



POLICY BRIEF

Japan's consolidated democracy in an era of populist turbulence

Mireya Solís

Japan's democracy has thus far eluded the temptations of populism, but the lack of meaningful political opposition may be undermining the health of the country's electoral politics.

EXECUTIVE SUMMARY

Compared to other advanced democracies in the West afflicted by rising populism, the Japanese polity appears in good health. The country has enjoyed six years of political stability, has experienced moderate economic expansion, and has been spared the deep political and social polarization consuming democracies elsewhere. Hence, the question has arisen as to whether Japan—armed with political and social stability, and committed to an open economic system and rule of law in international affairs—can anoint itself as a guardian of the rules-based international order.

The mettle of international leadership is forged by the ways in which countries address their domestic challenges. To understand how Japan has been able to escape the disruption of populism and the temptation of economic nationalism, this paper assesses both the progress made and trials

ahead for Japan's democratic governance. It finds reassurance in the strong normative endorsement of representative democracy in Japan, but notes that the Japanese public is split on the actual efficacy of its democratic system, and concerned about the economic welfare of future generations.

Progress on Japan's economic revitalization strategy, known as Abenomics, has been uneven, especially when it comes to the implementation of structural reforms. Japan is no longer the economic laggard among industrialized countries, with GDP growth per capita over the past four years on par with other Organization for Economic Co-Operation and Development (OECD) countries. But income inequality has also risen to levels comparable to its OECD peers. In the case of Japan, the main driver of the growing socio-economic gap is the rigid labor market incentivizing non-regular employment for a larger segment of the workforce.

Electoral and administrative reforms adopted during Japan's "lost decades" have transformed Japanese politics and decisionmaking. The goal of these institutional reforms was to encourage a shift toward electoral competition based on policy platforms, the emergence of a robust two-party system with alternation in office, the attenuation of money politics, and the emergence of executive leadership. Sustained progress has been made on some fronts, although the two-party experiment seems to be over with a weak and divided opposition camp. More than populist turbulence, a democracy without meaningful political opposition is Japan's most pressing challenge.

INTRODUCTION

Compared to other advanced democracies in the West afflicted by rising populism, the Japanese polity appears in good health. The country has enjoyed six years of political stability, has experienced moderate economic expansion, and has been spared the deep political and social polarization consuming democracies elsewhere. Japan seems in better shape compared to many of its industrialized nation brethren, but it has also achieved substantive improvements relative to its own recent past. Not long ago, Japan appeared consumed by its own problems and unable to articulate a strategic foreign policy. The 2006-12 period was marked by leadership instability resulting from a revolving door of prime ministers, deep recession in the aftermath of the global financial crisis, and glaring shortcomings in the government's response to the 2011 triple disaster (earthquake, tsunami, and Fukushima nuclear crisis).

Not surprisingly, the international community is taking a keen interest in Japan's promise. Profound geopolitical change is afoot with a Trump administration skeptical of—and at times even hostile to—the post-World War II order and an increasingly assertive China. As a result, many have trained their eyes on Japan with a pressing

question that would have seemed unfathomable a few years back, when the dominant narrative was one of a country in steep decline. **With its political and social stability, and commitment to an open economic system and rule of law in international affairs, can Japan anoint itself as a guardian of the rules-based international order?** Has Japan's aspiration to become a global civilian power finally found its geopolitical moment, since a U.S. retreat creates an external imperative for Japan to fill the growing gaps in international governance and avoid further deterioration of its regional environment?

Japan's ambitions to play a larger international role have manifested in several fronts. To the surprise of many, Japan has been a leader in the successful negotiation of mega trade agreements. It has pushed for a free and open Indo-Pacific—a vision for regional order based on the principles of openness, non-coercion, and international law—by enhancing partnerships among like-minded democracies (such as the United States, India, and Australia). Japan has also launched a multifaceted connectivity agenda that offers infrastructure finance to achieve a variety of strategic objectives: offering diversification options to developing Asia, encouraging China to improve the quality of its development lending, and embedding the United States in the region's economic architecture.

And yet, if the recent past has taught us anything, it is that the mettle of international leadership is forged by the ways in which countries address (or not) their domestic challenges. To understand how Japan has been able to escape the deep polarization of populism and the temptation of economic nationalism that have made inroads elsewhere, it is necessary to assess both the progress made and trials ahead for Japan's democratic governance. Democracy in Japan (like everywhere else) is a work in progress. Much needs to be done to achieve meaningful political competition in light of a weak and divided opposition camp, and to overcome voter apathy given low participation rates in elections. Citizen engagement and alternation of power

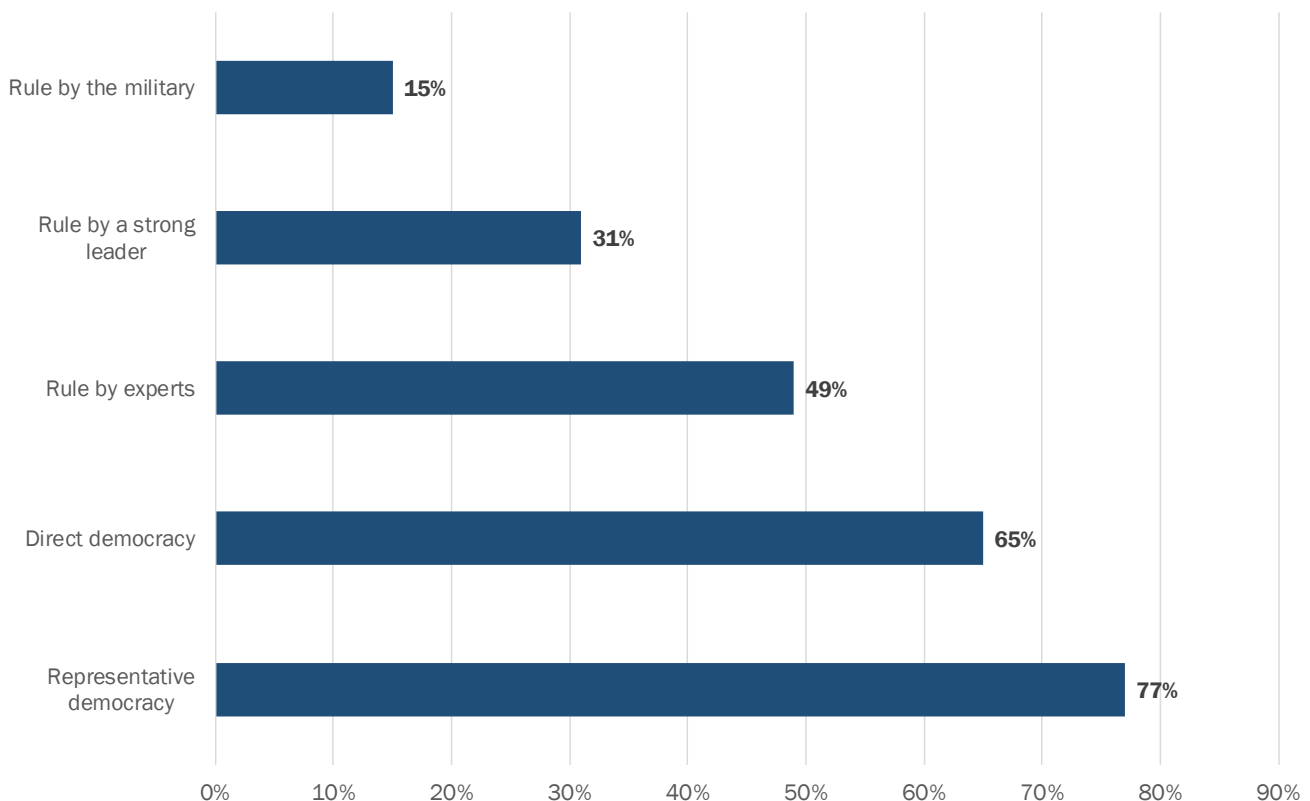
among parties define vigorous democracies and are essential ingredients to avoid policy complacency and ensure government accountability.

