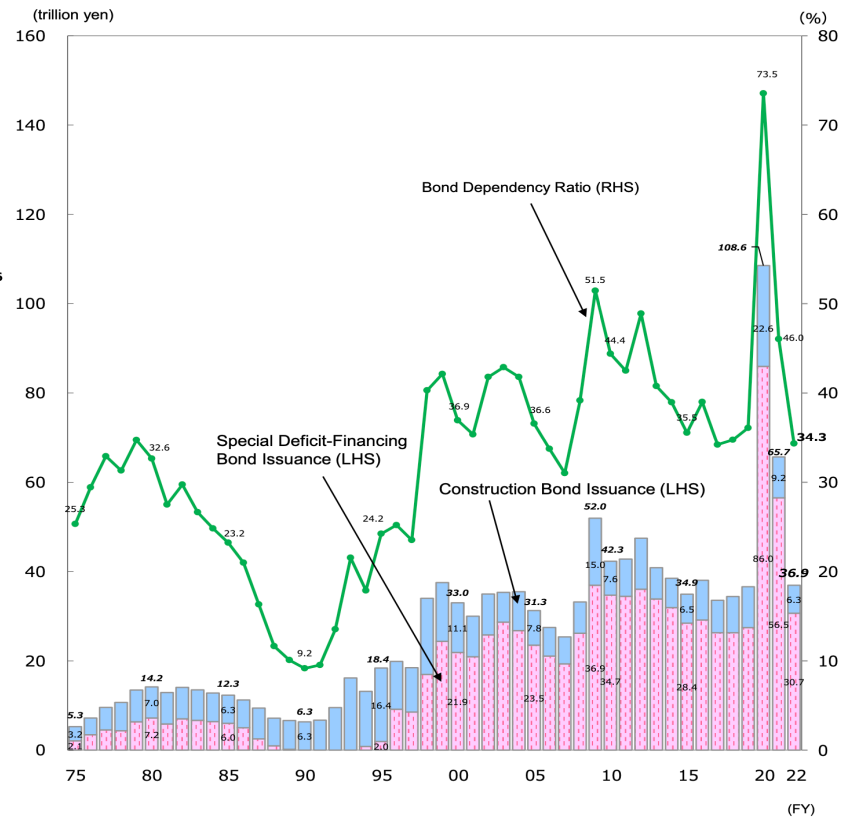
The Japan's fiscal situation has continued to run a budget deficit, as its expenditure exceeds its tax revenue. The gap between them has been financed by issuing national government bonds (construction bonds and special deficit-financing bonds).



(Note 1) FY1975 - FY2020: settled figures ; FY2021: based on the supplementary budget ; FY2022: based on the budget
 (Note 2) Following bonds are excluded: Ad-hoc Special Deficit-Financing Bonds issued in FY1990 as a source of funds to support peace and reconstruction activities in the Persian Gulf Region, Tax reduction-related Special Deficit-Financing Bonds issued in FY1994 - FY1996 to make up for decline in tax revenue due to a series of tax cuts preceding consumption tax hike from 3% to 5%, Reconstruction Bonds issued in FY2011 as a source of funds to implement measures for the reconstruction from the Great East Japan Earthquake and Pension-related Special Deficit-Financing Bonds issued in FY2012 and FY2013 as a source of funds to achieve the targeted national contribution to one-half of basic pension.

