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JAPAN'S POLICY AGENDA AFTER THE JULY ELECTION:

GRIDLOCK BROKEN?

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P R O C E E D I N G S

MR. BUSH: Ladies and gentlemen, why don't we go ahead and get started. My name is Richard Bush. I'm the director of the Center for Northeast Asian Policy Studies here at Brookings and I'm very pleased to welcome you all here today for this program on the Japan Upper House elections. And we are very pleased to see so many people interested in Japan.

We're going to talk about various aspects of the election: the political side, the implications for the economy and economic policy and then implications for security and constitutional revision. We have an excellent panel to help us do that. To my far left only spatially is Michael Thies.

MR. THIES: You don't know.

MR. BUSH: Who teaches in the political science department at UCLA. We're very pleased that he made the trip all the way across the country to the East Coast from what Californians I think call the best coast.

To my immediate left is my colleague Mireya Solis, who's the Phil Knight chair for Japan at Brookings. And she along with our colleague, Jennifer Mason, have done all the hard work to put this program together.

And then to my right is Mike Mochizuki who needs no introduction to Brookings because before he moved to GW where's he been for some time, he was a senior fellow here. So it's nice to welcome him back.

And I would like to thank Michael for providing the material for these really dandy charts here which I hope you picked up at the door.

So we're going to do this in a kind of informal way. I'll pose some questions to each of the panelists. Maybe there'll be a little bit of interaction and then we'll throw it open to your questions. So, Michael, tell us a little bit about how the

Japanese electoral system works, the results of this election and what does it mean that the diet is no longer twisted?

MR. THIES: Okay this was an election for the Upper House, the House of Councilors. The electoral system that I'm about to describe is actually less complicated than the one for the Lower House, although they're now fairly similar. So there are 242 members now in the Upper House with half elect; they serve six year terms and half are elected every three years. So it's somewhat like our Senate that not the whole body is elected at once but it's different in that the half, each half represent the entire country.

So in the US we have 33 senators every couple of years. So some states have elections, other states don't have elections. In Japan, every prefecture elects half of their total representation every three years. And there are two ways to get elected.

So there are districts and there's a national constituency. The districts are the prefectures. There are 47 electoral districts and from those 47 districts 73 members are elected. 31 of the districts are single member districts, there's one representative elected every three years and the others have two, three, four or five members depending on population. Depending on population is sort of in principle there is still huge mal-apportionment. So Tokyo has five representatives. If it were really represented proportionally relative to say a place like Tottori, it would probably have 10 or 12, maybe even more than that.

But that's the basic idea. So that's 73 people are elected that way and then another 48 are elected from a national proportional representation constituency. So each voter gets two votes. You vote for a candidate in your district and if it's a single member district, the one who gets the most votes wins. If it's a three member district, the

three who finish first, second and third each get a seat. And in the PR you can vote for a party, just choose a party and parties get seats equal to the proportion of votes that they got.

Or now starting in 2001, I think, you can vote for a candidate within a party. And then that vote goes toward the party to figure out what the party share is going to be but then it also moves the candidate up within the party to determine if a party wins say 10 seats in the proportion representation tier, which 10 individuals actually get those 10 seats depend on the preference votes that voters cast for them individually. Alright? So it's kind of complicated how it gets elected but that's what just happened and the big picture result you can see in these first couple of pictures. I made one and Jennifer made one.

The LDP and its partner Komeito won a big majority of the seats available in this election and added to the seats that weren't up for election that were elected three years ago now. They hold a majority in the Upper House overall.

We can talk about details in a minute but the big story is that the government now of Shinzo Abe, the coalition between the LDP and the Komeito control majority in both houses of Parliament. This is important because as was a surprise to a lot of Japan's scholars starting around 1989 but especially in 2007, the Japanese Upper House is actually extremely powerful. It's one of the most powerful Upper Houses in the world among parliamentary systems. Only Italy, Australia and well really Italy and Australia are as powerful. Germany on some matters, the Upper House is as strong.

The Upper House in Japan, its approval is required for all legislation other than the budget and treaties. And it doesn't have a formal say on the choice of prime minister. But for everything else the Upper House has to say yes with a caveat that the Lower House can override a veto if they can muster two-thirds. And history has

treated us with a strange coincidence that for the first time in post war history where the government has not controlled the Upper House, they have controlled two-thirds of the Lower House. And so they actually have been able to override some Upper House vetoes. But now we're in a situation of the government has simple majority, well simple majority in the Upper House, a commanding majority in the Lower House and it seems like they ought to be able to any legislation they want through.

MR. BUSH: Okay. Thanks very much. As a former staff member in our House of Representatives I have a lot of very weedy questions that I will not ask. What's the sort of bottom line on this? How big did Prime Minister Abe and his party win? How firmly are they in control? For how long? It's my impression that the turnout was rather low. What's the significance of that?

MR. THIES: Okay, in December 2012 the LDP won a big landslide election in the supposedly more important Lower House. And I wrote, a lot of people wrote, at the time that they just got lucky. They fell backwards into that landslide majority. A combination of a whole bunch of things happening that were, none of which was that they were popular. The opposition, the main thing is well the government at the time, the DPJ, the Democratic Party just imploded and the opposition splintered into a bunch of pieces. There was also a regionally strong party, the Japan Restoration Party of Hashimoto who I'm sure you'll hear a lot more about today that did very well in the Kansai, the Osaka region. And turnout declined dramatically.

So basically what happened in December 2012 was that voters, one thing they knew was they wanted to reject the DPJ. 10 million more people than usual did that by staying home. Of the ones who turned out, very few switched their vote to the LDP. Many switched their vote to some other party but they didn't choose a single other party, they spread them out along several parties. So what happened was in the single

member districts the LDP was the only big party left. And so they just waltzed home with all of these easy wins where with not even a very large percentage of the vote necessarily.

They actually, the LDP in December 2012 won fewer votes than they won in 2009 when they got swept out of power. But because turnout was low and because the non-LDP votes were distributed among a bunch of parties, the LDP walked home with this huge majority.

So there was a lot of people, including me, writing right after the December election saying, they're not going to be able to repeat this because the opposition isn't go to be so stupid this time around. They're going to find a way to jointly endorse candidates, to not spread themselves so thin and the LDP, if they're going to win a majority in the Upper House election in July 2013, they're going to have to actually earn it. They're going to actually have to be more popular. They're actually going to have to have voters voting for them not just being sort of schizophrenic about how they vote against them.

And that was mostly wrong. The LDP did do better in the Upper House in 2013 than they did, they did improve. Their share of the proportion representation vote went up. Their share of votes in the single member districts and in the multimember districts went up relative to when this cohort was elected last time in 2007. So another of these charts kind of shows what's happening here.

If you like tables, there's a table at the top and a couple of things are highlighted. But you can see is that a small vote swing, this is one thing that Americans aren't particularly used to because we use single member districts but our districts are so hopelessly gerrymandered, most of them in partisan ways, that it really takes a pretty big vote swing to change who wins an election in the United States. There are some districts

that are marginal but most are not.

In most countries that use single member districts, Britain is a really good example, a pretty small vote swing if it's a nationwide vote swing can lead to a huge swing in seats. So a party goes from losing a bunch of seats 51 to 49, to winning a bunch of seats 51 to 49, it doesn't take a huge vote swing for that to happen. It just has to be pretty uniform and you have the parliament just shift wholesale from one side to the other.

So that's what happens in single member districts in Japan and that's what happened in single members districts in the Upper House last week as well. It was actually a pretty decent vote swing. The LDP's vote share went up by eight percent but that meant that they won all but two of the single member districts. If you look actually in the first two lines of that table you see from 2007-2010 the LDP's vote share went up from 43 percent to 47 percent. It was a four percentage point vote swing in their favor and that led to a seat swing from 21 percent to 70 percent.