Japan has used the years of political stability under the second Shinzo Abe administration, starting in late 2012, to foster economic recovery and step up its diplomatic game. But Prime Minister Abe's commanding presence in Japanese politics creates its own set of conundrums in the long term: What happens after Abe? Will Japan revert back to the recent past of leadership instability and policy paralysis? Will it lose the will and decisiveness to tackle a growing set of international responsibilities? Or can Japan's commitment to and effectiveness in tackling domestic and international challenges transcend the Abe era? Addressing the issues of democratic governance is imperative to Japan's future and the new order of international governance.

JAPAN'S DEMOCRACY IN THE EYES OF THE PUBLIC: A SNAPSHOT

In an era when democratic backsliding across the world is affecting geopolitical competition and casting doubts on the future of international governance, the Japanese public's firm belief in the value of democracy is reassuring. A Pew Global Survey conducted in the spring of 2017 (see Figure 1), shows that representative democracy is by far the public's preferred form of government in Japan (77 percent), with very limited support for authoritarian rule.¹ The Asian Barometer Surveys convey the same picture. In its 2016 poll, 95 percent of Japanese respondents endorsed the notion that while democracy may have its problems, it is still the best form of government, and 77 percent of respondents expressed their belief that democracy is capable of solving society's problems.²

FIGURE 1: JAPANESE SUPPORT FOR DIFFERENT STYLES OF GOVERNANCE (2017)



Source: Richard Wike et al., "Globally, Broad Support for Representative and Direct Democracy," Pew Research Center, October 16 2017, <http://www.pewglobal.org/2017/10/16/globally-broad-support-for-representative-and-direct-democracy/>.

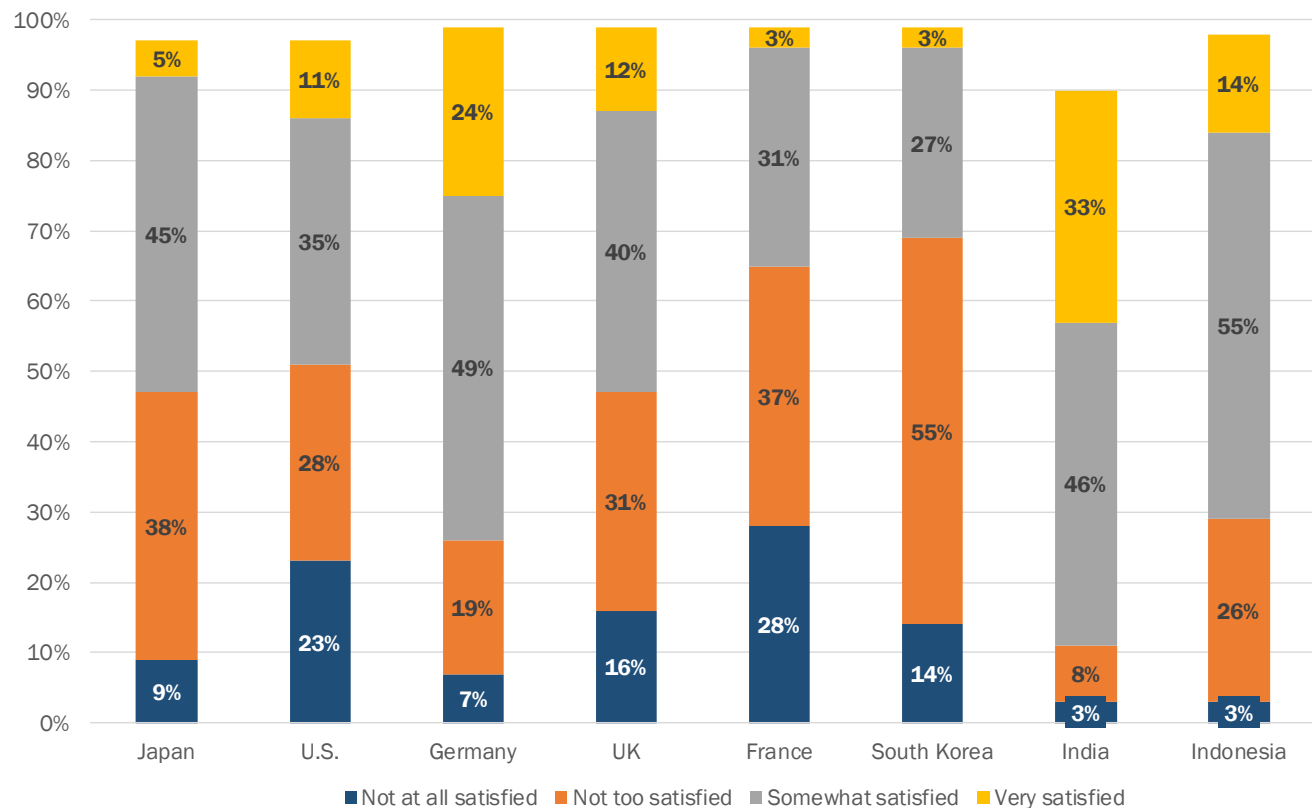
DEMOCRACY & DISORDER

JAPAN'S CONSOLIDATED DEMOCRACY IN AN ERA OF POPULIST TURBULENCE

The normative endorsement of representative democracy is strong, but the Japanese public is split on the actual efficacy of its democratic system. In 2018, 56 percent of respondents to a Pew survey reported dissatisfaction with the way democracy is working. Figure 2 offers an international comparison using numbers from the 2017 Pew survey. It shows that Japan's level of satisfaction with democratic performance is not dissimilar to that of the United Kingdom (52 percent) and the United States (45 percent)—two industrialized nations with stronger populist movements. Differences begin to emerge, however, when looking at the share of respondents expressing complete dissatisfaction with democratic performance: 23 percent in the United States, 16 percent in the U.K., and 9 percent in Japan.³

