

Speech by DPJ President Banri Kaieda on the Occasion of His Visit to the United States

Title:

“Perspectives on Japanese politics and the future of the US-Japan alliance”

Opening Remarks

My name is Banri Kaieda, and I am the President of the Democratic Party of Japan (DPJ).

I would like to thank Brookings President Strobe Talbott and everyone else who made it possible for me to speak here today at the long-established Brookings Institution. As the head of an opposition party with aspirations of regaining control of the government, I would like to share with you my candid views regarding the current state of Japanese politics and the US-Japan relationship.

1. The Position of the DPJ

(1) The DPJ's History

The DPJ was originally formed in 1996. It took its present shape in 1998, when citizen movements, social democrats, and the liberal wing of the conservative parties came together with a common purpose in mind. The DPJ's Basic Philosophy of 1998 enshrined the following principle: “we shall build a new road of the democratic center.” Subsequently, the DPJ gained control of the government in the 2009 general election, achieving our long-held mission of realizing a change in government in a general election. Unfortunately, the DPJ failed at managing the government and lost the trust of the Japanese people for a variety of reasons, including lack of experience and immature party governance. The DPJ was ousted from government in the general election of December 2012 and was defeated in last year's House of Councillors election. This factored into creating the current political system in Japan, which has been ridiculed as *‘ikkyo tajaku’* meaning “one strong party surrounded by many weak parties”.

Nevertheless, we cannot keep dwelling on the past. We will make a comeback. No, we

must make a comeback. As long as we remain weak, Japanese society and diplomacy will continue to head in the wrong direction. Maybe you are doubtful. Maybe you're wondering "Is the DPJ capable of doing that?" President Obama best knows the answer to this question. Why is it that the DPJ can make a comeback? Because the DPJ is located in the democratic center. Just as the liberal politics of President Obama's Democratic Party espouses diversity of values, so indeed do we.

(2) What are the principles of the democratic center?

(i) Balancing social justice and economic vitality

The DPJ's goals are not simply limited to achieving economic security and the distribution of wealth. Rather, by fostering competition and through the creation of wealth, we have also been striving to realize a society that rewards hardworking people. Specifically, we are hoping to eliminate economic disparities and create a society with a broad middle class. There is a lack of fairness in a market fundamentalism-type approach in which the strong prey on the weak, a society where only a small number of companies or investors prosper while workers are left behind. The private sector should, in principle, lead the economy. At the same time, the government has a duty to provide a safety net and eliminate disparities. When the DPJ led the government, we promoted a children-first policy which gave priority to education and child-raising. This policy, which provides a place and role for all people, is designed to strengthen community solidarity.

(ii) Diversity and openness

The DPJ is fighting for the realization of an open nation that is cosmopolitan and multicultural, and where no disparities exist between men and women. We will stamp out hate speech and other forms of xenophobia. This stems from our belief that a broad tolerance of a diversity of values lies at the very heart of the democratic centrist way. A nation in which the government intervenes in an authoritarian manner deprives its people of diversity and vitality. To prevent such a situation, an array of intermediary groups, including public interest corporations, NPOs, and community associations must be fostered to achieve a civil society built on vitality and solidarity.

(iii) Sense of responsibility towards national security and international peace

Unlike Japanese leftwing forces of the past, the DPJ will fulfill its responsibility towards national security in a realistic manner. Furthermore, we will openly reject

historical revisionism. Working together with our ally the United States, the DPJ will make every effort toward ensuring peace and building confidence in international society, and especially in East Asia.

(iv) Current state of politics and political realignment

Why is the democratic center necessary for Japan's party politics today? After losing the reins of government in 2009, the Liberal Democratic Party (LDP) espoused a revival of conservative values and steered rightwards. The LDP was previously "right or center-right" on the political spectrum, but has now moved even further to the right. Later, the LDP regained control of the government, aided by the shortcomings of the DPJ-led government and the increasing conservatism of Japanese society. Domestically, the Abe administration has now made its authoritarian tendencies clear. Internationally, the Abe administration could move beyond the realm of healthy nationalism, and become a destabilizing factor in East Asia.