So just this little shift in votes makes for a huge landslide. That doesn't the same way in multimember districts where if you come in second, you come in third you can still win a seat. In Tokyo you come in fifth, you can still win a seat. And so, you can see in the table or in the pictures that the LDP really didn't improve in the multimember districts in this election. They went from their candidate finishing second and most of them to finishing first but it doesn't matter whether you finish second or you finish first, you get a seat. So the LDP didn't really gain in the multimember districts.

And then in their PR gain where voters are really voting for a party not for a candidate, there was a slight gain but not a very big one. So the pie charts I think are kind of telling. Let me just interpret them for you. The top line is votes, the bottom line is seats and then you see the different kinds of districts, single member districts, two

member districts or greater than two.

The blue half circle there, that's the DPJ's loss in each of these district types. So I should have made the circles sizes too but you can see in the single member districts the DPJ lost 31 percentage points in terms of their vote share. And then the top half shows the DPJ's loss was sort of translated to gains by others.

So the red is the LDP and the green is everyone else. And so you can see votes are on top, seats are the bottom. So if you look at seats at the bottom, the LDP was basically the only beneficiary of the DPJ doing badly in single member districts. The LDP won all of those single member districts with the exception of two, that independents one.

In the two member districts, the LDP gained nothing. All of the DPJ's losses translated into more seats for other little parties. And then the PR tier, the little parties took the lion's share of what the DPJ gave up. All right? So you can see that this big seat swing was really away from the DPJ and vote swing was away from the DPJ. Turnout declined dramatically. That helps the LDP, it helps Komeito and it helps the communists because those are the three parties whose voters turn out rain or shine, especially Komeito and the communists. So low turnout always benefits them in a proportional type setting because proportionally their folks will make up more of the electorate.

But then of the folks who did vote, again the 52 percent of the eligible voters who voted, what you see is that everyone decided to abandon the DPJ or a lot of people did but then they went lots of different places with the net being that mostly because of the single member districts, the distortions that single member districts create between vote swings and seat swings, the LDP ended up with this huge number of seats.

MR. BUSH: But what I hear you saying is that this didn't represent a

huge increase in popularity for the LDP?

MR. THIES: No, some. As the PR vote share is probably the most sincere measure of how voters support parties. There's no strategic voting in terms of who has a chance to win. You just vote sincerely for your favorite party. So there was some improvement.

Although it's interesting looking at the polls. I don't think I showed that. What the expectation of votes before the elections, a couple of months before the election half of Japanese voters said they would vote LDP. And just as it got closer and closer it starting dropping into the 40s and they ended up with something like 35 percent, 37 percent of the PR vote. So they are by far the most popular party but way below half. And the other news is the day after the election, Kyoto came out with a poll showing that Abe's personal support and support for the Cabinet had dropped by 12 points to its lowest point since he took office.

MR. BUSH: So did the LDP use its tried and true techniques for winning this victory however one assesses it and what does this say about the DPJ as a sort of important political force in Japan?

MR. THIES: Tried and true techniques, if you're thinking about the stories of the old LDP before the Lower House reform was elected, where it's all about personal voting and candidates, I would say the answer is no. I mean there is some of that but analyses of the last several Lower House and Upper House elections show that vote swings now have very little to do with candidates and much more to do with party.

So more normal I guess in the sense you could say that way. The DPJ, on the other hand, they won 17 seats overall. They had 44 up for election so they really got clobbered. Of their 17 I think eight of them were incumbents in districts who won, in multimember districts who won. There were several districts the DPJ didn't even -- where

their incumbent retired and they didn't even bother to nominate someone new.

There were several, I have the number here somewhere, six or seven people who were elected as DPJ candidates six years ago ran as incumbents this time but not for the DPJ. They switched to other parties. Some of those were folks who left with Ozawa Ichiro when he defected from the party. Others left for other reasons.

So the DPJ wasn't even really a national party this time in terms of its candidates like it was the time before. So what this says about the DPJ and this is really a continuation of what happened in December in the Lower House election is they're bankrupt. The Ozawa defection happening right before the Lower House election really hurt them but he was hurting them even more when he was in the party by demonstrating that the party had no particular vision, no particular leadership, no particular organization. And they haven't been able -- you would have thought that maybe kind of excising that boil would have allowed them to consolidate a little bit. But they don't have a clue.

I was talking to Mireya right before and it was astounding the DPJ's campaign against Abenomics in this election. It was the party leader, basically the DPJ's platform was well, I don't know it might not work. It would be risky. That was kind of their campaign. So yes, I should be gun shy about making predictions at this point but I don't see the DPJ coming back. I think if anyone's going to challenge the LDP and the next election doesn't have to happen for another three years, it's going to have to be some reconsolidation, some reorganization of the opposition.

In one of the exit polls, actually, I think 69 percent of people responding in -- I guess it was either a Yomiuri or a Kyoto exit poll -- said they want to see party realignment. They don't like this one party stuff but they don’t like the DPJ either. They want to see some realignment.

MR. BUSH: As a segue to our other two panelists, I'd like you to talk a

little bit about mandate. Did this election create a mandate and is it commensurate with the sort of balance of power? Does Abe have the votes to push through reforms?

MR. THIES: In terms of mandate, the one clear mandate is voters want him to fix the economy. Want the government to do stuff about the economy. So the general idea of reviving the economy and the party's message, the LDP's message was all about that, they didn't talk about these other issues very much, was reforming the economy.

However, people are skeptical about what the third arrow that others will talk about today really means. And if it means what it should mean according to economists which is liberalization, deregulation, basically continuing the Koizumi plan of 10 years ago of cutting off the vested interests, the protected interests in the economy. Then he's going to start getting some opposition from within the party which Koizumi stood up to. I mean in a sense Koizumi was a huge success. He got the major reform that he wanted. He won a big election on the back of his call but really if you look at all of the things he wanted to do, not very much of it got done. And then Abe reversed it, not all of the policies but he let all of the postal rebels back in and basically just killed reform and that's what killed his first administration.

There does seem to be some evidence that Abe gets that. And that he wants to push forward on this. But if you look at the people who just elected, how did the LDP win this mandate, well they won it by sweeping 29 of the 31 single member districts which were all rural. And if you look at the party list, there was a blog post that showed all of the -- where the people who won via the party list came from and they were the representatives of all the vested interests. The head of the postal union was number one on the LDP's party list, the postal workers' union. Representative from Japan agriculture, doctors, dentists, all of the organized interests that have long supported the LDP were

the ones who just got elected to the Upper House. So when these folks are presented with a bill from the government saying let's deregulate your industries, there's going to be some dissension within the party to the point that it'll be interesting to see how the bold the proposals even are.

Exit polls and polling before the election show that there's very little support for a lot of the other things that Abe is associated with. Joining the TPP, people are nervous about that, I'll let Mireya talk about that. She knows way more than I do. Constitutional reform, people are concerned about that. The consumption tax increase which actually got passed by the DPJ administration, although with LDP support. But because Abe came in saying, well, we'll have to think about whether we really want to implement that or maybe postpone it or maybe cancel it, it's now an Abe policy. It's a decision that he's going to have to make.

And let's see, I have the numbers here somewhere. Something like -- way more than half of Japanese voters, at least want the increase in the income tax to be postponed. And something like 40 percent don't want it to happen at all. This is from a Yomiuri exit poll. Asking people who said they voted for the LDP, why did you vote for the LDP? 47 percent said because every other choice was worse, very American. 20 percent said they did it for a stable government. So that they would have a government that controlled both houses and they wouldn't have to worry about divided government. 16 percent said they chose the LDP because of their economic policies and 10 percent said for Abe's other political stances.