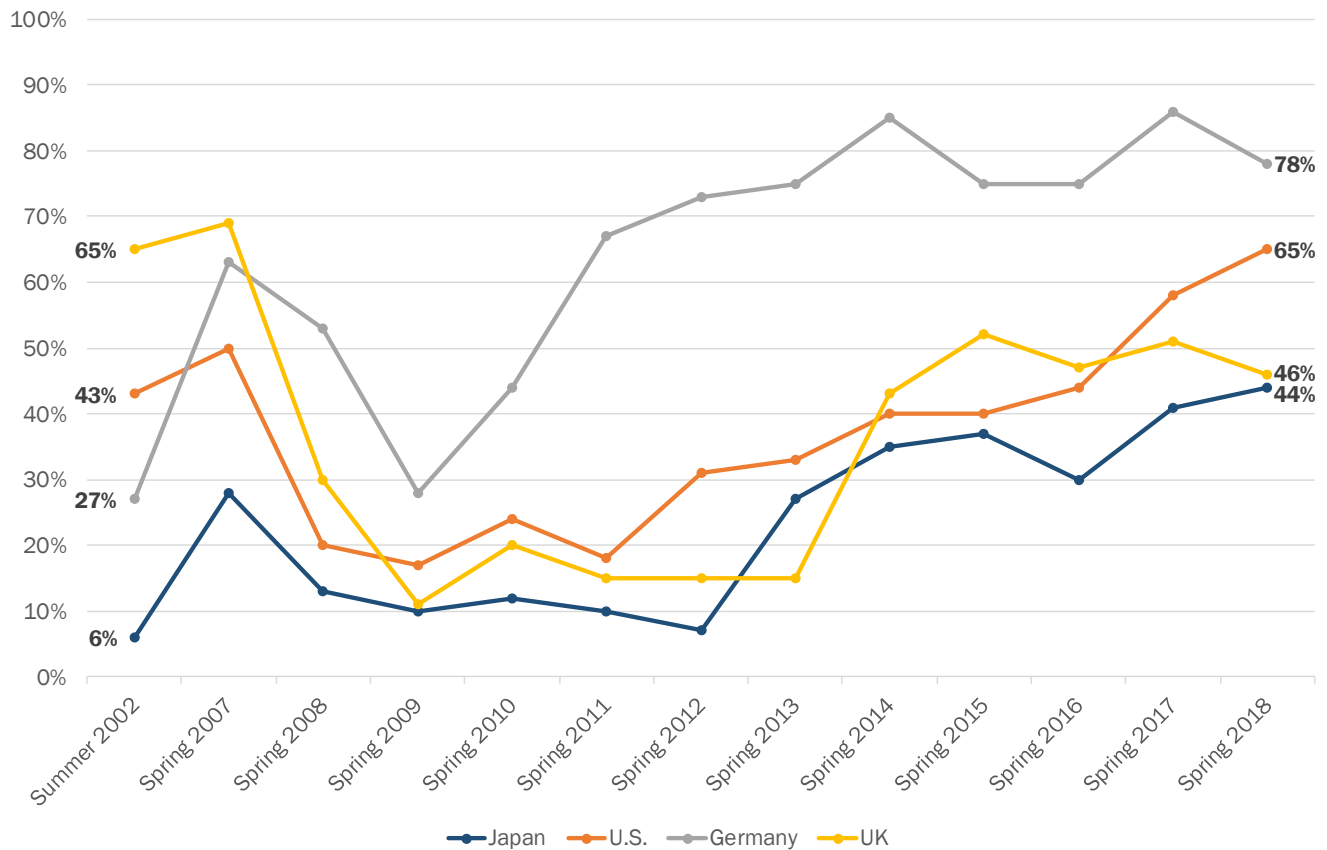
Key to the evaluation of democracy is whether it is able to provide for the material welfare of people and secure economic opportunity for future generations. Although the Japanese public is more enthusiastic about the economy today than in the recent past, it is less optimistic than other countries in the industrialized world. Figure 3 shows a dramatic improvement in the Japanese public's perception of the current economic situation, with less than 10 percent expressing a positive view in the spring of 2012, and 44 percent doing so six years later.⁴ Nevertheless, Japan is still the least optimistic compared to Germany, the United States, and the U.K. Indeed, Figure 4 shows that Japan is tied at the bottom with France in a group of eight developed and developing countries regarding expectations that children will be financially better off than their parents.⁵

FIGURE 2: LEVEL OF SATISFACTION IN THE WAY DEMOCRACY IS WORKING DOMESTICALLY (2017)



Source: Richard Wike et al., "Globally, Broad Support for Representative and Direct Democracy," Pew Research Center, October 16 2017, <http://www.pewglobal.org/2017/10/16/globally-broad-support-for-representative-and-direct-democracy/>.

FIGURE 3: BELIEF THAT THE CURRENT DOMESTIC ECONOMIC SITUATION IS GOOD

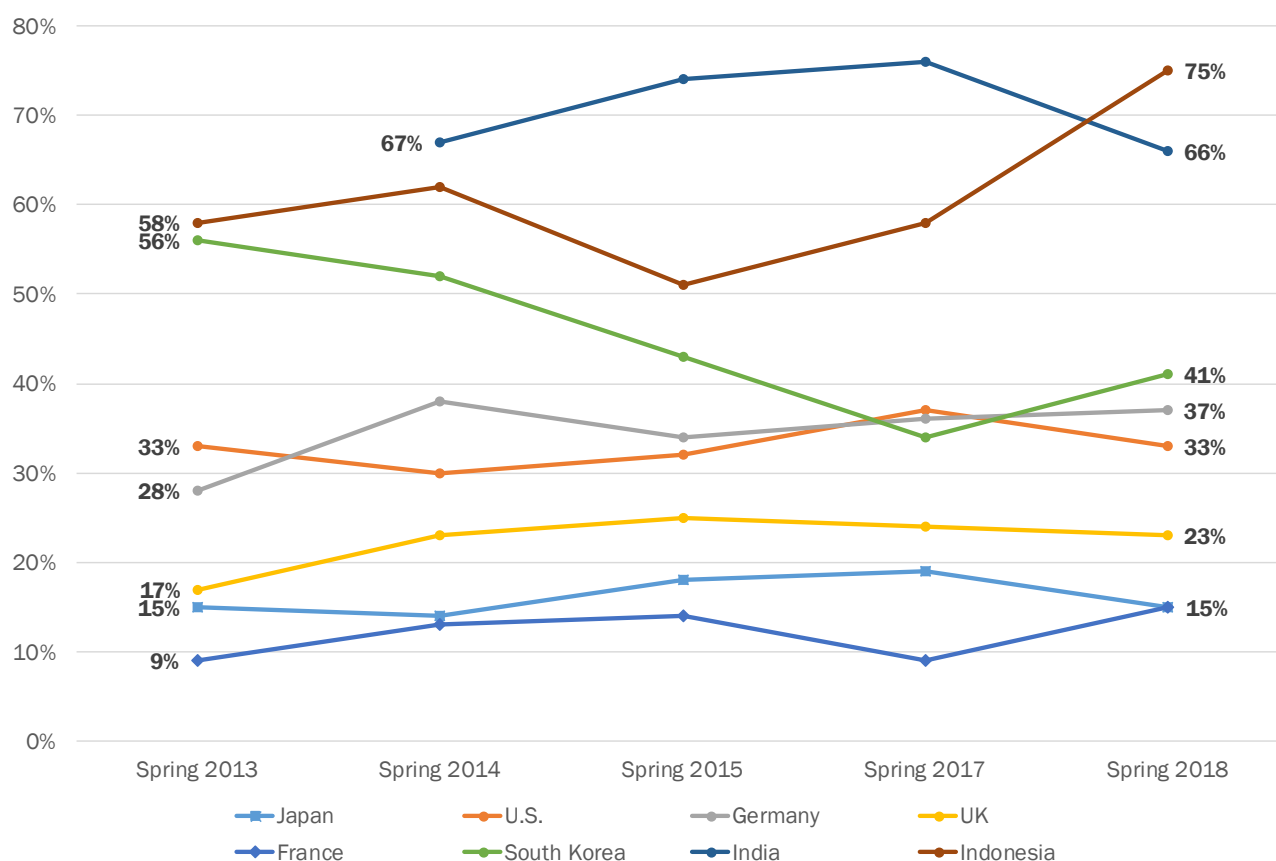


Source: Bruce Stokes, "A Decade After the Financial Crisis, Economic Confidence Rebounds in Many Countries," Pew Research Center, September 18, 2018, <http://www.pewglobal.org/2018/09/18/a-decade-after-the-financial-crisis-economic-confidence-rebounds-in-many-countries/>.