Meanwhile, some opposition parties, including the Japan Restoration Party, are leaning even further to the right than the LDP. Opposition parties are fragmented. Indeed, there are "many weak parties." However, as is evident from the history of Japan's political parties since the so-called "Taisho democracy," when Japan moved toward democracy and liberalism in the 1910s and 1920s, most of the transient political parties that emerge out of nowhere tend to disappear as abruptly as they appear. The DPJ has remained in existence for 18 years since its formation. We also have experience holding the reins of government. I am convinced that if the DPJ upholds the values of the democratic center and is able to achieve a revival, we can form the nucleus of the political realignment of Japan.

2. Policy Pillars of the Democratic Center: Economy and Security

(1) Criticisms of Abenomics

At the outset, I will admit that the so-called Abenomics has succeeded as a sort of "shock therapy" for dealing with the excessive pessimism towards the Japanese economy following the global financial crisis. Abenomics has succeeded in correcting the excessive yen appreciation, as well as the excessively low stock market prices. However, the reason for the increase in stock prices was the net buying of stocks by foreign investors to the tune of 16 trillion yen. Therefore, we must think twice before

praising Abenomics without reservation. Why? Because no Japanese person purchased Japanese stocks, the barometer of our country's future. Not only did Japanese people not buy stocks, in fact, there was a net selling of stocks by Japanese institutional investors amounting to 6 trillion yen and net selling by Japanese individual investors amounting to 9 trillion yen. Thus, in January of this year, stock prices decreased when there was a net selling of stocks by foreign investors of 1.3 trillion yen. With no knowledge of when there will be a net selling by foreign investors, the market remains unstable.

Secondly, it can be said that Abenomics is a populist policy. The first of the three "arrows" of Abenomics was a "monetary policy of cost postponement." The second arrow was a "fiscal policy of preliminary demand stimulation." These policies gained popularity because they make no one worse off in the near future. The Abe administration says that while buying time through the realization of the first two policies, it would then implement the third arrow of the growth strategy. Be that as it may, the regulatory reforms so far have been insufficient. Their impact is also uncertain. Rather, the fact that the government is taking a statist approach of interfering even in private sector wage negotiations is a source of concern.

Thirdly, as demonstrated by the LDP's slogan of "Take back (the old practices of) Japan," Abenomics favors vested interests. Vested interests include long-established investment entities, principally export-oriented manufacturing companies, as well as employees of a number of major companies who will benefit from wage increases. The LDP strives to "restore vested interests." However, this will simply extend the lifespan of existing economic entities by another decade, rather than bringing forth new innovations and transforming Japan's industrial structure. Yes, this may be a highly efficient approach as a short-term policy, and it is probably a wise approach when it comes to winning elections. However, under this approach, the private sector will lose its appetite for seriously working to increase productivity and pursue innovation. This is a repeat of past measures to stimulate the economy through public works, which stood in the way of industrial vitalization in rural areas.

Furthermore, the government-led wage increases that will be implemented under the name of Abenomics will be limited to a number of major companies, leading to greater economic disparities among the people. Like the Obama administration, we, the DPJ, have been pursuing a policy of creating a broad middle class. We remain steadfast in our resolve to promote investment in education and employment for eliminating such

disparities.

During the DPJ-led government, we placed importance on the maintenance of fiscal discipline. Throughout the DPJ's time in office, we improved the primary balance on the basis of settlement reports. On top of that, we took the bold course of promoting a consumption tax increase for the stability and enhancement of social security. The current Abe administration's pork barrel approach threatens to undermine the effects of the tax increase. If the administration continues to proceed with this approach, then this could affect the interest on government bonds, and Abenomics' exit strategy may become unworkable. The "story" that the Abe administration hoped for was as follows: the depreciation of the yen would lead to an increase in exports and the recovery of the Japanese economy. So far, however, instead of increasing, export levels have remained unchanged or have continued to decrease in terms of quantity. As regards future economic trends, I believe we have to watch out for what I call "Abenorisks" – namely, the risk of a fiscal deficit caused by the Abe administration's pork barrel policy; and the risk of a continued widening of the trade deficit resulting from a lack of export growth, despite the yen's depreciation, and increasing imports.