So the mandate is fix the economy although we're not sure we agree with the way that you're thinking about doing it.

MR. BUSH: Okay, thanks. Mireya, what do you think about this issue of mandate as it concerns economic policy?

MS. SOLIS: Thank you, Richard. I very much agree with what Mike was saying. I think that we can debate what is going to be the long term impact of Abenomics, will it really pay off or not but I think that regardless of that long term impact and the debate on that, there has been a very concrete immediate effect and that is this very handsome electoral victory by the LDP. And I think that as Mike was describing the economy has been foremost in the minds of Japanese voters.

And you know it was attractive in the sense that the LDP and Prime Minister Abe, in particular, was offering hope that actually we can now turn the corner and revitalize the economy. And this sounds better when you look around and look at the other parties and they don't have any proposals concretely as to how they would do this in a different way.

So I do think it is referendum on this focus on the economy. But I'm not sure and this, we're getting to some of the specifics that Mike was addressing as to whether Prime Minister Abe through this victory really had a broad mandate with respect to the economic reform agenda.

Let me start highlighting some of the potential issues here. One is, first of all, what you alluded to, the low turnout. That should give us pause before we make the statement that yes with this election the administration received an unconditional broad mandate.

Second, I think that it's very clear that in the voter's mind there is this performance expectation. That is, they'll stay with Abe, they'll support his administration provided that the results are forthcoming in the short or medium term. So the idea is that these economic reforms, the benefits of those economic reforms must be felt by the average person in terms of improved employment opportunities, in terms of wage increases, so that the actual person sees an increase in their standard of living.

So if it's just going to generate higher corporate profits and so forth, it's not going to be enough for the Japanese population. And I also think it's very important to make this point, that I think that the mandate, the popular mandate is for growth, not necessarily for structural reform. And I think we all understand that they are connected, that if you're going to unleash the productive forces of a Japanese economy, you should indeed tackle these regulatory bottlenecks.

But in terms of how the population, the people in Japan think about what is a proposal from the Abe administration and what they are prepared to support, I think that it's very clear that they have a preference for the stimulus aspect of these proposals and not for the restructuring and reform aspect. So let me give you a number of examples. Cultural subsidies are popular but reforms to the land transaction regime, certainly not popular. Subsidies for new capital investments by corporations popular but an actual restructuring of corporations to eliminate excessive competition and eliminate some of the market players certainly not popular.

Increased government spending for childcare centers popular but deregulating of this important sector not popular. SO I think that we have to make this distinction because there's a disconnect as to how the third arrow is discussed within Japan and outside Japan. Within Japan, as we know, the government labeled this a growth strategy. But when you are outside Japan, I think what people have in mind when they evoke the third arrow is mostly structural reform.

And it's important to bear in mind as well that for the LDP structural reform has certain baggage and this goes back to the Koizumi era. We must not forget that when the LDP in the past pursued structural reform it was branded as engaging in market fundamentalism. And this was a difficult image to fight and therefore I don't think there is any appetite in the current administration to be once more branded into that kind

of approach.

So I think that that's why the stimulus aspect of this is very important of bringing the whole package and not just talk about the more painful structural reform components.

MR. BUSH: So from what you say it sounds like the election is consistent with what I detect to be a lack of enthusiasm about the growth strategy that Abe released about a month ago?

MS. SOLIS: Well, yes, it's true that many people watching developments in Japan were not as enthusiastic. There was some degree of disappointment especially when they compare this to the first arrow, right? But to be quite fair, Richard, I think it's easier to make a big splash in monetary policy than when you're talking about this more vexing, convoluted, complex process of reconfiguring the way in which the real economy operates.

Because I think with monetary policy it's easier to make a bold move that sends instantly a signal to markets that the government is going to now take a very different direction and therefore people refer to Mr. Kuroda's bazooka, right? When he actually talk about doubling the monetary supply, targeting a two percent inflation rate and that actually created, you know, people were very much impressed with that. It was an instant message that could be very effectively communicated.

But when you're talking about the third arrow, the growth strategy, the structural reform, we're talking about very different set of policy issues all bundled together that are going to involve many more interests, many more bureaucracies and the time of implementation is going to be much longer. So just to summarize because I'm not sure how many people in the audience are familiar with what are the different components of this growth strategy, it has three basic pillars.

The first one is the revitalization of industry. And here the idea is that the government wants to promote, encourage capital investments from industry. He's talking about promoting mergers and acquisitions. He's trying to now create conditions whereby venture capital can proper in Japan and of course, regulatory reform where there is a very, very ambitious proposal to reform the electricity sector. And that actually is going to be a key proposal to keep an eye on.

So that's one pillar. Then you also have the second pillar which is nurture human capital. And here very attractive ideas like promoting working women which will require of course a big expansion in childcare services in Japan, more flexible working schedules. There's also this idea that the government should try to subsidize new hires as opposed to give stuff to these four enterprises to maintain redundant employees. To have a higher level in terms of the universities being more globalized, being able to generate greater knowledge, there's also all this emphasis on the education system and that many Japanese students should travel overseas and learn English.

And the third component is the new market creation. And I think here are some very interesting ideas. One of them is, for example, that you should turn Japan's weaknesses into Japan's strengths. So if we know that Japan faces significant challenges demographically with the aging of the population, well that could be an opportunity for Japan to become a leader in providing top quality health care services for the elderly that could then be emulated abroad.

There's also this component of integration into the global economy, trying to encourage now very seriously foreign direct investment in Japan and signing on ambitious trade agreements. So it is mindboggling if you think about it, all the different areas that these growth strategy is trying to address.

And I think therefore it's very difficult to have that bazooka, that very

concise effective message that tells people we are very serious and this is what we are doing differently. So we have to acknowledge that but it's true also the way I see these growth strategy as released in June, there are a number of issues that need to be worked on.

We have very ambitious targets. There is talk about Japan having a real rate of growth of two percent on average for the next 10 years. There is talk about doubling the stock of foreign direct investment in Japan. There is talk about doubling farming income and doubling agricultural exports but what is less clear, of course, is the specific steps to get us there. But I think we should be waiting for that more detailed strategy on these different sectors.

And I think it's also true that in some areas the reform did not go far enough. Some very important and critical issues were left out. Genuine measures that could actually create labor market flexibility in Japan were not yet forthcoming. The business sector was disappointed with the fact that the corporate tax rate was not lowered and there are some very important deregulation measures in the medical sector that are very much needed in the so-called mixed treatment.

So I see this. For me the June growth strategy is the first installment. It is a step in the right direction. It doesn't yet go all the way. It doesn't yet give us all the concrete steps but we also have to understand how remarkable it is that the government releases a growth strategy that has an important regulatory component on the eve of an important election. And therefore, I think that we need to understand and we have, perhaps, to be a little patient that this is installment one, trying to break away from these political constraints that have hindered so much the policy making process in Japan. And really the heavy lifting starts from now on and I think therefore we need to be watching to see if there is going to then be the much needed filling in the gaps and tackling the more

needed issues.

MR. BUSH: With respect to the agriculture part of the growth strategy, do you think the election in any way changed the politics of agriculture policy?

MS. SOLIS: Yes.

MR. BUSH: And including market opening measures?

MS. SOLIS: Yes. I think in some important ways it did. As you all know agricultural reform has been one of the most vexing political problems in Japan. The agricultural sector in Japan has been suffering a decline for many years and it has been difficult for Japan to really punch at a level it should be punching in international trade negotiations because of these difficulties with the resistance from the agricultural sector. It has been the Achilles heel of Japanese trade policy.

Now I think that the elections themselves have an important message regarding what is forthcoming in terms of agricultural politics and in terms of Japan's trade strategy. I think that it's very important to first of all note that there was no rural backlash against the LDP even though for the first time you have now Japan joining an unprecedented trade negotiation in terms of its level of ambition, right?