The long-term direction of Japan is, therefore, a matter of serious concern for the public. Views among the public on the responsiveness of government policies to these concerns have fluctuated. A survey by the Cabinet Office shows that in January 2012, 82 percent of respondents felt government policies were not reflective of public opinion, but this number dropped to 62 percent five years later, only to increase again in the last year to 66 percent.⁶

On the other hand, the Japanese public has been remarkably consistent on the set of issues where it demands more effective government action: social security, economic measures, and policies to counter the aging society. Other areas that ranked lower are employment and labor issues, national defense, and measures to counter the declining birth rate.⁷

FIGURE 4: BELIEF THAT TODAY'S CHILDREN WILL BE BETTER OFF FINANCIALLY THAN THEIR PARENTS



Source: Bruce Stokes, "A Decade After the Financial Crisis, Economic Confidence Rebounds in Many Countries," Pew Research Center, September 18, 2018, <http://www.pewglobal.org/2018/09/18/a-decade-after-the-financial-crisis-economic-confidence-rebounds-in-many-countries/>.

RESTORING INCLUSIVE GROWTH: THE NEXT MILESTONE FOR JAPAN'S REVITALIZATION

Japan was long hailed for its dramatic reconstruction in the aftermath of World War II's devastation, its economic take-off as it developed a succession of highly competitive industries capturing overseas markets, and its deft dealing with crises that touched on its most serious vulnerabilities (e.g., the oil shocks of the 1970s). But Japan's signal achievement in the postwar era was the creation of an affluent middle-class society. The last quarter century, however, has seen many reversals. Since the burst of the bubble economy in the early 1990s, Japan has been saddled with low growth and stubborn deflation. Successive Japanese administrations have endeavored—mostly unsuccessfully—to find a path back to robust growth. Adverse demographic trends (rapid

aging of the population and decreasing overall population levels) have made this challenge all the more daunting. Economic recession has had social consequences with a rapid increase in income inequality.

The second Abe administration marked the return to office of the Liberal Democratic Party (LDP) after three years in the opposition; but it was also a remarkable comeback for Shinzo Abe, who had lasted just a year in his first stint as prime minister in 2006. In emphasizing economic revitalization as a top priority, the second Abe administration proved responsive to the public's views on the most pressing issues on the national agenda. The economic strategy, popularly known as Abenomics, is comprised of three "arrows": monetary easing, fiscal targeting, and structural reform. With the explicit effort to combine stimulus with reform, the

Abe economic program has sought to avoid the divisive politics that surrounded Prime Minister Junichiro Koizumi's reform campaign, which critics characterized as market fundamentalism. And by breaking the disruptive cycle of one-year prime ministerships, Abe has provided more continuity to his reform program, improving policy implementation.

Early deliverables on the structural reform agenda included changes to the corporate governance code and electric utility deregulation. The prime minister proved willing to spend a sizable amount of political capital in two uncharted areas: reform of the agricultural cooperative system and Japan's most ambitious exercise in trade liberalization to date, the Trans-Pacific Partnership (TPP) negotiations. Nevertheless, these reform steps were doled out with significant amounts of political pragmatism. Core priorities for the agricultural lobby—subsidies that enable the continuation of inefficient part-time farming and the exclusion of five “sacred” commodities from tariff elimination in the TPP—were respected. In other cases, some of the most sensitive but consequential lines of reform were back-loaded (labor market reform) or remain largely untouched (social security reform).

Progress on structural reforms has been uneven, and the same is true for the overall performance of Abenomics. The central bank has remained committed to monetary easing (its holdings of Japanese government bonds more than tripled between 2012 and 2016), although the tools shifted over time with a growing emphasis on interest rate policy. Regarding fiscal policy, after the economy took a deeper dive than anticipated with an increase in the consumption tax in October 2014, the government punted the next tax hike to October 2019. The government revenue shortfall has led to an increase in the public debt-to-GDP ratio from 213 percent to 232 percent, the highest among OECD countries.⁸ As Sébastien Lechevalier and Briec Monfort point out, aggregate economic indicators show that Abenomics has

underperformed compared to its original targets, but has fared well when measured against Japan's recent past. Core inflation averaging 0.5 percent during 2013-17 period falls short of the stated 2 percent goal, but it is certainly an improvement over the recent deflationary past (e.g., averaging -0.5 percent during 2001-07). The average annual GDP growth of 1.2 percent under Abenomics compares favorably to the Koizumi years (1.3 percent), especially, as these authors point out, since Abenomics coincides with the onset of negative population growth. Another positive indicator is the lower unemployment rate (3.5 percent compared to 4.6 percent during 2001-07), but the tightening labor market has yet to translate into robust wage increases capable of promoting domestic consumption.⁹ All in all, Japan no longer appears as the laggard among industrialized countries. GDP growth per capita over the past four years has been on par with other OECD countries.¹⁰

The lasting contribution of Abenomics to Japan's growth potential and social welfare will largely depend on how it tackles two central challenges: boosting productivity across the economy and mitigating socio-economic cleavages. In the past few decades, productivity disparities have grown not only between the manufacturing and services sectors, but also among firms. The OECD notes that labor productivity rates among top performing firms grew 2.8 percent between 2001 and 2013, but only by 0.6 percent for lagging firms, and it attributes this growing gap to rigidities preventing the exit of non-viable firms and only modest progress in promoting entrepreneurship and new firm creation.¹¹ The productivity differential also translates into wage inequality, compromising the goal of a middle-class society.

Japan has not been immune to the deepened social inequality that has afflicted the rest of the industrialized world. Quite the opposite, in a span of 25 years, Japan's Gini coefficient (a measure of income inequality) grew by 15 points to converge with the G-7 average in 2010.¹² The drivers of

income inequality in Japan, however, are different from some of its OECD peers. Japan has not experienced the 1 percent phenomenon with the sharp concentration of income gains at the top of the income ladder that has fueled social tensions in other industrialized societies. Rather, the rise of inequality in Japan is largely driven by a profound transformation in the labor market. Over the past 30 years of economic stagnation, Japanese companies have increasingly resorted to hiring non-regular workers in order to retain flexibility in their payrolls, and today non-regular workers represent 38 percent of the workforce. Because non-regular workers do not enjoy the same level of pay and benefits, do not partake to the same extent in on-the-job training opportunities, and do not have secure career paths, their growing ranks have depressed consumer demand and contributed to social inequality.

