



Japan Covid-19 update

28 May 2020

This report covers the latest developments in Japan in relation to the Covid-19 crisis, including current restrictions, economic measures and the political impact.

Latest figures

As of 27 May, Japan has:

- 17,396 confirmed cases (including 712 on the cruise ship Diamond Princess)
- 878 deaths (including 14 on the Diamond Princess)
- GDP decreased by 0.9% quarter-on-quarter, in Q2 2020 (3.4% annualised)
- Private consumption down 0.7% quarter-on-quarter
- 6.0% fall in exports
- 4.9% fall in imports

Nationwide end to state of emergency

On 25 May, the government announced the end of the nationwide state of emergency, a week ahead of schedule. The state of emergency, introduced on 7 April, was gradually lifted during May, starting from prefectures with lower infection rates. The decision was made based on three criteria: an infection rate during the previous week of less than 0.5 per 100,000; sufficient healthcare capacity; and sufficient polymerase chain reaction (PCR) testing capability. Some restrictions remain in place (see Table 1), however, and will be reviewed every three weeks. Local variations are likely to continue, based on decisions made by local governors.

Minister of State for Economic and Fiscal Policy, Yasutoshi Nishimura, in charge of Covid-19 countermeasures, stated that a state of emergency could be reintroduced if necessary, also depending on three factors: the rate of new infections during the preceding week; the time for the infection rate to double; and the proportion of infections occurring via unidentified routes.

Although entry restrictions on foreign nationals remain in place, the government has begun planning to reopen the borders in phases. Business travellers will be allowed

to enter first, followed by international students, and then inbound tourists. The government has not yet announced a timeline for this.

Table 1: Ongoing restrictions after end of state of emergency

	TRAVEL/SIGHTSEEING	EVENTS	WORK	ENTERTAINMENT/LEISURE	
Transition period	25 May	Avoid non-essential cross-prefectural border travel	Indoor events: Up to 100 people, or up to 50% capacity	Avoid karaoke bars, gyms, or places in which clusters have emerged	
	1 June	Take extra precaution during non-essential travel between Hokkaido, Tokyo, Chiba, and Kanagawa	Outdoor events: Under 200 people, maintaining a social distance of 2 metres	Continue working from home or use staggered working hours; reduce face-to-face social contact	Avoid food/drink establishments with entertainment and live music venues
	19 June	Begin working towards revitalisation of tourism	Both indoor & outdoor events under 1000 people or <50% capacity	Further potential restrictions if clusters emerge during transition period	
	10 July		Both indoor & outdoor events under 5000 people or <50% capacity		
Post-transition period	August Review infection rates; further announcements to local governments, if necessary				

Source: <https://www.nikkei.com/>

Economic measures

Record-high supplementary budget agreed on 30 April

On 30 April, a record-high supplementary budget of 25.69 trillion yen (\$240 billion) was passed by the National Diet, bringing the total economic package secured to tackle Covid-19 to 117 trillion yen (\$1.1 trillion). New allocations focus on immediate measures to counteract the spread of Covid-19, measures to support people affected by the pandemic and longer-term measures to support economic recovery.

1.8 trillion yen (\$16.7 billion) has been allocated to reduce the spread of Covid-19. Measures include increasing the supply of masks, increasing PCR testing, support for the development of vaccines and stockpiling of medicines.

The government's measures include a grant of 100,000 yen (\$920) for everyone

residing in Japan. Initially Abe proposed a higher amount of 300,000 yen to those worst affected but the LDP's junior coalition partner, Komeito, criticised the policy as too difficult to administer and pushed successfully for the lower across-the-board payment for all. Small and medium-sized companies can apply for a grant of 2 million yen (\$18,750) and self-employed individuals can apply for grants of up to 1 million yen if their income has fallen more than 50%. 69 billion yen (\$641.6 million) has been allocated to support companies that have had to furlough employees and a further 3.7 trillion (\$21.4 billion) has been allocated to provide zero-interest loans to affected small and medium-sized businesses.