Remember that the TPP sets a very high bar in terms of how substantive the liberalization target should be. In principle no exceptions but certainly something around 98 percent of tariff elimination is very much within the LDP level, the TPP, not the LDP, the TPP level of ambition. So I think that this sets a very important precedent that you have a government that makes the commitment to take Japan to a trade negotiation and it can actually win handsomely an election.

I remember I was just like Mike. I didn't the right forecast. I remember at the beginning of this year when they were asking us, now that the LDP's in power what are the prospects of quickly joining the TPP? And most of us were not actually expecting

Mr. Abe to move so quickly on this because we knew how important it was to cement, to consolidate its hold over the Upper House. And joining the TPP could actually be quite disruptive and therefore the expectation was that he wouldn't do it.

We know also that we think the LDP there is still many politicians with strong ties to agriculture and many have therefore were very much, very skeptical of the notion of joining the TPP. But I think the fact that he decided to move quickly and still won this election and especially on that group of swing districts that are very rural where, you know, he actually -- the LDP creamed right of 31. The LDP got 29. That's a very positive signal for the future of perhaps, you know, moving further with agricultural liberalization.

Does this mean that the TPP negotiations and agriculture are going to be a piece of cake? Certainly not. This is going to be an arduous battle that needs to be fought because the LDP I think was very savvy in the way in which it approached the election. Sure the commitment on the TPP, this is very important. But then it set aside what it calls the sanctuary commodities, those commodities that cannot be touched. There are five of those, rice, sugar, beef, wheat and dairy, right?

And therefore the idea is, the message that the party was sending to supporters is that we're going to fight for those commodities. There can be no liberalization there. And at the same time you have the public works, the fiscal, the second arrow pumping in and the promise for greater subsidies, not less. So again, it was this very savvy combination I think of some bitter medicine to swallow but also some goodies provided.

Now I think that what we're now going to witness moving forward is how is the government going to reconcile between the LDP's position of the sanctuary, five commodities and the expectation from TPP partners that that's not acceptable, that

Japan needs to go forward. And I think creative thinking is going to be required. There are many things that can be done. Certainly, for example, even within rice it's possible to liberalize those tariff lines that are about rice that it's used for processing, for senbei, for Japanese crackers and you're going to talk about longer phasing periods for the tariffs and you're certainly going to have to do other things that I can discuss later to try to address the sources of low productivity and lack of international competitives. It's going to become imperative to do this.

MR. BUSH: Okay.

MR. THIES: Could I jump in on?

MR. BUSH: Sure.

MR. THIES: Something Mireya said about the election was particularly fascinating. She's exactly right that the vagaries of publishing dictate that something that I wrote in January, it's coming out I think this week, says one thing we know for sure is Abe will not move on TPP before the Upper House election. Now you're wondering why I was invited here.

MR. BUSH: You didn't tell us that before.

MR. THIES: There was one sense in which what he did I think did not contradict that but another in which I think he was considerably more farsighted. The way it didn't contradict is exactly what Mireya just said. That he said, okay we're going to join the TPP but we're going to protect these important agricultural sectors which shouldn't be allowed in the TPP. It's supposed to be all in type of thing and people bought that for a few months. And also on the other hand saying, whatever it is is going to happen with the TPP which once we join will be a little bit out of our control, we'll fight, is lots of subsidies, lots of public works, so we're going to take away with one hand and give with the other, right?

But the way in which he was more farsighted than analysts were I think is the way Mireya just said. There was no rural backlash against his announcement on TPP. I think what's happened with the demise of the DPJ, 'cause remember the reason the DPJ first took away the Upper House in '07 was Ozawa Ichiro was their lead strategist and he basically out LDP at the LDP in the rural districts and said look what Koizumi did with the postal workers. He abandoned you. You can't trust the LDP anymore, come to us and we'll help you out.

Well, that was 2007. The rural areas no longer believe the DPJ has their interest at heart or any ability to get anything done. And so, whereas for 40 years the agricultural sector had the LDP captured, now it looks like it's the other way around. And the LDP calculated that the rural voters and nowhere else to go. That there was and I didn't have time to check because the data came out just as I was getting on the plane, to see if there were turnout effects in the rural areas. If the way that the rural voters objected was not by voting for anyone else, who would they vote for but by staying home at greater numbers than say people in other parts of the country.

But basically they had nowhere else to go. So Abe calculated that this kind of half in TPP strategy would be enough to please urban voters, annoy but not really completely infuriate rural voters and really where were the rural voters going to go? The urban voters had options.

MR. BUSH: Okay, let's switch to security and international politics and to Mike Mochizuki. Mike, there are a number of issues that have been waiting for this election to happen before we can address them or dependent on the outcome of the election to sort of set the parameters. I'm thinking of Article 9 remilitarization, whatever that means, defense cooperation with the United States, Futenma, reinterpretation of the Constitution when it comes to defense issues. What's changed and what can we expect?

MR. MOCHIZUKI: Great. Well, first of all, a saying by a prominent conservative politician from the 1950s I believe it's by Miki Buchuki who says in politics one inch ahead is pure darkness. And I've been burned many times by making bad predictions especially about Mr. Abe. But I think before I get to these very important issues, I agree completely with what Mike and Mireya has been saying about the softness of LDP support and support for Abe himself and the complicated nature of the electoral mandate.

But I think when we step back, you know, we have to remember this has been one of the greatest comebacks in Japanese political history. And who would have thought after Mr. Abe resigned in pretty much disgrace that he would back here again.

And secondly, I mean, he could enter into this very rare pantheon on Japanese Prime Ministers who have served four years or more which is an amazing thing. In post-war Japan I think it's only five Prime Ministers that served in office of four years or more. And what's more, given what we've heard about the disarray of the opposition party, even with his difficult agenda, you know it's quite possible that in the next election which doesn't have to be called until three years from now in the next pair of elections, the Upper House and the Lower House election, that if he does okay he could still win. And if that happens he could go down in history as being the prime minister with the longest time in office.

And so I think that despite all the problems one really needs to think seriously about where Mr. Abe might take Japan. And certainly, although he's gotten the message of Bill Clinton that it's the economy stupid, I think it's in his political DNA that he wants to change Japanese national identity. He wants to change Japan's perspective on defense, defense policy and I think he would like to go down in history as the first Japanese Prime Minister who changed the post-war constitution. That's a very ambitious

agenda. He may have quite a bit of time to do this.

Now he's going to have to worry about the economy but he might incrementally push on that front. And he's helped in some ways. China's helping Mr. Abe. Every time Chinese marine surveillance vessels intrude into the territorial waters in the Senkakus, the Japanese, they may be pacifists but they are very irritated by Chinese behavior. And so, although there is not a clear political mandate for what some might call the remilitarization of Japan and I don't like that term at all. There is enough support so that Mr. Abe can push the envelope a little bit more on a variety of defense issues.

And one, of course, is a kind of filling out, fleshing out the next concept of a dynamic defense force so that Japan can deploy forces rapidly to deal with some contingency involving the defense of the southwest island chain. And there's going to be a new national events program guideline that will be unveiled. I think the interim report just came out. And one of the key things in this is the creation of a Marine Corps type amphibious unit that is rapidly deployable.

Also he's already reversed an 11 year trend of reducing the absolute funding for defense. Now this does not mean that Japan is then going to go way beyond one percent of GDP in terms of defense spending but at least he has reversed the tide. He will also pursue a new guideline for defense cooperation between the United States and Japan.