The exacerbated dualism in the Japanese labor market is not the only deepening social cleavage. Most non-regular workers are women. Japan's adverse demographic trends (with one of the lowest fertility rates in the world and absolute population levels expected to drop by 25 percent by 2050) have fostered a renewed willingness in government circles to tap into the unfulfilled potential of half of Japan's population. This goal has mostly been operationalized by achieving greater rates of female labor participation, but the larger objective of gender equality remains elusive. The female labor participation rate is now higher in Japan than in the United States (increasing to 65 percent in 2015), but the gap in employment rates among genders is still large (17 percent). More acute even is the gender pay gap (27 percent), while only 9 percent of employees with managerial responsibilities in the private sector are female.¹³ One group of women in particular—single mothers—is most vulnerable, as many of them live below the poverty line. Japan's poverty rate at 16 percent is in fact the second highest after the United States among G-7 countries.¹⁴ Add to this the sharp regional disparities, due to the growth

of mega cities and depopulation in the hinterland (more than 90 percent of the population lives today in urban areas), to complete the list of deepening social cleavages in Japan.

FILLED AND UNFULFILLED PROMISES OF POLITICAL CHANGE IN JAPAN

It is a commonplace to assert that Japan “lost” the past two decades as the country was gripped by immobilism on all fronts. In fact, Japanese politics have been anything but stagnant in the past quarter-century. During this period, Japan adopted a different set of electoral rules, which profoundly changed the nature of political competition, and it experienced the onset of a two-party system, only to see the rising opposition party self-immolate during its stint in power and the opposition camp dwindle due to fragmentation and low survival rates for scores of fledgling political parties. Japanese politics also experienced sharp discontinuity. It shifted away from a dynamic of severe prime ministerial instability and electoral volatility, as voter sentiment changed drastically from one election to the next during the second half of the 2000s, to a sturdy Abe administration (Prime Minister Abe is slated to become the longest serving prime minister in postwar Japan) and a string of electoral victories that have afforded a commanding presence in the Diet for the ruling coalition.

During the Cold War era, unbroken rule by the LDP since its creation in 1955 earned Japan the designation of “uncommon democracy.” In other words, a political system with free elections and media as well as civil and political rights where nevertheless one party stays in power for decades.¹⁵ Japanese politics operated under a “one-and-a-half party system” with the Socialist Party and LDP squaring off mostly on foreign policy issues (e.g., the Peace Constitution and the U.S.-Japan alliance). The LDP was a party of factions so the primordial concern to retain its hold on power was to avoid defection from disgruntled party members. It relied on the organizational vote (agricultural cooperatives

and postmasters) and mustered fundraising prowess among big business with its embrace of pro-growth policies. A party with roots in agricultural conservatism, the LDP was able to weather Japan's profound economic transformation and urbanization through its deliberate effort to become a catch-all party and its cunning political instinct, co-opting popular policies from the opposition (e.g., pollution control).¹⁶

Just as the end of the Cold War caught Japan flat-footed in responding to changing geopolitics (the much criticized "checkbook diplomacy" during the Gulf War was emblematic), at home the LDP was no longer a nimble machine capable of reinvention to meet new political tests. The last and uncrossed Rubicon was political reform to improve the quality of Japanese democracy—a strong expectation from the growing ranks of urban voters. Japan's electoral system (multimember districts with a single non-transferable vote) pitted members of the same party against each other to compete in the same electoral district, and so it weakened party labels and encouraged factionalism. Intra-party divisions, bureaucratic sectionalism, and close ties between interest groups and LDP policy tribes created fertile ground for iron triangles and precluded strong prime ministerial leadership. Because electoral rules framed politics as a clientelistic transaction of voter/interest group support for a specific candidate in exchange for a stream of constituent services, pork-barrel projects, and/or favorable legislation, money politics thrived.

The LDP's inability to deliver on political reform was a more glaring deficiency amidst a number of high-profile scandals at the turn of the 1990s underscoring corrupt ties between corporations and senior politicians. Eventually, the party's worst fear materialized when a group of LDP members defected in 1993 in support of a no-confidence motion that brought the LDP administration down. Opposition parties formed a short-lived coalition government that had one major achievement: new electoral and political fundraising rules. A hybrid

electoral system for Lower House elections, in effect since 1994, gives Japanese voters two votes: one for a candidate in single-member districts, and another for a party in regional blocs that are allocated proportional representation seats. Political funding rules were tightened in 1994 and 2000 with stiffer penalties for electoral campaign violations, increased transparency through a system of public subsidies for parties, and eventually a ban on corporate contributions to individual politicians.¹⁷ Redistricting efforts have continued to address the over-representation of the rural vote, but the malapportionment problem persists.¹⁸

These institutional reforms aimed to "modernize" Japanese politics by encouraging a shift toward electoral competition based on policy platforms, the emergence of a robust two-party system with alternation in office, and the attenuation of the strong redistributive character of Japanese politics. Sustained progress has been made on some fronts, but not others. Party labels and programmatic proposals play a much larger role in Japanese politics today. Through a painstaking analysis of candidate manifestos, Amy Catalinac shows that over time politicians in Japan have increasingly emphasized national (security) policy and not just promises of "pork" to specific constituents on their electoral appeals.¹⁹ Political corruption has diminished with tighter rules on political funds, and the frequent number of scandals is in fact a product of greater transparency in fundraising practices.²⁰ By undercutting the role of factions, electoral reform helped strengthen the hand of the prime minister within the party, and a set of administrative reforms that took effect in 2001 increased the executive's influence over policymaking. The prime minister acquired the power of initiative in sending proposals to the Cabinet, relied on a new and better staffed Cabinet Office, and could make use of advisory councils to promote signature policies.²¹ Despite all of these advances, the emergence of a viable and vibrant opposition has continued to bedevil Japan's democracy.

With the creation of the Democratic Party of Japan (DPJ) in 1996, it appeared Japan was on its way toward a two-party system. Throughout the 2000s, the LDP-DPJ competition intensified around two key tracks: courting a rural vote that swung widely depending on which party appeared willing (or not) to extend largesse to the countryside, and mobilizing urban and independent voters with promises of doing away with traditional LDP politics. The popularity of Prime Minister Junichiro Koizumi during his 2001-06 term in office derived from his promises to confront the “forces of resistance” within his own party, his disavowal of traditional factional politics, and his pledge to pursue reform with “no sacred cows.”²² The Japanese public rewarded him with a landslide victory when he called for a snap election in 2005 to define the future of his signature initiative, postal reform. But voters were soon disenchanted when subsequent (and short-lived) LDP administrations backtracked reform efforts.

