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## Japan's New Politics: Quiet Before the Storm?

STEVEN VOGEL

The Japanese government is more paralyzed than ever, with an unpopular prime minister and a divided legislature—and yet the Japanese political system could be on the verge of a major transition.

Opinion polls suggest that the opposition Democratic Party of Japan (DPJ) should defeat the ruling Liberal Democratic Party (LDP) in a critical Lower House election to be held some time before September 2009, potentially giving Japan its first lasting period of alternation in power since 1955. (The LDP lost power briefly when the party split before the July 1993 Lower House elections, but it managed to regain power the next year by forging a coalition of convenience with its long-time adversary, the Social Democratic Party of Japan.) Nevertheless, the LDP has escaped from near-doom more than once in the past, and the DPJ has squandered some golden opportunities, so a DPJ administration remains far from assured.

If the DPJ takes power, the dynamics of Japanese politics could be substantially altered. Through much of the postwar period, the LDP has collaborated closely with the government bureaucracy and leveraged its long-term incumbency to allocate resources to favored constituent groups. If the LDP retains power, the government will face the continued prospect of a divided legislature because the opposition controls the Upper House. Between these two scenarios lie some intriguing possibilities for party realignment, or perhaps even a grand coalition of the LDP and the DPJ.

### KOIZUMI'S TRIUMPH

Since July 2007, the Japanese have confronted the unprecedented conundrum of divided govern-

ment Japanese-style, with the ruling coalition enjoying a two-thirds majority in the Lower House of the Diet, Japan's national legislature, while the opposition controls the Upper House. This situation in turn reflects the diametrically opposed results from two dramatic elections within two years.

In September 2005, then-Prime Minister Junichiro Koizumi orchestrated a massive LDP victory in the Lower House elections. Koizumi had already rescued the party from seemingly certain defeat in the 2001 Upper House elections. But he saved his most dazzling move for last. Koizumi had devised an ingenious strategy of saving the LDP by destroying it. The LDP had been suffering a long-term erosion in popular support as voters had become disillusioned with corruption scandals, wasteful spending on public works, and mismanagement of the economy. Koizumi took to its illogical extreme the LDP's well-honed strategy of preempting challenges by embracing the opposition's critique of old-style LDP politics. In essence, he declared, who better to clean up the LDP than the LDP itself?

Koizumi advocated “structural reform,” meaning reductions in public works spending, reform of special public corporations, and privatization of the postal system. He promoted this as economic reform, but his more fundamental purpose was to reform the LDP. The party had long relied on generous public works spending to reward key constituent groups, especially in rural areas. It had used postal savings deposits to finance much of this infrastructure investment (in addition to delivering mail, the Japanese postal system was the world's largest financial institution), and it had channeled the funds through special public corporations such as the Japan Highway Public Corporation. So Koizumi was attacking the party machine at its core, and this meant doing battle with the party's old guard.

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This struggle came to a head in 2005 when Koizumi threatened to call a Lower House election if his postal privatization bill did not pass. Some members of the old guard broke party ranks and voted against the legislation in the Lower House, though the bill managed to pass anyway. In the Upper House, however, LDP defections were sufficient to defeat the legislation.

Koizumi stunned his rivals by making good on his promise to dissolve the Lower House. He was taking a substantial risk—public support for the LDP was low and Koizumi was not required to call an election for another year. But he then went a step further, banishing from the party the “postal rebels” in the Lower House and recruiting “assassin” candidates to run against them. The LDP lined up some high-quality candidates for the assassin role, including younger candidates and women.

Koizumi's sheer audacity, his commitment to fighting the party's old guard, and his captivating performance on television played very well with the public. Meanwhile, the DPJ ran a lackluster campaign behind a technocratic leader, Katsuya Okada. The party's depressing campaign slogan was “Don't give up on Japan.” The LDP won an astounding 296 seats and ran very strongly in urban districts where it had often struggled.