The last time the guidelines were changed, that was in 1997. The major issue at that time was the threat from North Korea. That threat is still there but the world has changed dramatically. China has become a major military power in the region. It is becoming more assertive and so although the new defense cooperation guidelines should not be all about China it will be a lot about China. And in an era of cyber security, space security issues, the distinction that was in the 1997 defense cooperation guidelines

and the distinction between kind of rear area support and the front area, I think that is no longer tenable. So I think Mr. Abe will push on that front.

But he will be constrained and part of it has to do with the fiscal constraints. Secondly, the constraints of the resilience of anti-military attitudes. He's going to be constrained by the Komeito. The Komeito is really necessary to sustain the electoral base of the LDP but the Komeito sees itself as a restraint on some of these defense issues. And this is already beginning to happen.

One of the issues in the interim report for the national defense program guideline is the issue of whether Japan should acquire the capability to attack an enemy or a base or an adversary base, missile base, that might be threatening to Japan. And there are many conservatives who think of course this is right within the right of individual self-defense. Well, it seems that the Komeito is putting the brakes on that.

So, Abe has an ambitious agenda in terms of defense but he does face constraints. But at that same time he may have quite a bit of time and the more China is assertive then that gives him some political support for that.

Now in terms of the constitution, some of the public opinion polls taken soon after the election reported that only about four percent of the Japanese public wants Abe to focus on constitutional revision. Now what's puzzling is that the Asahi Shimbun which has not been known for promoting constitutional revision reported that I think 75 percent of those elected for the Upper House were for constitutional revision. And now you might have a two-thirds majority in both houses of Parliament in favor of constitutional revision.

So if you think that, you would think, well, constitutional revision is going to happen. But the limitation of that public opinion poll is that really did not get into what kind of constitutional revision. And it seems that the Japanese people and maybe even

many politicians are not sure that they want to change the constitution in a way so that Japan moves essentially from kind of what they call a peace loving country. So I think Mr. Abe wants to certainly provoke a constitutional debate but he's not going to be able to revise the constitution.

So what would happen in the meantime is I think a reinterpretation of the constitution so Japan can exercise its right of individual and collective self-defense. And this could happen simply through a cabinet decision. Now there may be some blowback after that but I think that's foremost on the agenda. Now of course I can talk about Okinawa if you want me to but --

MR. BUSH: Let's let somebody provoke you. In terms of foreign policy, do you think that Abe will make a sincere and deliberate effort to repair relations with the Republic of Korea and China? Is he going to stick with the pre-election approach to historical memory or shift?

MR. MOCHIZUKI: Well, on China I think -- I don't see him making very many major moves. I think his strategy is basically to show firmness on the sovereignty issue, to counter the intrusions but show restraint in terms of deploying personnel or making new, constructing new things on the Senkaku Islands and leave it to the Chinese to then escalate. And then if that were to happen, the expectation is that world opinion would be on Japan's side. So although he's talked about having, willingness to have a summit meeting, I think he's not going to be very conciliatory towards the Chinese.

On Korea, I personally think it is in Japan's strategic interest to repair the damage with Korea. Whether or not Mr. Abe goes with his political DNA or thinks strategically is really up to him. But I think some of the statements that he made before the election were counterproductive. I do recognize that he exercised some restraint so he did not ignite a full-blown memory war with Korea but he came awfully close. And

there are some people who say that Prime Minister Abe at some point will want to visit the Yasukuni Shrine. I certainly hope he doesn't do that in the way the Yasukuni Shrine is currently constructed or framed.

But if he were to do that then this would be terrible. So I think in the end Mr. Abe has to recognize that in Japan's long term strategic interests, he should address the issue of historical memory and promote reconciliation with at least South Korea. That's one of the great regrets I have for the failure of the DPJ government. I thought under the DPJ Japan had the best chance to move forward on reconciliation. And with that failed government I think we're kind of back to square one. And I just hope in the very least Mr. Abe does not retreat from some of the apologetic statements that came out in the mid-1990s. But I do hope that maybe because of his nationalistic credentials he will have the courage then to engage the nationalist right and then for the sake of Japan's foreign policy interests promote reconciliation with at least the Republic of Korea.

MR. BUSH: Okay. I'd like to ask a final question about revision of Article 96 and pose it to each of you. That Article 96 is about how to amend the constitution and the proposal out there was let's make it a lot easier. Move from two-thirds of each house of the diet to 50 percent plus one and before you go to a national referendum. So it's a two part question. One, do you think that this can happen and do you think that this is a good idea in terms of good governance in a democratic system? Mike?

MR. MOCHIZUKI: Well, initially you know many of my friends in the Japanese Parliament said Article 96 revising that to lower the bar for constitutional revision would be a great thing and they pointed out that Japan's had a constitution that was imposed by the United States and hasn't been able to revise it because it's been such a high bar.

I think after Mr. Abe has started to really push this, some of the

Japanese political leaders are beginning to rethink this. And so, a year ago it might have been easier to do. But I think now it will be much more difficult. I personally think it would be a terrible idea because I think there should be a difference between actual legislation and constitutional law. And to have only a simple majority required would make it possible then to change constitutional law very quickly and you could go back and forth on that. And it also weakens some of the fundamental rights that are enshrined in the Japanese constitution.

So I hope, I personally think Japan could revise the constitution in many areas but I don't think Article 96 is the way to go.

MR. BUSH: Mireya?

MS. SOLIS: I very much concur with what Mike was saying. My sense also is that the momentum for revising Article 96 was stronger until before and that approaching the election the LDP decided that it was perhaps too much of a hot button issue and decided to slow that down.

I also think in my mind that it would represent lowering the bar too much. And I think that there is good reason why constitutions should be sticky documents and that really you should expect that you have that kind of consensus, the two-third majority, before you embark on something as important as changing the foundational document such as a constitution. So in my mind I think it's a good thing that that has slowed down and I hope that there will be rethinking about whether you want to take it to such a low level of just simple majority to pass it in addition to the referendum.

MR. BUSH: Mike?

MR. THIES: I agree. As a political scientist the notion offends me. It's a terrible idea. Constitutions are supposed to be hard to change. That's what makes them constitutions. Part of the reason they haven't changed the constitution since the war is

because we wrote them a pretty good constitution. They pointed a number of amendments that the United States has had in its 220, 30, 40 however many years it's been now. But a lot of the things that we've changed in our constitution were already sort of born correct in the Japanese constitution. We learned from our own history what not to do.

But I think another part of the reason is that the phrase constitutional reform in Japan means Article 9. That's the first thing that everyone thinks about. So the constitution's got lots of stuff in it. It governs a whole bunch of things. There are a lot of things that I think ought to be changed like the Upper House has to be seriously weakened. Interestingly the Italian government is now talking in the midst of a huge economic crisis of changing the constitution to weaken their Upper House for exactly the same reason.

But it should be hard to change and you should have super majorities in favor of it if it's going to happen. And so this back door, I don't really want to go after Article 9, let's just make the constitution more majoritarian and then if that majority should happen to want to change Article 9, well, you know, that's what the Japanese people want. People say through that I think pretty quickly. But then also I think Mike and Mireya are both right that there are other aspects of the constitution that people value pretty highly and would worry that a temporary simple majority could overthrow, protections for minorities being probably the most important thing that constitutions do.

There are other sorts of things like the Upper House like the possibility of more decentralization in a constitutional way. There are other sorts of constitutional changes that are probably not a bad idea but I would absolutely suggest that they should do it with the current bar where it is now. And if you're asking about whether it's going to happen, I think it will not happen.

MR. BUSH: Okay. Having established that consensus, I'm going to open things up.

MR. THIES: It's quick.

MR. BUSH: I see a lot of smart people in the audience so let's take your questions. Scott Herald and then Gil Rosman.