3. Bond Issuance and Bond Dependency Ratio

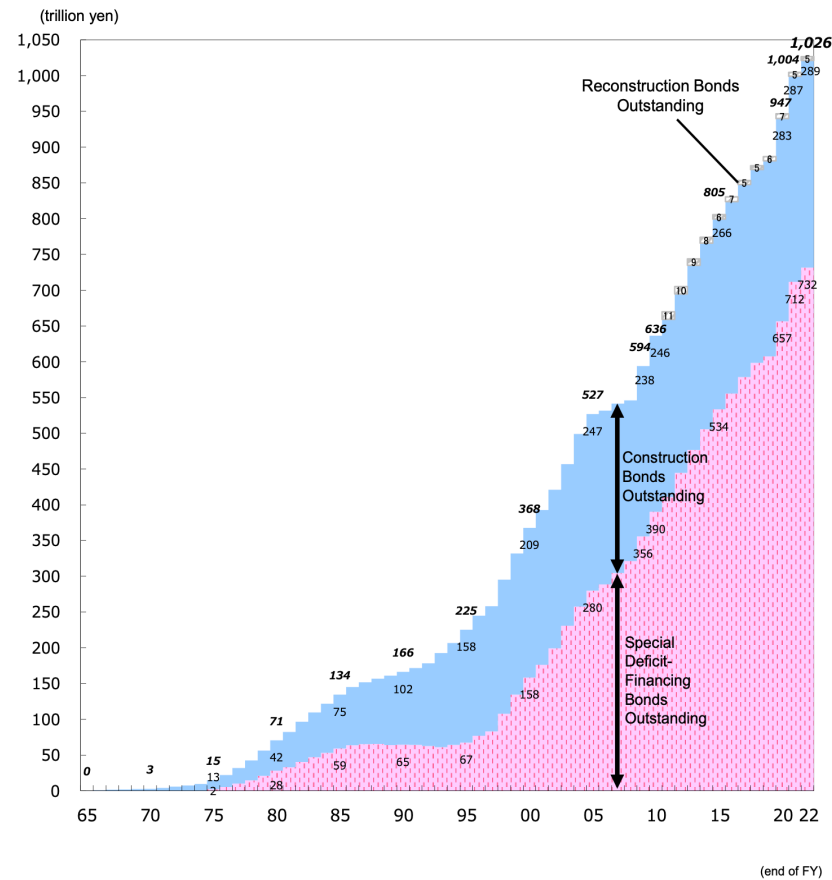
The bond dependency ratio (bond issuance / general account total expenditure) in FY2022 is projected to be 34.3%.



(Note 1) FY1975 - FY2020: settled figures ; FY2021: based on the supplementary budget ; FY2022: based on the budget
 (Note 2) Following bonds are excluded: Ad-hoc Special Deficit-Financing Bonds issued in FY1990 as a source of funds to support peace and reconstruction activities in the Persian Gulf Region, Tax reduction-related Special Deficit-Financing Bonds issued in FY1994 - FY1996 to make up for decline in tax revenue due to a series of tax cuts preceding consumption tax hike from 3% to 5%, Reconstruction Bonds issued in FY2011 as a source of funds to implement measures for the reconstruction from the Great East Japan Earthquake and Pension-related Special Deficit-Financing Bonds issued in FY2012 and FY2013 as a source of funds to achieve the targeted national contribution to one-half of basic pension.
 (Note 3) Bond dependency ratio is calculated as the ratio of bond issuance to general account total expenditures.

4. Accumulated Government General Bonds Outstanding

The amount of Japan's government general bonds outstanding has increased year after year. It is projected to reach 1,026 trillion yen at the end of FY2022.

