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People to Watch – Shinzo Abe

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The LDP is back. After three years in opposition, the Liberal-Democratic Party led by the party's president Shinzo Abe won an impressive landslide victory in Japan's general elections on December 16. The LDP won 294 seats in the Lower House (the parliament's first chamber) while its coalition partner the New Komei Party won 31 seats in the Lower House. The governing coalition's strength exceeds 320 seats, more than two-thirds of the total seats in the chamber. This majority will enable the LDP-led government to override rejections of bills in the second chamber of the Japanese parliament, the Upper House (where the LDP does not command a majority). Shinzo Abe who has e.g. announced to end Japan's deflation, oblige the country's central bank to massively increase monetary easing, become more assertive on China and revise Japan's war-renouncing constitution, will be appointed as Japan's new Prime Minister in an extraordinary Diet session on December 26.

The Democratic Party of Japan (DPJ) which ruled in Japan from 2009 on the other hand has lost 75% of its seats in the Lower House: while it held 230 seats before the election, the party now only holds 57 seats. The newly-founded nationalist Japan Restoration Party, headed by former Tokyo Governor Shintaro Ishihara and Osaka Mayor Toru Hashimoto, became the third largest party in the Lower House, gaining 54 seats.

The election turnout was at a record low of 59%, indicating that the LDP's victory is probably more an expression of the electorate's disenchantment with the DPJ than an endorsement of the LDP. Either way, the LDP is back in charge in Japan and the party's landslide victory will come with a number of fundamental and indeed radical policy changes, both in domestic and foreign policies. For starters, incoming Prime Minister Shinzo Abe has threatened to reduce the BOJ's independence and intervene in the bank's monetary policies. Abe's plans to influence the central bank's monetary policies will include putting pressure on the bank to ease monetary policies floating the financial markets with massive liquidity to end deflation in Japan. Contrary to economic wisdom (which suggest that central banks' monetary policies should be free from government interference), Japan's incoming Prime Minister has in this context announced to seek to change the country's Central Bank Law. While the Bank of Japan Law stipulates that the government cannot interfere with the bank's monetary policies, the LDP announced in its campaign platform that it will seek to do just that in the months ahead. While Abe's LDP wants to oblige the Bank of Japan (BOJ) to quickly adopt policies aimed at achieving 2% inflation, the BOJ for its part has set its own goal of lifting the consumer price index by 1%, compared with the current near-zero level.

The LDP's return to power is most probably a return to traditional LDP-style politics: wasteful public spending, above all (and as in the past) massive investments into public infrastructure. That however will turn out to be very controversial and counterproductive, not least because Japan's public

The opinions expressed herein are strictly personal and do not necessarily reflect the position of ISPI.

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debt is already amounting to 240% of the country's GDP. There is agreement amongst analysts that while government-sponsored public infrastructure investments will create short-term economic stimulus and growth, it will further and sustainably increase public debt. While Japanese governments could over decades rely on the Japanese people and the Bank of Japan to buy Japanese debt at very low interest rates (the current interest rate for Japanese government bonds stands at 0.7%), it is very doubtful that such a strategy will remain sustainable indefinitely. Japan is a rapidly ageing society whose citizens will be able to save less in the future meaning that less disposable income will be spent on purchasing public debt in the years ahead. That in turn could sooner or later oblige Japan to sell its debt on international markets offering significantly higher interest for the country's government bonds. In view of such a scenario, public debt amounting to more than 200% of the country's GDP could have catastrophic consequences for Japan's financial system.

Those in Japan who thought that Japan would after the nuclear disaster in March 2011 forego nuclear energy for good and not re-activate the 50 nuclear power plants it switched off in 2011 will be disappointed by Abe's nuclear power policies. He has announced to re-start the country's nuclear power plants "one by one" even if opinion polls show that roughly 80% of Japanese want to phase out nuclear power. A return to nuclear energy would in turn most probably mean that there will be little additional investments into renewable energies and other forms of alternative energies, an energy policy favored by the government led by outgoing Prime Minister Yoshihiko Noda.

Abe's foreign policy agenda – at least on paper – is very ambitious, radical and controversial. The LDP wants to revise Japan's pacifist constitution, strengthen its Self-Defense Forces (SDF) and, breaking with a postwar taboo, re-name them as "real" armed forces. What's more, Abe seeks to increase Japan's defense budget and allow Japanese military to engage in missions of collective self-defense which has so far been banned by war-renouncing Article 9 of Japan's constitution.

As regards territorial disputes with China centered around the sovereignty over the Japanese-controlled and administered Senkaku Islands in the East China Sea, Abe has repeatedly said that he will not compromise with China over the sovereignty of the Senkaku Islands. In order to underline that point, he has announced to consider the permanent basing of public servants on the islands to strengthen Japanese control over the islands. Needless to say that this would further aggravate the territorial dispute with China and it is very likely that Beijing would exploit the stationing of Japanese personnel on the islands to continue and possibly increase intrusions into Japanese-controlled territorial waters in the East China Sea around the disputed islands. Indeed, there is little doubt that Beijing would interpret the permanent presence of Japanese people on the Senkaku Islands as a Japanese policy to establish formal sovereignty over the islands, a de-facto declaration of war as far as Chinese defence hawks and Japan hardliners are concerned.

To make matters potentially worse-at least as far as relations with China are concerned- Abe has also announced to again visit the controversial Yasukuni Shrine, last resting-place of Japan's war dead, including convicted Japanese A-class criminals of war. Visits of Japanese politicians-above all the regular visits of former Prime Minister Junichiro Koizumi-to the shrine have led to a de-facto freeze of Japanese-Chinese high-level political dialogue and exchanges between 2001 and 2006.

To be sure, China is not the only country preoccupied with Abe's foreign policies. South Korea too is worried about Japan's incoming Prime Minister and his revisionist and controversial views on World War II history. Abe has called for a review of the 1993 Kono statement, in which then Chief Cabinet Secretary Yohei Kono acknowledged that the Japanese military obliged South Korean women to prostitute themselves in so-called "comfort stations", that is Japanese-run brothels for the soldiers of the Imperial Army. Abe on the other hand sustains that it has yet to be proven (with the help of historians, as he argues) that the prostitutes "working" for Japan's Imperial Army did do so not voluntarily. If he sticks to that historically wrong and revisionist assessment, relations with South Korea will very quickly reach new lows. The South Korean daily newspaper Dong A-Ilbo for example newspaper writes that «If Abe revises the Kono statement or visits Yasukuni Shrine on

August 15 (the day of Japan's unconditional surrender during World War II), diplomatic relations between South Korea and Japan may fall into an irreparable stage».

As regards constitutional revision, that is the revision of war-renouncing Article 9, Abe announced to seek a relaxation of the rule requiring the approval of a two-thirds of members of both Diet chambers to bring constitutional amendments before the Diet. However, such an amendment remains very unlikely and rather a case of revisionist wishful thinking as the LDP and other revision-seeking parties lack the necessary majority in the Upper House.

The (somehow) good news is that due to the two-thirds majority the LDP and its coalition partner Komei Party will be holding in the Lower House, they are not obliged to enter into a coalition government with the nationalist Japan Restoration Party.

Then again, this might not be much consolation for those inside and outside of Japan who hoped for well thought through and moderate Japanese domestic and foreign policies in the months and years ahead.

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