MR. HERALD: Scott Herald from the Rand Corporation. Question for Michael Thies and a question for Mireya. Mireya, quickly you talked about TPP but there are two other deals out there that Japan is contemplating, the China-Japan-Korea FTA and the RCEP. Could you talk about how you see those efforts moving forward? Do they give Japan leverage in TPP negotiations? Does Japan's participation in TPP give Japan leverage vis-à-vis those other negotiating forums?

For Michael, kind of a two-parter. What do you see as next for the DPJ and the Japan Restoration Party? And on the LDP side, this election reminded me at least of watching Koizumi run against the LDP except this time Abe ran with the LDP. But in both instances the prime minister elect or the prime minister had some ability to say intrafactionally my name, my policies got you elected. So has this election strengthened Abe within the LDP in any way that's worth talking about? Thank you.

MS. SOLIS: Thank you, Scott. That's a very good question. I think that the TPP has given Japan tremendous leverage in its trade policy more than the other way around. Because if you look at where Japan was just a year ago I think that the word, quite frankly, the fear was marginalization. And the idea is that when you were talking about these East Asia initiatives, the trilateral China-Japan-Korea FTA were an East Asian side trade grouping, these are ideas that had been put on the table and they had stayed there because a consensus had not been formed.

And I think that it was quite dramatic how after Japan got serious about

the TPP and that possibility looked closer, China had a major rethinking about its regional FTA strategies in a way in which, for example, it accelerated this feasibility study in the trilateral. So it came a year ahead of schedule and therefore that actually then gained traction. Another thing that had happened in the past is that you had two proposals, the ASEAN Plus Three championed by China, the ASEAN Plus Six championed by Japan and there was no possibility of bridging the gap. And then China finally went along the lines of let's go with the ASEAN Plus Six membership and ASEAN then decided that it wanted to remain in the driver's seat and launch the ASEAN Plus Plus that became the regional comprehensive economic partnership. And of course there's an acronym SOU.

But just the point is that because what the TPP did for Japan is that it gave it credibility. Everybody understands that Japan is a very large market and therefore it's an attractive partner for trade negotiations but everybody knows that Japan has had, quite frankly, dysfunctional trade politics. And by joining the TPP therefore, it was able to bridge that gap and to send a signal that it was now joining the big leagues in trade negotiations and therefore all the regional partners began to pay attention.

Now Japan also can try to use its TPP membership to try to aim higher in terms of the standards that are going to be negotiated in these groupings. Whether it will achieve that or not remains to be seen. You know that the regional comprehensive partnership is based on a very different setup of assumptions. And the idea there is that the level of liberalization will be lower. There is this principle of special and differential treatment which basically says we're not going to really push hard for high level harmonized standards.

So how much can Japan move that trade agreement to a different level remains to be seen. But clearly from the point of view of Japan it broke that, untied the knot.

MR. BUSH: Mike?

MR. THIES: Okay. Let me take your second part first, Koizumi sort of as a model for Abe. There's been a lot written actually about the strengthening of the Prime Minister as a sort of out front politician. Some say the presidentialism, I think that's a crazy, again as a political scientist it just bothers me. But part of that structural that the Cabinet office has been strengthened, Koizumi started with these advisory councils within the Prime Ministers for basically top down policy initiatives. Whereas before things always bubbled up through the party backbenchers and ministries working together and by the time something got to the Cabinet it had been preapproved by everybody and so it always passed.

More top down initiative meaning that things aren't killed before they even get a chance. But it also could mean that prime ministers have ideas and their advisory councils have ideas that aren't popular and so more bills fail then. And they say, well let's try this and the backbenchers say no we don't like that is different.

So that's been happening really since the Cabinet law was implemented and Koizumi was really the first prime minister to play with those new powers. Abe, because he has been remarkably so popular since he surprisingly won the intraparty race, I mean the comeback it really was surprising. No one thought Abe was going to be elected LDP leader before the Lower House election. He's been hugely popular and he led the LDP to a big victory in December and again just now. So there's a lot of deference to him within the party, people who even if they disagree with him are afraid to say so publicly. But I think it's very fragile.

I think that if the middle class concerns about where's the payoff from the stimulus? Is it affecting my life and Mireya talked about if people start grumbling that maybe there's not so much of a plan here after all, starts reducing his popularity, he thus

far, he came close with the memory thing but backed off, went sort of just as far was kind of expected of him and no further. If he does something that starts reducing his own popularity then backbenchers, particularly those who aren't interested in reform are going to feel less compelled to toe the line. And you may start to see some dissension within the party.

As for the DPJ and the JRP, well the JRP, so this is Hashimoto's party. It started around Kansai. They won local elections. He was the governor of Osaka and then became the mayor of Osaka City, wants to combine those two. He's got lots of interesting ideas in terms of reform like weakening the Lower House or the Upper House or even getting rid of it, other sort of things about decentralization. But the popularity of the party is very local. It's a new thing in Japan. I mean there are lots of parties in Europe that are like this but in Japan this is a new thing.

We actually, after the Lower House elections, some coauthors and I, we plotted votes, I think it was by electoral district for the JRP against distance from Osaka and it's very low. And then a month or whatever, two months before the election the ticking time bomb that we all knew was there went off and Hashimoto said ridiculously stupid things about the war, particularly ridiculous from a guy whose so young, you know, who doesn't even have a memory where you can sort of forgive him from having been indoctrinated in a certain way during the war.

And this in the short run really helped the LDP because there was talks about linkups and joint candidacies between Hashimoto's party and Minamoto, your party, and also with the DPJ. And immediately the DPJ and Mina said we're not going to have anything more to do with this guy. And so that meant more candidates in the field and that really did help the LDP in the election.

MR. BUSH: DPJ.

MR. THIES: No help the LDP in the election. In the slightly longer run though, I think it may hurt Abe a little bit because another one of Hashimoto's ideas that I don't think is so great is he's very much in favor of the Article 9 revision and so, one of his main allies, one of Abe's main allies now is discredited to a large extent. And he said he's not going to step down from the party leadership.

So in the constitutional reform question you look around the Diet and they didn't, the people who in the candidate survey said they support constitutional reform did not win the necessary two-thirds. They're about 20 seats short. And it does not include Komeito. And it would be a very weird thing for LDP to push something this strongly with its coalition partner resisting and finding other partners to do it on this important an issue. That's something that generally doesn't happen in coalition politics at all.

But particular with this coalition, with the LDP and Komeito, because this is not a typical parliamentary coalition, usually you have an election. Parties win however many seats they win. They count the number, they say, what do we need to build a governing majority, they form a coalition for a while and then they fall apart. The LDP and the Komeito are completely codependent electorally. LDP would not win urban seats without Komeito telling its voters, vote for the LDP candidate.

And so both parties win more seats than they would win otherwise because they work together. So the LDP would not just be betraying its partner if they pushed ahead and found other partners for constitutional reform. They'd be possibly cutting themselves off at the knees in terms of their ability to win votes in urban districts.

Finally, I'll let -- someone else has a question but what it means for the DPJ, the DPJ needs a new plan. I mean there was talk that if they didn't win 20 seats they would have to split. Well they didn't win 20 seats. What does a split mean? They're

pretty small. They won 17 this time. I think they have 59 overall in the Upper House. So I guess there's still something that could split there.

But they need to come up with a new plan. It seemed like in the 2007, 2009 elections they had one. And that was to be a typical center left party emphasizing social welfare type issues. That one of the things that happened with the Koizumi liberalization that people discovered that there was no welfare state. The welfare state, Margarita Estevez-Abe has done a lot of great work on this in Japan, was for firms and industries. And so people didn't need unemployment insurance because their firm was guaranteed against going bankrupt so they would never lose their job. So you didn't need unemployment insurance, right?