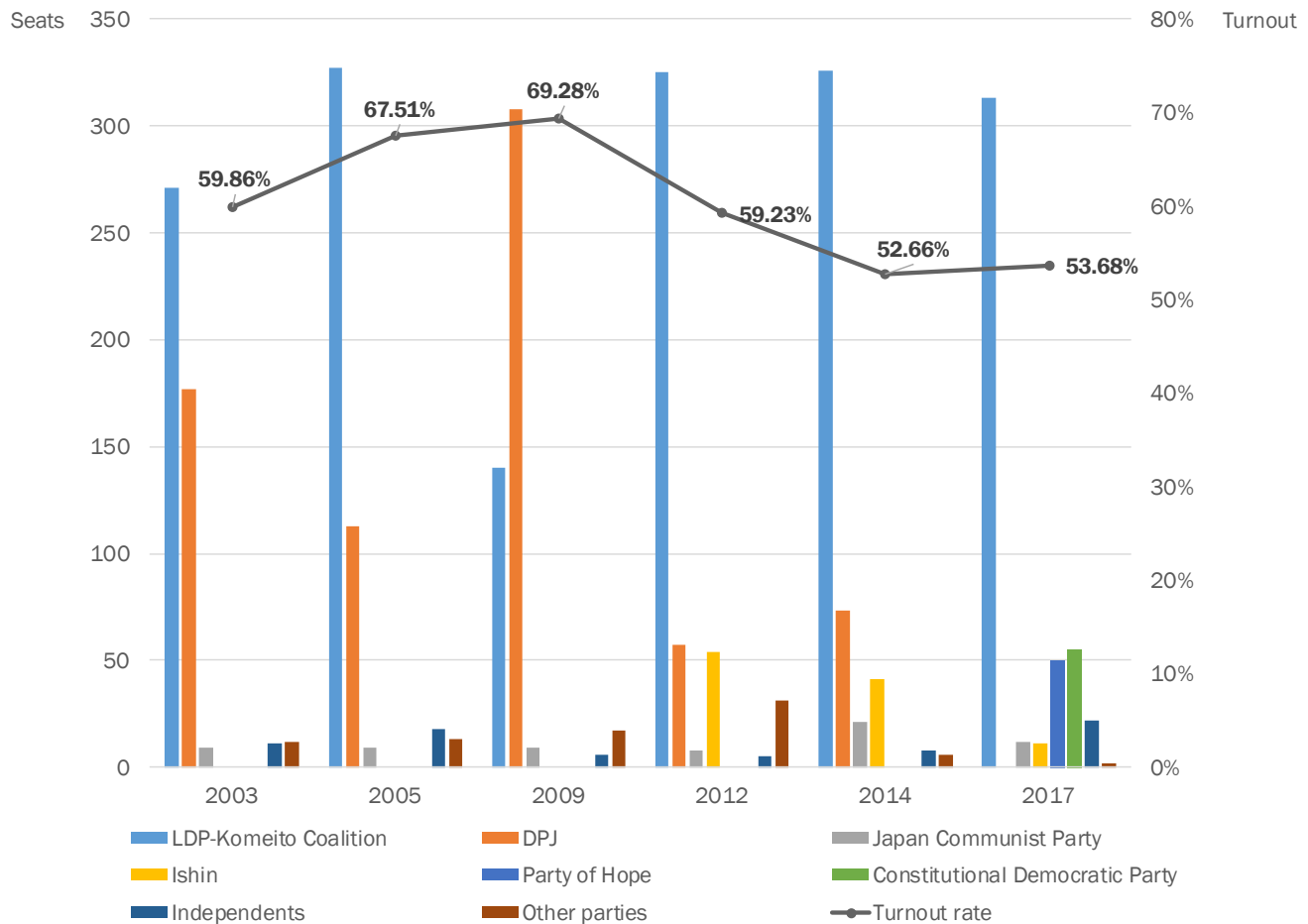
The landslide victory of the opposition party in the 2009 general election, a first in Japanese postwar politics, ushered the DPJ into the prime minister’s office. The DPJ promised more than just alternation of power. It advertised regime change by restructuring the fundamentals of decisionmaking. Seeking a more responsive body politic, the DPJ vowed to make bureaucrats compliant with politician directives, promised to inject new life into politics by banning hereditary Diet seats, and pledged to reduce wasteful spending and deliver income subsidies to the average Japanese with generous child allowances. Prime Minister Yukio Hatoyama increased the number of political appointees in ministries and sidelined senior bureaucrats from decisionmaking. He rattled U.S.-Japan relations when he promised a relocation of the Futenma U.S. military base out of Okinawa

without prior consultation with the United States. The campaign to slash government expenditures received the most attention with the *shiwake* process, which amounted to a public shaming campaign of bureaucrats for wasteful spending. The DPJ’s attempt to shatter the political establishment did not, however, yield its promised results. The breakdown in communication with the bureaucracy produced policy paralysis, and it was not possible to slash government spending as promised. There was significant political instability at the top with three DPJ prime ministers in three years, and in the next Lower House election, the Japanese public showed buyers’ remorse and abandoned the DPJ.

THE ABE ERA

The December 2012 general election delivered, once again, a major reversal of fortunes between the two largest political parties, ushering the beginning of the Abe era. For the past six years, the LDP under the leadership of Prime Minister Abe—and working with its coalition partner Komeito—has scored a string of electoral victories in both houses of the Diet. This remarkable electoral run was enabled by the fragmentation of the opposition camp and ever-lower voter turnout rates (see Figure 5). The electoral volatility triggered by the LDP-DPJ competition has ended, with the Lower House elections of 2012, 2014, and 2017 showing remarkably consistent results. Far from the emergence of a sturdy two-party system, Japan has witnessed a dominant political ticket and a splintering of third force parties that have difficulty in coordinating to gain electoral strength and frequently do not survive from one election to the next. **The pressing questions for Japan today are: (1) Is the country moving toward a de facto single-party system? And (2) what happens after Abe?**

FIGURE 5: GENERAL ELECTION RESULTS—SHARE OF LOWER HOUSE SEATS BY LEADING PARTIES AND VOTER TURNOUT



Source: Japan Ministry of Internal Affairs and Communication, <http://www.soumu.go.jp>.

The stability of the Abe administration also derives from the marked improvement, compared to Abe's first stint in office, in the areas of political management and policy implementation. Learning from past mistakes, Prime Minister Abe looked beyond his inner circle to appoint a more balanced and competent Cabinet and dealt more expeditiously with corruption scandals afflicting Cabinet members.²³ And the prime minister also displayed keen political instincts by emphasizing his economic agenda in appealing to voters (given the unpopularity of defense policies, nuclear plant restarts, or consumption tax hikes) and timing snap elections to his ultimate political advantage—preventing effective electoral coordination among opposition parties or the consolidation of new party tickets. Policy

formulation and implementation improved greatly. The Abe *Kantei* (Prime Minister's Office) instituted itself as a "control tower" capable of reining in bureaucratic sectionalism, in no small measure due to its greater sway over civil servant appointments with the establishment in the Cabinet of a Personnel Affairs Bureau. And it was Abe who finally brought to a close the "twisted Diet" phenomenon (the Upper and Lower Houses under control of different parties) initiated during his first term in office, increasing his administration's clout over the legislative agenda. The LDP's Upper House victory in July 2013 was remarkable since Abe had just tested the will of the agricultural lobby by bringing Japan into the TPP.

