



Asia Pacific Bulletin

Number 94 | February 18, 2011

Glum and Glummer in Japan

BY JEFFREY HORNUNG

When the Democratic Party of Japan (DPJ) kicked the Liberal Democratic Party (LDP) out of power in 2009, there was some sense of hope amongst the Japanese that things would change. If nothing else, the Japanese hoped that the DPJ would bring new ideas to tackle some of the country's ongoing problems. Reality soon proved otherwise. Not only has the DPJ quietly abandoned many of its campaign pledges, it has proved just as incapable at resolving ongoing problems. Seventeen months into a DPJ-led Japan, Prime Minister Naoto Kan faces a number of domestic problems that threaten his government's survival. The unfortunate result is another expected turn of the revolving door that is the Japanese premiership.

Jeffrey Hornung, Associate Professor at the Asia-Pacific Center for Security Studies in Honolulu, Hawai'i, observes that, despite early high hopes for the DPJ, the prospects of the Kan government in Tokyo are increasingly uncertain because of self-afflicted missteps and its inability to solve ongoing problems. "The unfortunate result is another expected turn of the revolving door that is the Japanese premiership."

Consider Japan's economy. While economic growth remains anemic, ballooning sovereign debt will surpass 200% of GDP this year—second only to Zimbabwe. This led Standard and Poor's (S&P) to downgrade Japan's long-term sovereign credit rating from AA to AA-. Citing Kan's DPJ as lacking a coherent strategy for dealing with the debt, S&P voiced concern about Japan's long-term fiscal prospects. Kan's comment that he "didn't know much" about the downgrade did little to soothe the critics, as it was misinterpreted as his deficient understanding of credit ratings. More dismaying is that Kan reshuffled his cabinet *prior* to the downgrade to signal his seriousness about tackling Japan's economic problems. Given that S&P did not agree, Kan's credibility has been called into question.

Worse, the reshuffle was also meant to boost his government's sagging support. While support rates limped from the lower- to the upper-twentieth percentile, the Kan government remains weak. Kan hoped his appointment of fiscal conservative Kaoru Yosano as minister for economic and fiscal policy would convince voters of his economic seriousness. However, Yosano is not a DPJ member. He is a vocal critic of Kan and formerly associated with the Sunrise Party of Japan, a party established to defeat the DPJ. Not only has he yet to modify his opinion of Kan *publicly*, Yosano recently filled a panel to study social security reform with persons who had served on similar panels under past LDP governments. Appointing such a critic to the cabinet has hurt Kan's standing in the party. Even more injurious is the fact that Yosano shares the same electoral district as fellow DPJ member and Yosano's predecessor for his ministerial post, Banri Kaieda. The two are longtime rivals. In the 2009 election, Yosano lost the constituency vote to Banri but gained a seat through Japan's proportional representation system. Although Yosano did not join the DPJ, he did join the DPJ's parliamentary group in the lower house. As Kan's appointment of Yosano means a fellow DPJ member will now face off against Kan's cabinet member in the next election, Kan's decision is criticized as not being well-planned.

If this were not bad enough, Kan's economic policies are ripping apart the DPJ. His two policy centerpiece for growth are a consumption tax hike and possible participation in the Trans-Pacific Partnership (TPP). Joining the TPP is a sensitive



“Given these challenges, the prospect of a spring crisis is becoming more real. With a DPJ already fractious, the problems regarding Ozawa and the TPP will likely lead to an intensification of efforts to topple Kan from within.”

The East-West Center promotes better relations and understanding among the people and nations of the United States, Asia, and the Pacific through cooperative study, research, and dialogue. Established by the US Congress in 1960, the Center serves as a resource for information and analysis on critical issues of common concern, bringing people together to exchange views, build expertise, and develop policy options.

The *Asia Pacific Bulletin* (APB) series is produced by the East-West Center in Washington. The views expressed in this publication are those of the authors and do not necessarily reflect the policy or position of the East-West Center.

EastWestCenter.org

EastWestCenter.org/Washington

topic in Japan because the country's entry is expected to bring about the collapse of its agricultural sector. LDP opposition is understandable given that farmers are its traditional bastion of support. Yet, the DPJ also promised farmers subsidies in the 2009 election, which helped hand it its electoral victory. As such, Kan faces both LDP and DPJ resistance. Similarly, Kan's plan to increase the consumption tax has angered DPJ members who won in 2009 partly by promising subsidies and handouts. Because LDP governments have been felled over consumption tax hikes, Kan faces a perilous spring. Rumors of a maneuver to bring Kan down in the DPJ have already made the rounds.

Even if Kan can assuage his party's concerns, he faces an LDP intent on bringing an end to DPJ governance. Because the LDP controls the Diet's upper house, it can block bills as long as Kan lacks a two-thirds majority in the lower house to override an upper house veto. Unless Kan can enlist other parties, he has no such majority. This is important because the Diet is deliberating bills relating to the new budget that need to be passed by the lower house no later than early March. The LDP, questioning the contradictions between the proposed budget and the DPJ's campaign manifesto, is refusing to pass these bills in the upper house. While Kan has called on the LDP to put aside political grievances and pass the bills, the olive branch the LDP is offering for cooperation includes Kan's resignation and/or lower house dissolution. With nationwide local elections in April, the LDP sees worth in frustrating Kan because the DPJ's support rates are sagging and the DPJ has been losing a series of local by-elections.

Overshadowing all this is an ongoing battle to rein in DPJ political strongman Ichiro Ozawa. Since becoming party president, Kan's objective has been to eliminate Ozawa's influence. This is in response to internal opposition to Ozawa's heavy-handed tactics in party management and an alleged violation of a political funds law in a land deal. This latter issue has proven especially troublesome. The LDP has been calling for Ozawa to testify before an ethics panel, a sentiment largely shared by the public. Kan, however, has been unable to get him to agree, thereby stiffening LDP opposition. Worse, the DPJ lacks consensus on the matter. Even after being recently indicted, Ozawa still refuses to testify, ignoring Kan's calls on Ozawa's good graces to do what is best for the party. With the Japanese public overwhelmingly unfavorable of Ozawa, a sense of alarm is pervading the DPJ because an unpunished Ozawa will hurt the party in April's elections. If Kan pushes Ozawa too hard, his supporters could rebel in Diet voting and frustrate Kan's efforts to pass economic reforms and budget-related bills. If Kan does not push enough, he will anger DPJ lawmakers fed up with the internal strife. In short, Kan's DPJ is fractious. It is uncertain how long the party can remain united.

Given these challenges, the prospect for a spring crisis is becoming more real. With a DPJ already fractious, the problems regarding Ozawa and the TPP will likely lead to an intensification of efforts to topple Kan from within. If the DPJ suffers a defeat in April's elections, Kan will be forced to step down. In short, unless something significantly goes Kan's way this spring, Japan could very well have its sixth premier since 2006. Here we go again.