## MEEK INHERITANCE

Paradoxically, however, Koizumi's success in 2005 sowed the seeds for the party's failure in 2007. Koizumi accelerated a trend away from his party's traditional electoral strategy, which had centered on mobilizing support networks, and instead placed greater emphasis on leaders, image, and policies. For many years the LDP had enjoyed strong rural support via a broad social coalition that ranged from farmers to small business owners. Stable clientelistic relationships had enabled the party to win elections even with weak leaders, image problems, and flawed policies.

Koizumi pledged to step down as prime minister at the end of his term as party president in September 2006. In the Diet session that followed the 2005 election, the LDP coalition promptly passed the postal privatization bill. But as the glow of the Lower House electoral victory faded, critics of Koizumi's reform program

became more vocal. In the fall of 2005, the *Asahi Shimbun*, a nationally circulated newspaper, published a series of articles on economic inequality. Other newspapers and television outlets soon embraced the issue, with many commentators suggesting that Koizumi's pro-market reforms had exacerbated inequality.

In fact, Japan's rising inequality in incomes is driven more by prolonged economic stagnation and demographic shifts than by specific government policies. Inequality is greatest among the elderly because the population is aging and Japan's pension system is relatively weak. The young are also suffering from a decline in employment opportunities for entry-level workers resulting from more than a decade of stagnation.

Shinzo Abe, a popular younger-generation Diet leader, quickly emerged as the frontrunner in the race to succeed Koizumi. Abe had made his name by taking a hard-line stance against North Korea over the issue of kidnapped Japanese nationals. Despite his distinguished political pedigree—he is the grandson of postwar Prime Minister Nobusuke Kishi and son of former Foreign Minister Shintaro Abe—he had not served in the cabinet until Koizumi appointed him as chief cabinet secretary in October 2005.

But the departing Koizumi left Abe with a tough act to follow. While Koizumi could bask in the glow of electoral victory, Abe was left to cope with a multitude of unresolved problems, not the least of which was a massive budget deficit. Koizumi had refused to raise the consumption tax on his own watch, and he left much of the detailed implementation of his structural reforms to his successors.

Moreover, Koizumi had orchestrated such a huge electoral victory in 2005 that his party had nowhere to go but down. The LDP's success relied so much on Koizumi's personal charisma that such success would be difficult to replicate without him at the helm. And Koizumi had undermined the party's support network in rural areas, leaving it vulnerable to a counterattack by the DPJ.

So Abe came to office in September 2006 facing some big challenges—and quickly proceeded to make his situation much worse. Abe made a fateful decision in December 2006 to readmit into the LDP the postal rebels who had defeated Koizumi's assassins in the Lower House elections, giving

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*The LDP remains divided over how to address Japan's monumental budget deficit.*

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the impression that he was stepping back from Koizumi's commitment to reforming the party. He also caved in to pressure from the construction lobby, watering down his earlier proposal to allocate road and gasoline taxes to the government's general funds instead of earmarking them for road construction projects. He filled his first cabinet with loyalists rather than leaders known for their skill in managing party and parliamentary affairs. And his administration suffered no fewer than five major scandals, with four ending in resignations and one in suicide.

In the worst of these scandals, an investigation initiated by DPJ politician Akira Nagatsuma revealed that the Ministry of Health, Labor, and Welfare had misplaced pension records for over 50 million Japanese citizens. Although Abe bore no direct responsibility for this debacle, his administration's response was seen as lackadaisical, and this more than any other scandal sent public support plummeting.

For once, the DPJ was able to capitalize on the LDP's unpopularity. DPJ leader Ichiro Ozawa, a former LDP heavyweight who had transformed Japanese politics by defecting from the party in 1993, crafted a campaign strategy to lure rural voters to the DPJ by promising generous income supports for farmers. The LDP won only 37 of the 121 seats that were contested in the July 2007 Upper House elections, compared to 60 for the DPJ. (Upper House members serve six-year terms, with half of the members up for re-election every three years.) This gave the DPJ a plurality in and control over the Upper House.