A more proactive foreign policy has been a hallmark of the Abe era. Japan has emerged as a leader in trade diplomacy, inking and negotiating a string of mega trade deals that a few years ago seemed beyond Tokyo's reach: the original TPP led by the United States, the Japan-EU free trade agreement, and the Regional Comprehensive Economic Partnership (still under negotiation). The rescue of the TPP after the U.S. exit is Japan's most deft trade initiative to date. As the largest remaining economy in the TPP, Tokyo's push to rescue the trade agreement was indispensable. The new TPP represented a savvy compromise: keeping tariff elimination schedules intact and suspending (but not eliminating) 22 provisions championed by the United States. This formula addressed the demands of some members to rebalance concessions without compromising the deal's level of ambition; and it created incentives for Washington to rejoin in the future to avoid the rising costs of exclusion. Prime Minister Abe has also promoted a strategic orientation to foreign aid (revising its Official Development Assistance Charter in 2013) and has put muscle to Japan's connectivity agenda through the launch of a \$110 billion Quality Infrastructure Fund soon after China made a splash with the launch of the Asian Infrastructure Investment Bank (AIIB) and the Belt and Road Initiative (BRI).

Security policy is a core priority for Abe, and his tenure since 2012 has seen a number of firsts for Japan, including the creation of a National Security Council, the adoption of a National Security Strategy, and the Cabinet's reinterpretation of the constitution to allow for a limited right to collective self-defense. A batch of security legislation in 2015 formalized these changes and included an incremental expansion in the overseas activities of Japan's Self-Defense Forces. Rather than a full break from its past foreign policy, Japan has come closer under Abe to match its aspirations as a "global civilian power" capable of more proactive security initiatives while avoiding full-scale military capabilities.²⁴ As Adam Liff points out, Abe has overseen gradual, not radical, change,

implementing policies that previous governments had attempted and accepting sizable restrictions when pursuing new initiatives.²⁵ For example, an exacting bar applies to the authorization of collective self-defense (Japan must face an existential threat); and Abe has settled for a modest amendment to Article 9 of the constitution (including additional language to make explicit the constitutionality of the Self-Defense Forces).

Abe's security policies, even if watered down, have encountered intense skepticism from the Japanese public. A deep contradiction exists, as Ellis Krauss points out, between a strong anti-militarist culture and the government's evolving security policies.²⁶ A deteriorating geopolitical environment and the greater challenges in alliance management—with President Trump demanding more concessions on trade and larger contributions to burden-sharing—will only deepen these gaps. So will the decision to move constitutional reform to the front burner. Although parties favoring constitutional reform can deliver the necessary super-majority vote in both houses of the Diet, there are still important differences among them on the specifics of an amendment. More importantly, the odds of winning the popular referendum are still long as the public is wary of constitutional reform.²⁷

On the domestic front, public opinion is supportive of efforts to revitalize the economy, but there is growing skepticism that Abenomics can deliver widely shared economic benefits.²⁸ And political scandals have continued to haunt the Abe administration, revolving around the question of whether undue political influence facilitated the sale of government land with a steep discount to a controversial private school (Moritomo Gakuen), or led to the approval of a new veterinary school for a friend of the prime minister (Kake Gakuen). And yet, despite dips in public support levels due to these setbacks, the prime minister has repeatedly bounced back (see Figure 6). The ability of the prime minister to portray himself as a steady hand in the pursuit of domestic economic revitalization and

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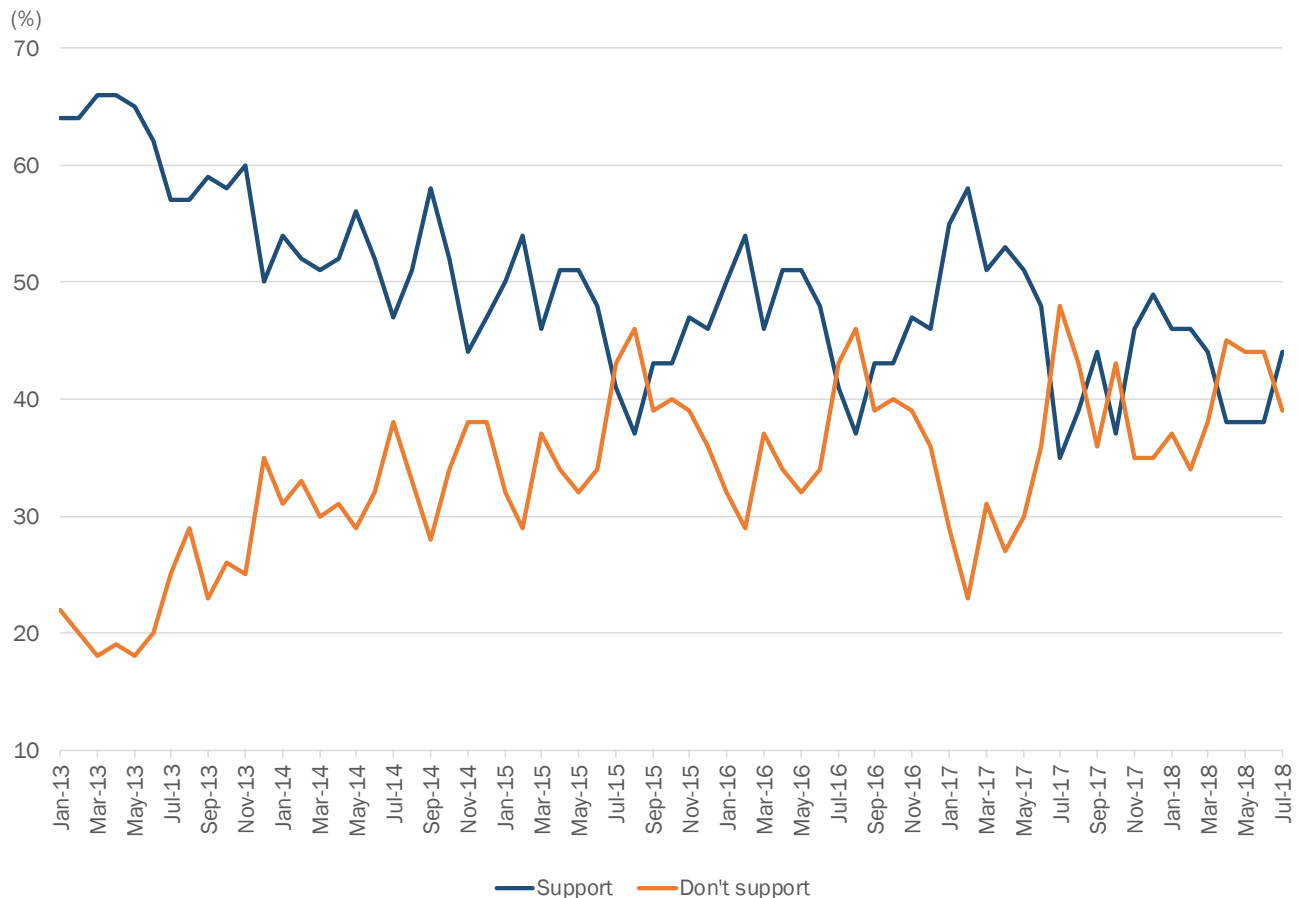
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managing a more challenging external environment (an assertive China, a threatening North Korea, and an unpredictable America) have certainly played a role in his staying power. But key to Abe's political longevity is the lack of viable political alternatives.