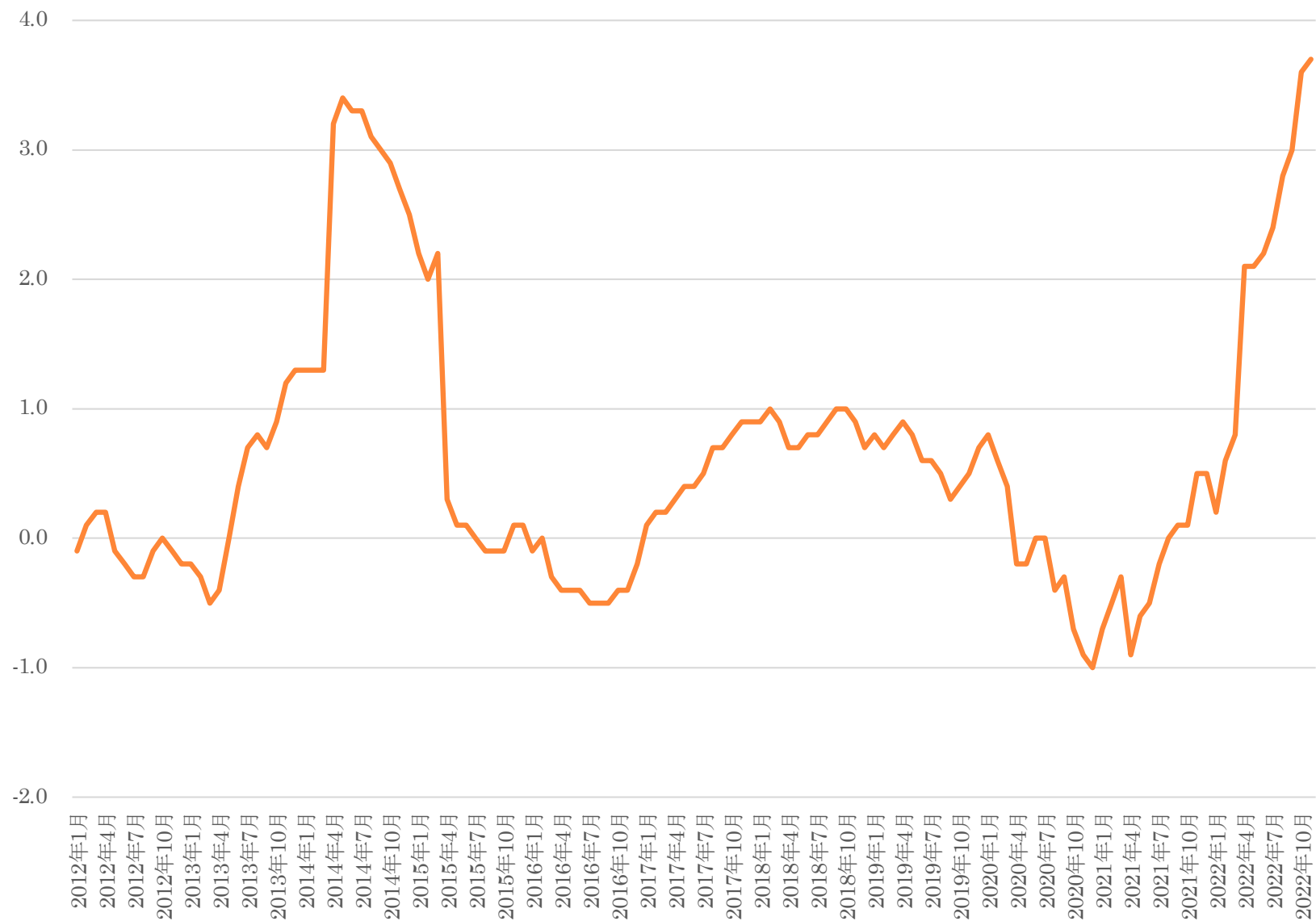


(Note 1) FY1975 - FY2020: actual figures ; FY2021: based on the supplementary budget ; FY2022: based on the budget

(Note 2) Government general bonds outstanding includes Construction Bonds, Special Deficit-Financing Bonds and Reconstruction Bonds. Special deficit-financing bonds outstanding includes refunding bonds for long-term debts transferred from JNR Settlement Corporation, the National Forest Service, etc., Ad-hoc Special Deficit-Financing bonds, Tax reduction-related Special deficit-financing bonds and Pension-related special deficit-financing bonds.

(Note 3) The estimate of government general bonds outstanding at the end of FY2022 excluding the maximum amount of front-loading issuance of refunding bonds is approximately 1,006 trillion yen.

3.CPI・Core



X. CHALLENGES FOR PM KISHIDA

1. How to recover political capital
 - (1) Local elections in April
 - (2) By elections
2. New Form of Capitalism
3. Appointment of BOJ governor
4. Tax increase for defense budget
5. Low birth rate counter measures
6. A lot of issues in foreign and security policy areas!