## DIVIDED GOVERNMENT

Many experts had predicted that Abe would resign if his party failed to win more than 40 seats, but Abe defied the pundits. He formed a new cabinet with a more experienced lineup, and his public approval ratings improved temporarily. The LDP and DPJ immediately began sparring over terms of engagement in the unprecedented situation they faced.

Under the constitution, if the Lower House passes an ordinary bill and the Upper House does not approve it, then the Lower House can override with a two-thirds majority. If the Upper House deliberates over a bill for more than 60 days, the Lower House can treat this as a negative vote and proceed with an override effort. Lower House votes to elect a prime minister or to approve a budget or treaties are binding after 30 days, even

if the Upper House fails to act or votes against them. These provisions were largely immaterial through most of the postwar period because the LDP controlled both houses. But the 2005 and 2007 elections had produced a unique situation in which not only were the houses controlled by separate parties, but the LDP coalition had a two-thirds majority in the Lower House that would enable it to override the Upper House.

Many observers suspected that the LDP would be reluctant to use its override powers because this would seem like an abuse of power and could hurt the party in the next Lower House election. Meanwhile, the DPJ could deploy its power to stall or block legislation in the Upper House, but it would try to avoid the appearance of blatant obstructionism. The DPJ experimented with introducing its own legislation from the Upper House, even though it realized that it could not pass bills without support from the LDP-controlled Lower House.

DPJ leader Ozawa tested the new balance of power by taking a firm position against extension of an act called the Anti-Terrorism Special Measures Law. This law authorized Japan to provide logistical assistance to US and allied naval vessels involved in operations in Afghanistan—assistance such as supplying these vessels with oil. Abe vowed publicly to push the extension bill through. In September 2007, however, Abe abruptly resigned after Ozawa refused to meet with him to discuss a compromise solution. Abe complained of unspecified health problems and was later admitted to a hospital with a gastrointestinal condition.

In the flurry of activity after Abe's sudden resignation, the most likely candidate for prime minister seemed to be Taro Aso. An outspoken and charismatic conservative, he was politically and personally close to Abe. Within a day, however, the leaders of the LDP's biggest factions had expressed their support for Yasuo Fukuda, a politician noted for being, under Prime Ministers Yoshiro Mori and Koizumi, the longest-serving chief cabinet secretary in Japanese history. Despite holding only one cabinet position, Fukuda had earned strong marks for his managerial skill and deft handling of party executives. He had also developed a reputation for moderation in foreign policy.

Fukuda was more inclined than Abe to work with the opposition. He decided not to try to extend the Anti-Terror law but to propose a new version instead. He tried to arrange a settlement with

the DPJ, but Ozawa refused, insisting that the two sides should engage in a public debate rather than make a private deal. Then Ozawa stunned his own party and political circles in November 2007 by agreeing in a private meeting with Fukuda to form a grand coalition with the LDP. DPJ members recoiled at this proposal, and Ozawa promptly offered to resign. DPJ leaders managed to convince Ozawa to stay on, while giving up on the grand coalition plan.

Ozawa apparently had judged that the DPJ would have trouble winning the next Lower House election because voters lacked confidence that the party could govern, and he felt that the experience of governing in a grand coalition might enhance the party's credibility. Most DPJ members, however, felt that they should confront the LDP rather than collaborate with it, and subsequent public opinion polls showed that voters felt the same way.

When Fukuda first gained power, many speculated that the LDP would call a quick election in early 2008. The DPJ was not yet prepared to run a full slate of candidates in Japan's 300 single-member districts. However, as the Fukuda administration's public approval ratings dropped from 60 percent at the time he took office to a low of 21 percent in May 2008, party leaders increasingly favored postponing the election. The prime minister had hoped he would get a boost in public support after hosting the Group of Eight summit in Hokkaido, but the cabinet's approval rating rose only negligibly.

