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मनोहर पर्रिकर रक्षा अध्ययन एवं विश्लेषण संस्थान

# JAPAN

## *Digest*

April 2023

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### Japan issues OSA guidelines

The Government of Japan has [issued](#) concrete guidelines for a new form of aid mandated by the revision of the national security guidelines in December 2022, which aims to provide security-related assistance to countries which share ‘like-minded’ views of the Indo-Pacific region. The new assistance program, called Official Security Assistance, is envisaged as an addition to the long-running ODA program, but focusing on providing non-lethal aid to countries perceived as vulnerable to Chinese or Russian influence. The initial [outline](#) of the plan envisages it as an instrument designed to bolster three sectors of national defence: a) boosting domestic security capabilities, b) humanitarian assistance and disaster relief (HADR), and c) international peacekeeping operations. The OSA program is to be operationalised while keeping in mind a) the Three Principles for Transfer of Defence Equipment and Technology, b) the economic and social situation of the recipient country, and c) the maintenance of appropriateness and transparency standards in terms of end user certification and other matters. Initially, the Philippines, Bangladesh, Fiji and Malaysia are being considered for initial receipt of OSA.

### New Diplomatic Bluebook 2023

The Ministry of Foreign Affairs of Japan has [published](#) its latest edition of the Diplomatic Bluebook on April 4 where it declares 2022 as a ‘turning point in history’, condemns Russia’s invasion of Ukraine and describes China as ‘an important bilateral relationship’ but also as the ‘biggest strategic challenge’ facing Japan. The

Bluebook also shines a spotlight on North Korea’s repeated missile launches and nuclear weapons development, as well as pointing out the rise of the Global South and the importance of engaging such nations in diplomatic dialogue. The Bluebook, currently available only in Japanese, is scheduled to be translated into English by the autumn of this year.

### New BOJ governor takes office

The Bank of Japan [appointed](#) a new governor on April 9 with Kazuo Ueda, formerly a professor of Economics at the University of Tokyo, taking over from the ten-year-long reign of Haruhiko Kuroda. His appointment marks only the second time in the BOJ’s history when a non-bureaucrat has been appointed to the governorship of the central bank. The new governor, who will serve a five-year term, is widely anticipated as marking a gradual end to the controversial monetary easing policy put in place as part of the late Prime Minister Abe’s ‘Abenomics’ policy, which critics have cited as a key factor behind the Japanese economy’s extraordinary vulnerability to supply chain crises in the wake of the COVID-19 pandemic and Russia’s invasion of Ukraine. For now, the new governor has remained cautious in his statements, and has refused to consider a quick wind-up of the monetary easing policies shepherded by his predecessor, as the goal of 2 percent inflation set by Abenomics as a long-term goal for the economy has not yet been met. Nevertheless, he has [assured](#) observers that he would be open to considering, given inflation targets are met, a gradual withdrawal of the more extreme component of QE (quantitative easing) policies, such as

yield curve control (YCC), which artificially suppresses the yield curve of government bonds.

### Japan's trade figures for 2022

The Ministry of Finance, Japan has released its latest trade figures, which show that the country's trade deficit in fiscal 2022 [ballooned](#) to a record \$160 billion, roughly quadrupling from the previous fiscal year. Imports jumped 32.2% from the previous year, with most of the rise attributed to higher cost of crude oil, coal and liquefied natural gas (LNG), while exports managed a 15.5% rise in volume.

In terms of bilateral trade, the latest figures show Japan having attained a surplus of 6.65 trillion yen with the United States, and a smaller 454.24 billion yen surplus with the rest of Asia excluding China, but notched a record 6.81 trillion yen deficit vis-à-vis China, as well as a 1.77 trillion yen deficit with the European Union. This signifies a big worry for Prime Minister Kishida, who is betting on Japan's economic revival not only to stabilise the historic price rise in daily necessities seen since last year, but also to provide the funds for his ambitious new defence spending and population decline countermeasures.

### Japan's population trends

Japan's population, including foreign residents, [shrank](#) by 556,000 people between 2021 and October 1, 2022, a decline of 0.44 percent over the past year, as reported by the Ministry of Internal Affairs and Communications. Marking the twelfth straight year of population decline, and the second sharpest drop since 2021, this finding implies that Japan's total

population has declined below the 125 million mark, coming to rest at 124,947,000 persons as of October 1, 2022. Change in the natural population of Japan, which excludes immigration, was a net negative of 731,000 persons, the largest recorded in history. At the same time, Japan gained 191,000 new residents as part of the social population, which includes immigrants, as more foreign residents entered the country than left it, the second-highest gain after 2019. In terms of population structure, persons under 15 years of age represented 11.6 percent of the population, the lowest yet recorded, while 29 percent of the population were aged 65 years or older and 15.5 percent were aged 75 or older, both record highs for the population cohorts in question.

As for where the population of Japan is headed, according to a National Institute of Population and Social Security Research (NIPSSR) [report](#), the country is expected to shrink to approximately 87 million persons by 2070, falling below the 100 million mark by 2056, if current trends continue. The report also noted that the elderly would represent 40 percent of the total population by 2070, impacting the government's calculation of pension and social insurance pay-outs over the coming years as fewer young people remain to support the existing system. The report also estimated that immigrants, including students and persons recruited under the Japanese government's labour importation programs, would gradually increase their share of the population, expanding from 2.2 percent of the total population in 2020 to 10.8 percent in 2070.