And as soon as that went away and as soon as it started cutting off subsidies to certain sectors there was the need for a safety net. And the DPJ in the 2007 Upper House election and the 2009 Lower House election especially basically set themselves up as the party of the welfare state. That we're going to not give back everything the LDP took away but compensate, right? And it started to look familiar to people who study politics elsewhere.

And Ozawa in his role as brilliant tactician, terrible strategist abandoned that to win short term and then destroyed the party as he is wont to do. So I don't think there really is a future for the DPJ. I mean the name may survive but it's not going to be anything like what we see now.

MR. BUSH: Gil Rosman?

MR. ROSMAN: I have a question for Mike Mochizuki. In Japanese foreign policy towards Asia, you identified the problems with China and then suggested that there might be some progress with Korea although that seems especially doubtful because the historical memory issues are so acute and the recent downturn seems to go

beyond what occurred earlier. So where is Koizumi, where is Abe's approach to Asia going given your skepticism about ties with China? And that brings in the US. Does the US have a suggestion, an idea of how Japan can transform things?

And on one issue you didn't mention at all, is it possible that the talks that begin next month between the foreign ministries of Japan and Russia will actually move more quickly than many have thought and really suggest that Abe has an end run around his problems by working out something with Russia?

MR. MOCHIZUKI: Well, thanks, Gil, for that question. I certainly and you know very well that there are many in Japan who feel that the Japan-Russia bilateral relationship may be the most promising for the time being. Given the situation that Putin finds himself in Russia with the concerns about the changing nature of the global energy market and Russia wanting to get Japan to be a much more of a long term big customer for Russian energy but also for Japan to invest in Russia, both Japan and Russia have fears about China.

So there is a lot of strategic rationale for these two countries to come together. And if Japan can make progress on the territorial dispute with Russia, then I think that gives Japan a little bit of leverage, not much, but a little bit of leverage regarding how it manages the other two territorial issues. But Vladimir Putin is not going to give back all the Northern Territories and so Japan would have to figure out what kind of compromise solution, it might be a two island plus alpha solution. And the question is whether Mr. Abe has the political capital to go and make that kind of compromise.

Mr. Abe and interestingly even someone like former Prime Minister Hatoyama have this fascination with India. And it was Mr. Abe going against some of the Council of Professional Diplomats, floated this idea of the strategic diamond that included Japan, India, Australia and the United States. And rather than work with the closest

neighbor that's a firm ally of the United States, the ROK, to go out and reach India.

And of course India likes to be courted by other countries including Japan, the United States but India is going to be its own country. And it's doubtful that you're going to see this kind of hard diamond. You know, there's also increasing fascination with Myanmar and other countries in Southeast Asia, Vietnam, the Philippines. They all have concerns about China.

So it's quite possible that Mr. Abe will try to create a soft coalition with maritime states on the periphery of China that have fears about China. That would be a lot easier to do. But in the end the relationship with the ROK is very important, although his stance on the comfort women issue as well as on Yasukuni and textbooks, those stand in the way. But given what's happening in North Korea, given the US interest and better US-Japan-ROK relations and I think the security communities of the ROK and Japan want greater cooperation. That if Mr. Abe can understand the importance of this and if he can come up with some initiatives that would go against his instincts on the history issue, then I think that would be a major gain for Japan.

And you have a president in the ROK who would like to do that. It's just that Mr. Abe has not made it easy for that to happen.

MR. BUSH: Another question? Back in the aisle there? Yes, right there.

QUESTION: A reporter from the Voice of America. I have three questions for Professor Mochizuki. And the first is Mr. Abe is now in South Asia to promote his valued diplomacy so your comments on that. And the second about yesterday, I was at a house here in USA-Asia Pacific policy and the senators, the representatives, the congressmen all there asked the expert what is the most likely flashpoint seeing East Asia and South Asia? They mentioned they think the Senkaku

Diaoyu Island might be an issue there. So what's your perspective here? And third is about you just mentioned that Abe's strategy is to let the Chinese escalate the situation. And now with Chinese military airplanes coming close to Okinawa and also the boats there, so do you see the escalation here? Thank you.

MR. MOCHIZUKI: Well, first in terms of valued diplomacy, this notion of a value diplomacy has been around for a while and Foreign Minister Aso at an earlier period enunciated the values oriented diplomacy. And I think a lot of this has to do with identifying Japan with the community of democratic countries which really means the United States and to distinguish itself from China.

But whether or not Japan really kind of pursues a values oriented diplomacy in terms of kind of promoting a liberal democratic values abroad and I think there's a lot of daylight between the US orientation on that and the Japanese orientation. I think in the end the Japanese emphasize development and stability first before demarketization.

East China Sea is certainly a potential flashpoint and one of the good things is that so far the confrontation between Japan and China has kept the military away. Sometimes it's intruded but primarily it's a faceoff between the Japan Coast Guard and the various marine surveillance and state oceanic administration ships.

The concern that I have is the following, that there could be some kind of collision, an inadvertent accident and there could be some casualties that then inflame nationalist reaction in China and then a reverberation in Japan. And that would be extremely hard to manage. I think the Chinese now have pretty much established a new status quo that will be extremely difficult for Japan to overturn without escalation. And this new status quo is that China will routinize patrols near the Senkaku Diaoyu Islands and regularly intrude into the territorial waters and China will justify this as that's our

territorial waters.

And Japan cannot do much about that. Now the other piece of escalation that we have to watch is what's happening in terms of drilling in the oil and gas fields along the median line that Japan has argued in the East China Sea regarding the exclusive economic zone. Still there is an agreement that Japan and China forged in 2008 about joint development. And that's kind of been tabled and it's hard to imagine that the kind of treaty that would be necessary to implement that will ever happen.

But now China is unilaterally beginning to develop another drilling site on China's side of that median line. And that's opening up another front in this escalation. But this is going to be a very hard thing for the Japanese to respond to because it's on what even the Japanese recognize as the Chinese side of the median line.

So, so far I think both sides are playing it very cautiously but I think it's really important that there has to be communication between the two sides so that we don't have an inadvertent incident. The worst thing would be if there are either Chinese activists or some kind of Chinese paramilitary unit that lands on the Senkaku Islands. And if that were to happen then I'm pretty sure that Japan will then response in a way that would escalate the conflict.

MR. BUSH: Andrew? And then Jim Gannon.

MR. OROS: Hi, Andrew Oros from Washington College. I wondered if we could go back to the domestic politics side a little for anyone who cares to comment. But it came up earlier that barely over half of Japanese voters voted in this last election. I guess it was a little over 52 percent. And Michael Thies mentioned in the last election, the Lower House election in December fewer people voted LDP than in the previous Lower House election where the LDP was really routed.

So I wonder if anyone would care to speculate a little bit more about the

people who haven't voted yet. And so, we've heard the DPJ is sort of down and out, at least that's Michael Thies' view. So where can these voters go? Can we really expect that they're not just going to vote anymore? They're not going to join any other parties? They're just going to watch the LDP do their policies?

MR. THIES: I'll go first, I guess. I haven't had a chance to look at the turnout numbers for this election very carefully. But for the December 2012 election it turned out that for every 10 voters who voted in '09 and stayed home in '12, the DPJ lost nine votes. And the other vote went to some other party, not always the same party.

So it seems that most of the decline in turnout, or the decline in turnout hurt the DPJ the most by far. And it's really these floating voters. It's voters who are not tied to a party either through ideological agreement which is hard to really wrap your brain around in Japan or, well the communists I suppose, or through organized interests being a member of an agricultural cooperative or something like that. So these floating voters.