(2) From greedy financial capitalism to mutual benefit capitalism

Abenomics, for starters, is based on a "statist" approach that assumes the government can maneuver the economy as it wishes. It is furthermore a policy based on the concept of greedy financial capitalism.

However, even at Harvard Business School, once a mecca for greedy financial capitalism, a change of thought is underway. This is demonstrated by Prof. Michael Porter's proposal of "Creating Shared Value (CSV)."

Professor Porter, as a leading proponent of "greedy capitalism," used to advocate a theory of maximizing profit by hindering the entry of new companies. This very same professor repented his theory following the global financial crisis. Contending that "the capitalist system is under siege," Professor Porter proposed that in addition to the pursuit of profits, the goal of companies should be to both contribute to society through their businesses as well as create value for society. Professor Porter argues that value for companies is both economic benefit and societal benefit (shared value), and that companies and the society must jointly create this value.

This concept of contributing to society through business while simultaneously generating profits has, in fact, existed in Japan from ancient times. The Edo period's *Omi shonin*, famed merchants from the Omi feudal domain that is now Shiga Prefecture, has a family precept called "Sanpo Yoshi." This precept teaches that the merchant should take into consideration the benefits for the vendor, customer, and society. This is precisely CSV. A similar idea is also found in *The Analects of Confucius and the Abacus*, a book written by a Meiji period tycoon, the revered Eiichi Shibusawa. As such, the concept of "capitalism that realizes shared value" is, in essence, a familiar concept for Japanese entrepreneurs, and forms the policy foundation on which the DPJ stands.

It just so happens that in the January 2013 edition of *Bungei Shunju*, a monthly news magazine, Prime Minister Abe proposed a concept of capitalism that "takes heed of morality." Regrettably, however, Prime Minister Abe visited Wall Street in September of the same year, where he flattered the proponents of greedy financial capitalism by saying, "Buy my Abenomics!" By contrast, we, the DPJ, take seriously the task of promoting "capitalism that realizes shared value."

(3) Understanding of history

The DPJ respects the postwar international order that was established by the San Francisco Peace Treaty. With regard to the Tokyo Trials, the government of Japan accepted the judgment of the tribunal under Article 11 of this Treaty. Accordingly, the DPJ deems it unacceptable for a Japanese Prime Minister to visit the Yasukuni Shrine, which enshrines class-A war criminals who were convicted in the Tokyo Trials.

Prime Minister Abe's visit to the Yasukuni Shrine in December of last year caused concerns not only for China and the Republic of Korea, but also for the United States and EU countries. Furthermore, Prime Minister Abe had previously indicated that he intends to revise the 1993 Kono Statement regarding the issue of "comfort women."

Prime Minister Abe recently expressed the position that he will "not revise the Kono Statement." We appreciate this comment. However, shortly afterwards, an aide of the Prime Minister mentioned the possibility of releasing a different statement, which would *de facto* mean revising the Kono Statement. A series of developments, including statements made by Prime Minister Abe himself and his aides, as well as by

the executives of NHK, Japan's public broadcasting corporation, whose appointments Prime Minister Abe influenced, are fueling suspicions that Prime Minister Abe is a historical revisionist.

I clearly reject historical revisionism and will oppose it determinedly. The DPJ will of course clearly adhere to the statements of previous Cabinets, including the Kono Statement regarding "comfort women," the Murayama Statement on the 50th anniversary of the end of World War II, and the Kan Statement on the 100th anniversary of Japan's annexation of Korea. We, the DPJ, will safeguard the mature democracy fostered by postwar Japanese society.

I was born in 1949, four years after the war ended, and I grew up receiving the education of Japan's postwar democracy. The years of my adolescence in particular were a period of peace, prosperity, and growth. I would like my daughter and grandchildren to enjoy a similar period of peace, stability, and prosperity. I will safeguard Japan's mature democracy. This is a personal resolve which I absolutely will not compromise.