The LDP coalition over time also became less reluctant to wield its override power. In January 2008, it deployed this power for the first time since 1951 in order to push through the Anti-Terror bill. It also used an override to extend extra gasoline taxes and to allocate road-related taxes exclusively to nationwide road construction for a period of 10 years.

## THE LDP'S OPTIONS

How might the LDP save itself this time, even as most indicators point to defeat in the next election?

Fukuda on August 1 reshuffled the cabinet to put more of his own imprint on the government, since he had carried over most of his original cabinet from Abe. But this will not likely prove enough to mollify the public. The party elders could consider replacing Fukuda himself, espe-

cially if his popularity continues to falter. But they would have trouble finding a candidate like Koizumi, who could single-handedly change the party's fortunes at the polls. Aso, the most likely candidate, was named party secretary general at the time of the cabinet reshuffle. Aso is more popular and more charismatic than Fukuda, but he would come with his own liabilities, including a propensity for antagonizing Japan's neighbors with nationalistic rhetoric. Koizumi has been reported to support former Defense Minister Yuriko Koike, a telegenic and articulate nationalist, who would present a dramatically different alternative as Japan's first female prime minister.

The party could try to cultivate divisions within the DPJ, hoping to recruit defectors. But Ozawa would make every effort to close ranks before the election. The LDP's best chance might be to watch for a misstep or a scandal on the DPJ side and then exploit it for maximum political advantage.

The party could also contemplate policy initiatives that would garner public support. It would be almost impossible to pursue an ambitious legisla-

tive agenda, however, when the opposition controls the Upper House. The public is particularly concerned about social welfare issues, specifically pensions and health care. For the time being, dissatisfaction around these issues presents a ma-

major liability for the governing party—but the LDP has managed to turn this kind of weakness into strength before. In the early 1970s, the party orchestrated a major shift in environmental and welfare policy, effectively disarming the opposition.

To do that this time, however, the LDP would need strong leadership, bold initiatives, and a lot of luck. None of these seems to be in the offing. Ultimately, a dramatic policy shift might not be enough even if the LDP could engineer one, as many voters appear to favor a change in power for its own sake.

Finally, the LDP itself could splinter. "We will not split," former party Secretary General Koichi Kato insisted to me in an interview in July. "I should know, since I would be the one to leave." Yet Kato added one condition: "If we were really convinced that we were going to lose, then we might consider it." And party insiders report that LDP and DPJ politicians have been meeting discreetly to plan for a possible new party. The new party might be able to

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attract voters who are fed up with the LDP but not ready yet to vote for the DPJ.

Under another scenario, the realignment would take place after the election. If the DPJ won, but fell short of an outright majority, it might form a coalition with a splinter group from the LDP. The DPJ might also consider forming a coalition with the LDP's coalition partner, the Komeito, a party that garners most of its support from the Soka Gakkai, a Buddhist sect. The Komeito is an attractive coalition partner because it combines strong organizational capacity with flexibility on policy issues. And the DPJ and the Komeito might agree on strengthening Japan's welfare state. However, the Komeito might be reluctant to switch sides quite so quickly, since it would have just run in the election alongside the LDP.

## CHALLENGES AHEAD

In the meantime, the LDP remains divided over how to address Japan's monumental budget deficit. The country's rapidly aging population adds to the challenge of dealing with an accumulated government debt that totals more than 180 percent of gross domestic product. Party elder Kaoru Yosano supports a prompt increase in the consumption tax as the only responsible way to move toward balancing the budget. Hidenao Nakagawa, a rival party heavyweight, favors delaying a tax hike and continuing to cut costs while hoping that economic growth will increase revenues.

