

## Japanese Politics Today and the Impact on U.S.-Japan Relations

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In considering the dilemmas faced by Japan I am reminded of what Lord Palmerston once said in the 19<sup>th</sup> century: There were really only three people who ever understood the crisis in Schleswig-Holstein. One was dead. One was in a lunatic asylum and the other was himself and he had forgotten. I hope on the question of Japan I can do a little bit better in explaining my views of the situation and the challenges that are faced.

On March 24, 2009, Okubo Takanori, secretary to Democratic Party of Japan (DPJ) President Ozawa Ichiro, was indicted for taking bribes. This marked the beginnings of a turn-around for the largest opposition party in Japan and its controversial leader. The fortunes of the DPJ had been soaring since they captured the majority in the Upper House in 2007. Recent municipal elections had born out a rosy future for the DPJ. In 44 municipal elections held over the past several months the victories by candidates endorsed by the Liberal Democratic Party (LDP) had noticeably dropped while those by DPJ endorsed candidates had risen. This was also due to the redrawing of regional political maps which caused the number of local assembly members to drop from 61,000 in 1996 to 35,000 at the end of 2008. The LDP had always leaned heavily on local organization from the assemblies for support.

The LDP was clearly wounded. Following Junichiro Koizumi, there were two Prime Ministers who self-destructed and now possibly a third as Prime Minister Aso’s approval ratings hit 13 percent, approaching the levels of Uno Sosuke and Mori Yoshiro. However, the LDP was not alone in its leadership problems. The DPJ had its share of trouble too with leadership that resembled a game of musical chairs.

The arrest of Ozawa’s secretary demonstrated once again some of the many pitfalls of the political system. *Kinken seiji*, money politics, is alive and well in spite of laws that attempt to control it. The major problem for the DPJ, however, was the total mishandling of the issue by Ozawa. His actions rattled many voters because it appeared *wagamama*, selfish or self-indulgent, and made them question whether the DPJ was a party that could be trusted with government. Through his denials on behalf of his secretary, Ozawa made the DPJ look like his personal possession and, I believe, voters were put off by the weakness or inability of the DPJ, as a party, to get this situation under control.

As I mentioned before, *kinken seiji*, or money politics, has always been a problem in Japan. It was thought that the elimination of *habatsu*, or party factions, would help get it under control. However, in reality, these factions were never eliminated. Nishimatsu Construction had been a funding mechanism for politicians since long before Ozawa. This time Nishimatsu simply disguised its corporate donations as personal donations by padding payrolls and allowing them to donate to dummy political organization that funneled the money to Ozawa’s fund management body. Ozawa’s reaction to this was to

say that he would not pry into where the money came from because that would be rude. Some commentators in Japan have said that prosecuting the case would be unreasonable because it is small in comparison with the bribery conducted by Kanemaru Shin and Tanaka Kakuei.

None of these things are state secrets. Japan's media has known about the extent of corruption and the fact that it goes on without pause for years, as well as the fact that the DPJ is almost as corrupt as the LDP.

The Japanese political world is run much like a family business with *nisei giin*, second-generation politicians. Over a third of LDP members are such hereditary politicians. In an effort to burnish their image the DPJ has said they will ban the inheritance system of politics. Okada Tatsuya leads the Political Reform Committee and says this ban would include and cover up to great-grand children, nieces, and nephews. Of course, if they were to run in a different district they would be exempt. This ban would affect the DPJ as well as the LDP, since close to a fifth of DPJ members are hereditary politicians. Even the current Secretary-General of the DPJ, Hatoyama Yukio, is himself the grandson of former Prime Minister Hatoyama Ichiro.<sup>1</sup>

So, the current state of politics in Japan has come to be described as *fuman VS fuan*, dissatisfaction (with the LDP) VS uneasiness (toward the DPJ).

Japan's financial crash was a bit of a surprise. Since they had mainly dealt with their toxic asset issues in the late 1990s, it was thought that they would be less susceptible. Given that Japan's reliance on trade is around 15 percent of the GDP, in comparison with China (roughly 40 percent) and South Korea (about 60 percent) it was thought that Japan might be more immune. However, it was the nature of the sectors that have been affected which has caused Japan the most trouble, namely automobiles and capital goods. Therefore the economic return of the United States and China will likely lead before Japan can hope to recover.