(4) U.S.-Japan alliance and diplomacy with neighboring countries

Past Cabinets have forged friendly relations with Japan's neighboring countries, while making clear, as stated in the 1995 Murayama Statement, that Japan has "deep remorse" over the fact that "through its colonial rule and aggression, [Japan] caused tremendous damage and suffering to the people of many countries, particularly to those of Asian nations." This kind of a long-standing and sincere understanding of history has served as the foundation of Japan's friendly relationship with the United States. Japan and the United States have been allies for over half a century since fighting against each other as enemies. This understanding of history is like a shared value between Japan and the United States regarding diplomatic security. I am convinced that in a multipolar international community, our two countries can overcome the limitations of a short-sighted view of national interests, by sharing principles that extend beyond the nationalistic and xenophobic trends worldwide.

On this basis, as the United States adopts a policy of rebalancing towards the Asia-Pacific, I hope to hold talks with the United States regarding how the Japan-US alliance should be deepened. I believe there are an infinite number of issues we should

be working on together, including the Guidelines for Japan-U.S. Defense Cooperation that are currently being discussed between Japanese and U.S. authorities, as well as cooperation on outer space and cyberspace, nuclear non-proliferation initiatives, and the promotion of free trade, including the Trans-Pacific Partnership.

At the same time, we, the DPJ, will work to build trust with Japan's neighboring countries based on a correct understanding of history. I do not deny that Asia today is in a difficult situation that reflects changes in the balance of power.

However, as neighboring countries, we have no other choice but to live together and flourish together. Of course, expressing our remorse for the past does not in any way prevent us from explaining our views regarding current disputes. We stand ready to make efforts in a future-oriented manner to establish a "mutually beneficial relationship based on common strategic interests" with China, and a "key partnership" with the Republic of Korea.

(5) Right to collective self-defense

The security policy of the democratic center is deeply committed to protecting Japan's territorial land, sea, and airspace, as well as the lives and property of the Japanese people. We pledge to proactively fulfill our international responsibilities in accordance with collective security.

The following are our views regarding the use of force, the use of weapons, and the interpretation of the Constitution of Japan currently being debated by the Japanese government.

We must realistically deal with Japan's security needs and international responsibilities. On the other hand, we must uphold the fundamentals of a modern democratic nation, notably, constitutionalism and the rule of law, and increase the predictability of Japanese security policies. From this perspective, it is not acceptable for the interpretation of the Constitution to be changed arbitrarily depending on who happens to be in power at the time. To change the interpretation of the Constitution in such a way ignores the text of the Constitution or the series of previous government interpretations of the Constitution. In order to respond to the security needs and the new demands of international responsibilities I have just described, the DPJ is now seriously examining what

flexibility there might be within or along the current line of interpretation of the Constitution.

Conclusion: Towards reconstruction from the Great East Japan Earthquake

On March 11, 2011, Japan was struck by the Great East Japan Earthquake. In the three years since then, the people in the affected areas overcame grief, and have been bravely tackling the calamity head-on. These people are a testament to Japan's resilience.

However, it cannot yet be said that their lives have completely returned to the way they were. The reconstruction work in the affected areas is only half done, and there are a plethora of challenges in connection with the nuclear accident. The DPJ held the reins of government at the time of the disaster and will continue to devote maximum efforts to reconstruction. We are determined to ensure that we achieve the reconstruction of the afflicted areas and the revitalization of Fukushima.

We will never forget the tireless efforts and invaluable contribution that the U.S. forces in Japan and the Pacific Command made through Operation Tomodachi. Of course, the friendship the United States demonstrated at the time was not limited solely to the military. Many Americans, including those here in this room, extended support in many different forms. I would like to once again express my deep appreciation to you all. The DPJ, as a party that pursues the democratic center, hopes that we can foster mutual friendship and common values in cooperation with the United States, and that we can work together towards the peace and prosperity of the world and of the Pacific region.

Thank you very much for listening.

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