The DPJ label never really recovered after the party's rocky stint in office, but its fate was sealed by the decision of party president Seiji Maehara to compete in the October 2017 general election under the banner of the newly-minted Party of Hope.²⁹ Tokyo Governor Yuriko Koike, founder of the new party, appeared poised to upset Abe's plans in calling for a snap election with her brand as a

maverick politician taking on the establishment. Hope, however, fizzled quickly when Koike made two critical decisions: to remain as Tokyo governor (meaning that the face of the party was not a contender for prime minister) and her refusal to accept all DPJ members (which alienated voters as an example of high-handed decisionmaking). It was the other party created on the eve of the election by the liberal wing of the DPJ, the Constitutional Democratic Party of Japan (CDP), which has fared better in terms of seats captured and brand appeal (the DPJ and Hope merged in the spring of 2018 under yet another name, the Democratic Party for the People, or DPP).

FIGURE 6: PERCENTAGE OF JAPANESE WHO SUPPORT ABE'S CABINET



Source: "Monthly Survey on Political Awareness," NHK Culture Research Institute, <http://www.nhk.or.jp/bunken/research/yoron/political/2018.html>.

BUTTRESSING JAPAN'S CONSOLIDATED DEMOCRACY: CHALLENGES AND POLICY RECOMMENDATIONS

In today's Japan, the ruling coalition towers over its nearest competitors in the Lower House (it holds 312 seats compared to 54 for the CDP and 39 for the DPP). In an era defined by the populist backlash in the West, Japan looks like the land of the establishment.³⁰ The two-party experiment seems to be over, with the LDP reclaiming its commanding presence in Japanese politics. Japan's political and social stability have led many to ponder the reasons behind the modest appeal of populism. On that score, Yoichi Funabashi makes two astute observations: that left-wing populism (embodied in the DPJ) largely failed, and that the constituencies (senior and rural voters) in the U.K. and United States that voted for Brexit and Donald Trump out of a sense of disenfranchisement retain the most political influence in Japan.³¹ Gregory Noble points to two factors disempowering a populist movement in Japan. The number of core workers with stable employment has not dropped off, providing a backbone of social stability, and the continued dominance of mainstream media has diminished political polarization.³²

Jennifer Lind notes that restrictive trade and immigration policies spared Japan the globalization backlash that has fueled populism in other parts of the industrialized world.³³ Yet, these nationalist choices have come with enormous costs for Japan, preventing the modernization of agriculture at a severe cost to the Japanese consumer and taxpayer, and leaving unaddressed daunting demographic trends. Grudgingly on immigration, but more forthrightly on trade, Japan has in the past five years moved toward more liberalization. Although far short of an immigration overhaul, an important development was the government's recent decision to open a new residency status to bring half-a-million low-skilled workers to Japan by 2025. This denotes, according to Michael Sharpe, that "Japan's policymakers are beginning to accept that foreign

workers are necessary for the maintenance and growth of the economy in this rapidly aging society with one of the world's lowest birthrates."³⁴ On trade, the TPP marked an inflection point for Japan. It was in this trade negotiation that Japan agreed to substantial liberalization on services, narrowed the scope of agricultural lines exempt from liberalization, and closed the deal on several non-market tariff barriers that had bedeviled U.S.-Japan trade relations.³⁵ At a time when the liberal world is fracturing, Japan is becoming more, not less, liberal.

More than populist turbulence, a democracy without meaningful political opposition is Japan's most pressing challenge. Gerald Curtis worries that Japan may be transitioning from one-party dominance to a one-party system, where weak political parties fail to nudge LDP policies toward the center.³⁶ However, Adam Liff points out that Komeito is largely performing this role, but from within the ruling coalition because of the parties' electoral co-dependence.³⁷ Others raise concerns that the prolonged longevity of the Abe Cabinet may weaken checks and balances and reduce government accountability.³⁸ For instance, Carlson and Reed highlight a novel pattern in the "school scandals" of the Abe era: Bureaucrats grant preferential treatment not because of direct political interference, but because they anticipate a positive reaction from the prime minister's office.³⁹

Japan's political stability, because it owes much to the public's disillusionment with the experience under the non-LDP government, comes at a high cost: voter apathy. The lack of enthusiasm of Japanese voters for extant political parties is evident in two ways: low turnout rates during elections and the marked increase in floating voters. The general election of 2014 registered the lowest turnout rate in the postwar era, and it remained stubbornly low in 2017. In the last general election, held in October 2017, as many as 39 percent of Japanese voters expressed no support for a particular party.⁴⁰ The reconstruction of a viable opposition force is an essential task in buttressing Japanese democracy.

DEMOCRACY & DISORDER

JAPAN'S CONSOLIDATED DEMOCRACY IN AN ERA OF POPULIST TURBULENCE

Japan today has moved past the period of extreme leadership instability and has been spared a populist backlash. Japan's consolidated democracy is certainly a bright spot in the emerging geopolitical world of democratic recession.⁴¹ But democracies are always works in progress, and Japan's next milestone should be ensuring that its prized stability is compatible with meaningful political competition, citizen engagement, and more inclusive growth. Japan's success on these fronts will also be a plus for the renewal of the rules-based international order.

POLICY RECOMMENDATIONS:

- To realize Japan's growth potential and narrow down socio-economic gaps, the Japanese government should double down on reform measures that include: deregulation that allows non-viable firms to exit the market, the expansion of entrepreneurship and innovation, and further inroads into the digital economy. Labor market reforms should ameliorate the sharp duality that fuels socio-economic gaps, reward merit-based compensation and flexibility in the workplace, ensure gender equality, and tap on the potential of foreign workers to ease labor shortages and promote diversity.
- To counter trends that undermine the quality of Japanese democracy—voter apathy and the consolidation of a dominant political ticket that weakens accountability—a critical policy response is in the hands of the opposition camp: forming ideologically coherent and pragmatic policy platforms that offer viable alternatives to LDP rule to overcome the public's skepticism.
- To address the deterioration of Japan's external environment with the rise of U.S. protectionism and a transactional approach to alliances, and a more assertive China promoting a sphere of influence in Asia, Japan's policy responses should include: its staunch defense of the rules-based trading system; and its proactive supply of high-quality infrastructure finance (on its own or in collaboration with others in third countries) in order to avoid overdependence on BRI projects and to encourage a race to the top in connectivity standards, inclusive of the digital domain.

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ABOUT THE AUTHOR

Mireya Solís is director of the Center for East Asia Policy Studies (CEAP), Philip Knight chair in Japan studies, and senior fellow in the Foreign Policy program at the Brookings Institution. Prior to her arrival at Brookings, Dr. Solís was a tenured associate professor at American University's School of International Service, an assistant professor in the Department of Politics at Brandeis University, and a visiting professor at El Colegio de México's Center for International Relations. She has authored and edited several books on Japan's foreign economic policy, international trade, and U.S.-Japan relations including: *Banking on Multinationals* (2004), *Cross-Regional Trade Agreements*, and *Competitive Regionalism*. Her latest book *Dilemmas of a Trading Nation* offers a novel analysis of the complex tradeoffs Japan and the United States face in drafting trade policy that reconciles the goals of economic competitiveness, social legitimacy, and political viability. *Dilemmas of a Trading Nation* received the 2018 Masayoshi Ohira Memorial Award.

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