In this economic climate the Japanese business community especially recognizes how important it is to maintain and continue to build ties with their trading partners within Asia, especially China. The business community has built up a good relationship with China, their largest market. However, this attitude towards China is not shared by the leading conservatives in the government and is causing a serious divide. As tensions between Japan and China continue, the business sector remains the most open to China and maintains a completely different platform than the security hawks.

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<sup>1</sup> Only days after this presentation, Yukio Hatoyama, then DPJ Secretary-General and deputy to DPJ President Ozawa, was elected DPJ President for the second time. He had previously held the position from 1999 to 2002.

## Summary of the Question and Answer Session:

A question was asked regarding the future role of Japan in the U.S.-Japan relationship and what could be expected. Dr. Orr responded that the U.S. shouldn't expect too much from Japan. Without strong leadership Japan won't take action and there isn't any strong political leadership. He said that we could be looking at another lost decade in terms of political leadership because there aren't any strong political figures present or on the horizon. Even if the opposition DPJ were to win the upcoming election they wouldn't be very strong. Also, he mentioned that the power pendulum is swinging from the politicians back to the bureaucrats.

A follow up question was asked regarding what Japan might do (or not do) for the U.S. relationship when bureaucrats get more power, to which Dr. Orr responded that if the Japanese political world continues to slide toward an internal focus it is possible that the Japanese bureaucracy will increasingly attempt to fill the power vacuum. Throughout the 1990s and 2000s politicians have made strides in trying to wrest power away from the bureaucracy. This has been evident, for example, in a younger generation of political leaders who took greater interest in policy related questions. And there were attempts to increase the number of "political appointees" in key Ministries. In the past only two Diet members could be expected to receive such an appointment but that has increased to up to four in some cases.

Ironically, in the short term it might be easier for the U.S. administration to deal with a Japan that has stronger bureaucratic actors as it would be easier to pinpoint some of the decision making linchpins more clearly.

There was a request for elaboration on the point regarding relations between Japan and China being most open in the business community, and which elements within the Japanese political system did or did not favor good relations with China. Dr. Orr said that he didn't think there was any element in the Japanese political system that would like to see a deterioration of the relationship with China. However, there are actors in the more extreme right in the media and in *Nagatacho* (Japan's Capitol Hill) that might favor a more nationalistic approach that would antagonize China more. Also there is a deep concern in Tokyo over what is perceived as an increasing U.S. tilt toward China. The DPJ is probably less likely to adopt an antagonistic approach toward Japan as there are fewer outspoken representatives of the right wing in the Party. And, as mentioned the Japanese business community would be deeply concerned over a deep rift between Japan and China.

There was a question regarding the rift in Japanese defense procurement. Dr. Orr responded that defense procurement issues must be seen in a wider context than just procurement (although it is an important piece of the puzzle). First, Japan's "military-industrial complex" is still more oriented toward the industrial side of the picture as opposed to the military side. Thus elements of industry are more interested in licensed production than in the regional strategic demands. Also, producing under license is a much more expensive proposition than off the shelf purchases. This perhaps is not an

issue with an expanding defense budget but given the self-imposed 1 percent limitations of GDP and the financial crisis, this will not change any time soon. Plus a procurement system that does not provide effectively for multi-year purchases makes the Japanese defense system two or three times more expensive that it has to be. And there also remain issues connected with compatibility between the Japanese and American services. Although, Dr. Orr added that he didn't know of anyone in the U.S. military who has grand hopes for near term change in this area.

Finally, following up on Dr. Orr's earlier remarks on the matter, a question was asked for more detail on the likely weakness of a DPJ-led coalition. Dr. Orr listed several likely weaknesses of a potential DPJ-led coalition that have occurred to him:

- 1.) Lack of experience in the DPJ. Few of their senior leadership have held cabinet level portfolios in the key ministries. This in itself is not a game breaker but it might make it harder to establish effective command and control (to the extent that is possible in Japan).
- 2.) The DPJ contains far greater diversity than the LDP with roughly half of the members coming from the Liberal Democrats while the rest are a collection of politicians from the left and Komei Party. Thus it will be harder for them to maintain a consensus. That consensus would be relatively cohesive in the beginning of any DPJ government but it would unwind after the extent of the internal differences within the Party were clearly projected to the outside world.
- 3.) And, related to the above, there would be difficulty in forming a coalition with non-DPJ players and holding it together. This would negatively affect the LDP to an even larger extent because they would peg themselves further to the right, plus the LDP does not have a history of working well with non-LDP players.

All in all, the Japanese political system is facing stiffer headwinds than usual and it will probably take several elections to begin to unravel some of these internal challenges.