One of the things that Kyoto did, oh I think did I -- yes, on the last page, the first chart. No, this is Yomiuri again, too, sorry. It was a joint Yomiuri Shimbun Nippon Terebi exit poll, is asking voters who don't have a party identification how did you vote? And you see the LDP did a little bit better among floating voters in this election than they did in December. 23 percent as opposed to 20. The Japan Restoration Party, Hashimoto's party, as the party that did the best in 2012. They were the new kid on the block with all these brash new ideas. In December 2012 they lost half of their support among floating voters in this election.

They fizzled out pretty quickly. DPJ, I don't know what the number was in 2012. The report on the poll didn't say what it was but 11 percent of floating voters went DPJ this time. So there are a lot of voters in Japan, an increasing number, who

don't have any strong party affiliation at all. Largely the change from 20 years ago is that they don't have a strong candidate tie.

It used to be that party affiliation was really mediated by your link to an individual member of parliament through Koenkai and things like that. And that's weakened. So there are just a lot of voters that are unaffiliated. And in this election especially I think a lot of people in a lot of districts just thought well it's a foregone conclusion what's going to happen in this election. It's just not interesting. There's no competition. It's not exciting. Why turn out?

And I'm not going to give you my intro to comparative politics lecture on voter turnout because it's long and depressing. But I think voters need excitement, they need competition a lot of voters. Elections are like sporting events. If you know what's going to happen it's less interesting and you're less likely to participate.

And so then there was just no competitor. The DPJ, as I said, didn't even bother to run a candidate in a lot districts this time. And so I think that's what a lot of the decline in turnout is. So what they need is a new idea, a new plan, a new team, a new coalition of interests to form and excitement them as a possible alternative to the LDP. And that there was a move toward that before this election that Hashimoto killed with his comfort women comments and now they have three years to try and figure it out and see if it'll happen again.

But the turnout in the previous elections, Koizumi's election in '05 that was super high turnout. It was a very exciting election. It had assassins, it had defectors, it had ninja, it was terrific. Assassins is the name everyone remembers that remember Koizumi kicked these people out of the party and then hired assassins to beat them. But another phrase was lipstick ninjas. Remember cause a bunch of young women as candidates to go and excite voters and make it a fun event. And there's just

nothing like that happening in these last couple of elections. So part of it's artificial. But part of it is the sense of real competition that just is absent at the moment.

MR. BUSH: Other comments? No?

MS. SOLIS: Well, I don't know, should we let Jim ask his question?

MR. BUSH: Yes, Jim.

MR. GANNON: Thank you. Jim Gannon, Japan Center for International Exchange. I had a follow up on domestic politics, a question basically about party discipline and assassins. And there are two very interesting points were made and I agree completely with them and one is to paraphrase it, on structural reform, TPP, the LDP may be Prime Minister Abe's worst enemy. And the second that inside the party his support is probably more fragile than it seems from the outside.

Prime Minister Koizumi could deploy assassins. You know he used elections very well but I'm curious with the factional system out of the way, what are the other tools of party discipline? Up to the election here a lot of candidates wanted to stay close to Prime Minister Abe, get their picture with him in their posters. The atmosphere about Abenomics meant that people didn't dissent but going forward here it seems that there's a lot less tools to keep people in line. So how does Abe govern his party and what does this mean for the eventual future of structural reform, thank you.

MS. SOLIS: I think that what's going to be really fundamental is the intra-LDP dynamics, right? Because ahead there are very divisive issues coming, for example, the decision on the consumption tax. That's going to rattle a lot feathers. It's a very ugly choice that Japan must make where it goes through with the consumption tax and the fear there is that you can actually deflate consumer sentiment and could imperil the economic recovery. But if you don't do that then the other concern is that the fiscal situation becomes unsustainable and therefore interest rates go up and you cannot

service your debt.

So it's an ugly situation. It's one that the party cannot postpone that's going to be decided this fall and the repercussions on how that divides or not the LDP is going to be quite evident. When the government comes back with a set of TPP concessions in all these sectors like the medical sector, all these deregulatory measures, the agricultural sector start to kick in then you're going to see these PR lists that Mike mentioned of the who's who of vested interest in Japan that are up there in the party. That's also going to start kicking in.

So on the one hand it could be that these divisions create centrifugal forces on the party but you have to ask yourself, where will they be defecting to? And I think that helps the party now. What I've seen in the past is that when you had parties breathing on your shoulder they were competing themselves in terms of who is going to provide more subsidies in the rural sector. You have less that of an incentive now because the opposition camp looks very much diminished. So the question of is it possible, feasible to the effect that it's also going to loom large I think in the forthcoming period.

MR. BUSH: Anybody else?

MR. THIES: And there doesn't seem to be a leader of -- well, the opposition to any particular potential Abe initiative isn't crystallized yet and so we don't have names of people within the party who we know are sort of prominent skeptics of any of those particular policies. Those might start to emerge. Someone like a Kamei Shizuka who's the poster child for the postal workers when Koizumi was doing it and then eventually led the defection and formed his own new party, we don't know who those people are yet.

But I think you're right that the first thing Abe said after the December

2012 election as he's standing there putting the roses on the wall for all the winning candidates is, this isn't a huge mandate for us. We have to concentrate our efforts to win the Upper House election. It was really a very bald-faced political statement that our first job is to win the Upper House election in six months or seven months. Okay, now that's done. Now on the one hand he's secure for three years. On the other hand he doesn't have a real motivator for party discipline for three years.

I suppose he will, at some point, start threatening to call an early election in order to concentrate minds. And if there is an organized sort of rebellion within the party, just like Koizumi did, he may call an election in order to get a new mandate to pursue a particular set of policies. But that's sort of a big weapon. It's kind of a nuclear option in terms of intraparty politics and you're right that it's going to be interesting to see.

Because another possibility that people have talked about is maybe he'll just sit on this big bicameral majority and be complacent and say, okay we're not really going to do anything. Postpone by the consumption tax decision by postponing the consumption tax increase and say we'll kick it down the road another six months and we won't do anything for now kind of thing. But I think the dissension is going to come, as Mireya pointed out, especially is from the voters. It's going to be people saying, hey where's this recovery.

The initial burst of stimulus doesn’t seem to have solidified an economic recovery. We need more.

MR. BUSH: A final question on the aisle, in the middle? Michael?

MR. MASUDDICK: Mike Massudick. Where does this leave the Obama Administration? There was an op-ed in *The Washington Post* this morning suggesting that the Obama Administration has been treating Abe rather in the way that they treated Netanyahu during the first term with sort of a cold shoulder. I don't even know whether

you agree with that assessment. But what are your suggestions and recommendations about now that we have a sort of settled political situation inside Japan, how does the US administration deal with that?

MR. MOCHIZUKI: Well, I think on issues regarding security and dealing with China it's very important that United States and Japan appear to be together on this. And I think President Obama has pretty much done this. There's been a lot of concerns in Japan about the possibility of some kind of G2 that will to a cold management of the Asia Pacific between the United States and China with a diminished role for Japan.

There's always this sense of insecurity on the part of Japan. Maybe to some extent that's a good thing but I think on the whole, the United States for example can't be neutral on the territorial issue. And so far I think the administration has played this right.

But on economic issues I think there's going to be a lot of very hard negotiation. And there could be some friction over economic issues. But I think on the security side on the whole there will be convergence.

The one thing that could be problematic is the history issue and so far Abe has kind of pulled back a bit. But I can imagine if he goes to Yasukuni, if he tries to overturn the Kono Statement of apology towards comfort women, if he tries to dilute the Murayama Statement, all of those things, even if it's not the official policy of the United States, there will be many in the policy community that will join the Washington Post and the New York Times in warning Mr. Abe not to go down that track.

MR. BUSH: Okay. Thank you very much. This has been a great discussion. Please join me in thanking Mike, Mike and Mireya for a really cool meeting.

MS. SOLIS: Thank you, that was terrific.

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