Most voters favor the Nakagawa position, feeling that the government should try to reduce its own waste before asking citizens to contribute more. Fukuda appeared to back the Yosano stance in June 2008 when he announced that the time had come for the government to consider a consumption tax hike, but he later pulled back subtly by suggesting that the administration would consider its options over a period of two to three years.

LDP leaders have confronted a considerable public backlash against market-oriented reforms. In 1999, the government liberalized the employment of dispatch workers (agency temps), but the dispatch business has increasingly become associated with low wages and poor working conditions. In July 2008, a government task force proposed reforms to address

some of the worst abuses by banning single-day dispatches and requiring agencies to publicize their commissions.

The Fukuda administration also provoked criticism for revising, in April 2008, the health care insurance system for people over the age of 75. The government insisted that its intention was to streamline administration rather than to cut costs, but citizens were nonetheless outraged that insurance premiums increased for some people and that certain payments were now automatically deducted from pensions.

The DPJ took advantage of this public sentiment, promptly submitting a bill in the Upper House that would undo the revisions. The LDP is expected to block the DPJ bill in the Lower House when the Diet convenes in the fall, but party leaders are resigned to making some adjustments in the new plan to mollify the public.

In the fall Diet session, the government will also have to take up legislation to extend authorization of Japan's support for the refueling operations in the Indian Ocean, authorization currently set to expire in January 2009. In early 2008, the LDP also began consideration of a bill that would provide a more general authorization for peacekeeping operations abroad (if certain conditions were met), but negotiations became bogged down because of divisions within the ruling coalition.

## A "CHANGE" ELECTION?

Both the LDP and the DPJ have begun issuing campaign "manifestos" that outline specific policy proposals, yet these documents fail to articulate clear differences in policy orientation or ideology. On economic issues, LDP members range from those who advocate liberal market reforms to those in the old guard who prefer trade protection, especially of agriculture, and redistribution toward rural areas. On foreign policy, the LDP combines pragmatic moderates like Fukuda with nationalists like Abe and Aso.

As for the DPJ, it may span an even greater range, combining former socialists with LDP defectors. Many have argued that the two parties should realign so they can represent distinct policy alternatives, but this is unlikely as long as they both strive to compete in urban and rural districts. If either party tries to shift too dramati-

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cally toward a small government line that might appeal to urban voters, for example, candidates running in rural districts would resist.

On domestic policy, the DPJ has tried to have it both ways: It espouses market competition and resists raising taxes, but also favors a more generous welfare policy. Its positions on key welfare issues—it supports greater government funding for pensions and health care, for example—align closely with voter preferences. In rural districts, meanwhile, LDP and DPJ candidates do battle over who can best help Japanese farmers. The LDP has closer ties to farm groups and a long record of protecting farmers from foreign competition, but the DPJ offers the temptation of direct subsidies to individual farmers.

On foreign policy, Ozawa has attempted to articulate a difference in principle, arguing that Japan should only support overseas peacekeeping missions that are sanctioned by the United Nations. He has used this rationale to oppose Japanese participation in the conflicts in Afghanistan and Iraq. But Japanese voters do not fully grasp this doctrinal stance, for in practical terms Ozawa's approach could mean that

Japan becomes more embroiled in conflicts abroad, not less.

The voters may have trouble identifying the policy differences between the two parties, but they are tempted to opt for change. Koizumi convinced Japanese voters that he could do more to change Japanese politics than the opposition; his successors will be hard-pressed to repeat that feat.

If the DPJ does take power and manages to stay in power for a reasonable period of time, this could do much to transform the nature of Japanese politics. The LDP's period out of power in 1993–94 was sufficiently long to offer a few hints about what this would mean, but too brief for any lasting changes to be imposed.

A new DPJ administration will be determined to assert control over a bureaucracy that has collaborated with the LDP for decades. Alternation in power could shatter the presumption that the LDP is the party of government and therefore the only party capable of bestowing tangible benefits on voters and interest groups. And it might even press the two major parties to differentiate themselves more clearly on policy issues. ■



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