Covid-19 has exposed the vulnerability of Japanese supply chains with, for example, 21% of intermediate goods being imported from China in 2017. With a view to making the economy more resilient, 220 billion yen (\$2 billion) will be spent on support for companies to return their supply chains to Japan and 23.5 billion yen (\$218 million) to support the diversification of supply chains.

The government is already expanding its support for IT in schools through an allocation of 231 billion yen over four years for the Global Innovation Gateway for All (GIGA) school programme, which aims to ensure that every student in Japanese schools has access to a computer.

Supportive tax measures include postponement of collection of corporate tax, residential tax and healthcare taxes for businesses whose profits have fallen by 20% or more compared to one year ago.

Preparations underway for even bigger second supplementary budget

On 27 May, the Cabinet approved the government's proposal for an even higher second supplementary budget of 31.9 trillion yen (\$296 billion). Measures include 2.9 trillion yen to strengthen medical services and 10 trillion yen to prepare for potential second and third waves of infection.

A further 451.9 billion yen is being allocated to support employers and employees. Companies will be able to apply for grants of up to 15,000 yen per day to cover salaries of furloughed employees and employees unable to receive payment from their companies can apply for grants of up to 300,000 yen each month. 2 trillion yen has been allocated to support rent payments for affected shops; 11 trillion yen for zero-interest loans for companies in trouble; and 2 trillion yen to support local municipalities' efforts to address the crisis.

The government will submit its second supplementary budget proposal to the Diet on 8 June and hopes to have it passed by 12 June.

Political impact

Reduced support for Prime Minister Abe

Prime Minister Abe's ratings have taken a major hit from his "fumbling" attempts to deal with the crisis, coupled with scandals. His ratings are currently at their lowest level since October 2017, with the most recent *Asahi* and *Mainichi* polls showing only 29% and 27% support, down from 44% in early April. Ratings below 30% are seen as a danger sign for Japanese prime ministers, with many of Abe's predecessors never recovering once their ratings entered this "danger zone". Nevertheless, the LDP remains much stronger than other parties, with 31.7% of those surveyed recently by the national public broadcaster, *NHK*, saying they would still support the LDP in an election, even though 53% were not satisfied with the government's handling of the crisis.

Some local governors praised for their leadership

Local prefectural and city governors in Japan have considerable power to implement local measures and a number have gained in popularity and influence during the crisis by demonstrating strong leadership and good communication – in contrast to the central government.

Osaka governor Hirofumi Yoshimura has been widely praised for proactively sharing information via mainstream news channels and on social media. He strengthened his image as a decisive leader when he announced his "Osaka model" of lifting restrictions based on three clear indicators on 5 May, before the national government had clarified its process for ending the state of emergency, and by publicly naming the pachinko parlours that had not complied with his request to temporarily cease operations. His leadership and "approachable" manner generated a flood of nationwide support with polls showing support for his handling of the crisis the highest among local governors. Some opinion polls, including the *Nikkei*, reported that Nippon Ishin no Kai, the national political party, affiliated to his local party, Osaka Ishin no Kai, is now the most widely supported opposition party.

Tokyo governor Yuriko Koike has also gained in popularity due to her clear messaging using flip charts, banners, and TV adverts with simple phrases such as "stay home" and "stay in Tokyo". Her slick daily online and press briefings served to highlight the national government's lack of urgency and action and her proactive approach has won her many younger fans, in particular due to her online interview with Japanese YouTube celebrity, Hikakin, and warning press to keep their distance, which spawned an online social distancing game based on Koike. Her highly rated handling of the crisis bodes well for her forthcoming re-election campaign in July.

Shifting power dynamics in the Diet

The LDP's initial plan to make a payment of 300,000 yen to those hardest hit by the crisis was controversial, with many criticising it for being too complex to administer and unfair to those who did not qualify. Komeito leader Natsuo Yamaguchi threatened to take Komeito out of the coalition unless Abe changed the policy to a universal distribution of 100,000 yen, leaving him with little choice but to comply. This sort of ultimatum is rare in Japanese politics and may be indicative of a shift in the political balance of power away from the LDP towards smaller parties in the Diet, particularly Komeito.

Winners and losers among possible successors to Abe

Abe became Japan's longest serving prime minister in November 2019 and under current LDP rules his term as party leader (and with it his premiership) is due to end in September 2021. The race to succeed him has been underway for some time but the crisis is also shifting public and party perceptions of possible successors.

LDP Policy Research Council Chair, Fumio Kishida, is seen as Abe's preferred choice. Although the crisis is potentially an opportunity to further strengthen Kishida's presence in the party and in the Diet, his work on the draft for the first supplementary budget resulted in humiliation as the government capitulated to Komeito's demands to change it.

Minister of Health, Labour and Welfare, Katsunobu Kato, is another contender. As the Cabinet minister responsible for public health, the Covid-19 crisis was an opportunity to showcase his leadership skills, but his standing was challenged early on as he oversaw the government's bungled handling of the Diamond Princess cruise ship crisis. More recently Kato has attracted criticism due to his poor handling of his ministry's guidance on PCR tests. The guidance, issued on 17 February, stated that only patients with a fever above 37.5 degrees for four or more days and those with difficulty breathing could be tested. Under these guidelines many felt they were denied access to tests and that their lives were put in danger, due to local health offices interpreting the guidance as meaning that both conditions had to be met. When relaxing the guidelines on 8 May, Kato blamed local governments, saying there had been a "misunderstanding" and stressing that the ministry had asked for its guidance to be implemented "flexibly". Many saw this as an attempt to protect his ministry rather than admit that the guidance itself had led to problems.

In contrast, Yasutoshi Nishimura, assigned by the prime minister as Cabinet minister in charge of coronavirus countermeasures, has benefited from his

competent handling of the crisis. He was chosen for his ability to handle tough opposition scrutiny in the Diet. Nishimura has performed well as a government spokesperson on the crisis and is now viewed as a potential successor to Abe.

Shigeru Ishiba is a former LDP secretary-general and a long-term rival of Abe, who has long been viewed by the public as a favourite to succeed him. He maintains a strategic distance from Abe but has not yet been able to capitalise on the crisis to increase his standing or support among Diet colleagues.

Incumbent defence minister, Taro Kono, has grown in popularity during the crisis. A scion of one of Japan's most prominent political families, he has strengthened his brand by regularly posting to his 1.1 million Twitter followers about the efforts of his ministry and the Self-Defence Forces to contain the virus (in the Cabinet, only Abe has more Twitter followers). He has also continued regular calls with his overseas counterparts, talking up Japan's domestic efforts and its commitment to security in the region. Kono has impressed the public by introducing electronic documentary authorisation in the defence ministry, doing away with the traditional *hanko* seals for signing documents, a practice which has restricted the ability of many Japanese workers to fully embrace remote working. Although rising in popularity among the public, Kono still lacks a strong support base within the LDP.

Implications

During the crisis, the Japanese government has been forced to make decisions and act fast. The crisis has served to accelerate policymaking in a number of areas not previously considered a priority, such as the digitalisation of healthcare, the onshoring and diversification of supply chains and increasing access to IT in education.

The record supplementary budgets have been widely welcomed by business and the public. They will be financed primarily by government bonds which will serve to further increase Japan's record levels of gross government debt. However, critical voices are few as people show understanding of the government's desire to introduce substantial measures to address the current crisis and soften the longer-term impact on the economy.

Despite the dive in Abe's ratings, it is widely expected that he will weather the current storm due to his longevity as prime minister and strong LDP power base. If Abe stays in the saddle until the 2021 Olympic and Paralympic Games, as many expect, the final furlong of the race to succeed him is still a long way off. Continuing missteps in the government's handling of the crisis will nevertheless continue to impact party and public perceptions of his potential successors. Rising local

government stirs and a shift in the political power balance indicate that the crisis may yet serve to shake Abe's grip on power although how much very much depends on how potential second and third waves of infection are managed and the impact the crisis on the Japanese economy.

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