

A New Political Dynamic in Japan

On August 28, Shinzo Abe announced his resignation to the post of Prime Minister of Japan due to a bowel illness, which have affected his health in the past. In fact, Abe had already resigned for the same reason during his first term as Prime Minister from 2006 to 2007.

After Abe's first resignation in 2007, Japan entered a period of political turmoil, with five Prime Ministers lasting about one year or less in the following order: Takeo Fukuda (2007-2008), Taro Aso (2008-2009), Yukio Hatoyama (2009-2010), Naoto Kan (2010-2011) and Yoshihiko Noda (2011-2012). Certainly, these short-lived governments left Japan temporarily without a clear direction in the domestic and international sphere.

However, Abe's return to power in December 2012 brought a new period of government stability, which lasted for 7 years and 8 months. In his second term, Abe adopted a pragmatic approach focused on the economy while increasing Japan's presence in the international arena. On the economic area, Abe introduced the policy of Abenomics, which consisted in a mix of monetary policy (quantitative easing to achieve 2% inflation), fiscal expansion (through government spending) and structural reforms (through deregulation). He also promoted changes in the corporate governance, prompting Japanese corporation to include outside director in the boards of companies to improve business management.

Under the policy of Abenomics, the Japanese economy grew an average of 1% annual, adversely affected by a demographic decline while unemployment improved from 4.3% in 2012 to 2.3 in 2019. Yet, Abe was not successful in fixing the shortage of childcare centers to allow more mothers to enter the labor force, and there was not much progress done in gender inequality, which places women at a disadvantage in Japanese society.

At the international level, Abe travelled extensively, strengthening relations with many leaders around the world. He developed a close relationship with the mercurial US President Donald Trump, boosting the US-Japan strategic alliance. He also brought the leadership of Japan into the Trans Pacific Partnership Agreement (TPP) when the US withdrew from the group and achieved an Economic Partnership Agreement (EPA) with the European Union. He also put in place a reinterpretation of Japan's constitution to allow the right to Collective Self-Defense, promoted an Open and Free Indo Pacific (OFIP) strategy as well as the Quadrilateral Security Dialogue (Quad) to increase security and stability in the Asia Pacific region. Yet, he was not able to modify Article 9 of the Constitution to upgrade the role of the Japan Self Defense Forces, nor could he achieved a solution to the territorial dispute with Russia over the Northern Territories.

As for the relations with China, Abe inherited a more complex scenario, with Beijing asserting her claims over the Japanese-controlled Senkaku Islands and building artificial islands in the South China Sea to extend her territorial control. Japan, US and other countries in the region has protested China's move, which is considered a threat to the freedom of navigation. In this context, Japan was organizing a state visit of the Chinese president Xi Jinping in April this year but was cancelled due to the coronavirus pandemic. Meanwhile, Japan has remained closely

monitoring the behavior of China as well as trying to keep a delicate balance in the context of the trade conflict between China and the US.

In regard to Japan-South Korea relations, Tokyo faced a new tension with Seoul in view of the ruling of South Korea's Supreme Court, which ordered a Japanese company to pay compensation to Korean citizens who were forced to work for Japan during World War II. The government of Japan has rejected the South Korean claim arguing that any reparation was settled in the 1965 treaty, which restored diplomatic relations between both countries and provided financial help for war reparations. So, both countries still have a long way to go to fix this and other historical issues undermining the normal course of their relations.

Moreover, under Abe's government, Japan could not make much progress with North Korea on the issue of Japanese citizens kidnapped by North Korean spies in the 1970's and 1980's. And now, Japan is redefining its anti-missile strategy to protect the country's territory from potential missiles attacks from North Korea.

In sum, the administration of Prime Minister Abe managed to provide domestic political stability, clear economic direction, and a proactive foreign policy, based on the US-Japan alliance and an uneasy balance with his neighbors, China and South Korea.

Now, after the election of Yoshihide Suga as Prime Minister of Japan on September 16, what kind of political dynamics shall we expect in Japan?

From his public statements, Prime Minister Suga has expressed that his priority is to tackle the coronavirus pandemic while making efforts to revitalize the economy and keeping his successor's economic policy, Abenomics.

In addition, Prime Minister Suga has addressed several issues that affect daily lives of Japanese people such as infertility treatment, reduction in the mobile phone rates, and digitalization of government processes and services.

Infertility treatment is quite costly and not covered by medical insurance, putting a big financial burden on couples wishing to have children. I think it would be a great contribution to Japan's demographic growth, to include certain financial support for infertility treatment in the coverage of social insurance. It should also be accompanied by inclusion in the social insurance of pre-natal coverage of pregnancies and the increase of child care centers throughout Japan to promote more participation of women in the labor market. If women don't feel a supporting environment for working mothers, they will not be willing to bear children. So, no population growth, no economic growth, no matter how many sophisticated formulas are invented to stimulate economic growth or achieving certain inflation target.

Prime Minister Suga is also requesting a reduction of mobile phone rates. Although these rates are not the most expensive among advanced economies, they still represent a heavy burden for Japanese households. Therefore, telecom companies in Japan must find ways to streamline their

operations and taking advantage of advances in telecom technologies, which have made cellphone prices affordable to people everywhere. Cellphones are no longer a luxury, but an essential tool in the daily lives of people, either for communication, professional career, business and other activities. At the moment of writing this article, news outlets reported that NTT will acquire 100 percent of NTT Docomo, which certainly will have an impact in the price competition vis-à-vis other mobile phone carriers, hoping to push for lower rates.

Another important step of Suga Administration is the digitalization of government processes and services. The coronavirus pandemic put in evidence the inability of relevant ministries and agencies to deliver an adequate and prompt response in support of the population. For that purpose, Prime Minister Suga has appointed Mr. Takuya Hirai, as Minister for Digital Transformation, who will be in charge of setting up the agency to implement digital policies in all ministries and agencies. I am aware that Minister Hirai is keen in the use of digital technology, so I am sure he will assemble a good strategy to upgrade the operation of the government.

Minister Hirai also counts on the support of the Minister for Administrative, Regulatory and Civil Service Reform, Mr. Taro Kono, who has expressed his intention to phase out fax machines and hankos (seals) from office use. In fact, Primer Minister Suga has rightly appointed Minister Kono to implement regulatory reforms, tackling excessive regulations and bureaucratic feudalism, which affect daily life of people as well as business performance. Indeed, Minister Kono is committed to promote a civil service that is more friendly and responsive to the needs of Japanese citizens.

To revitalize local economies, the Suga Administration is aiming at the restructuring of regional banks, which have been affected by the demographic decline, and have become more vulnerable due to the coronavirus pandemic. Many of these banks had to invest in overseas assets to compensate for the loss of profit at home caused by the negative interest rates implemented by the Bank of Japan four years ago. Therefore, analysts are expecting bank mergers at the regional level in the coming months, thus preventing a regional financial collapse.

At the international level, Prime Minister Suga has reiterated his commitment to further strengthen a diplomacy based on values of freedom, democracy, basic human rights and the rule of law. Certainly, this new administration will further deepen initiatives such as the Free and Open Indo-Pacific strategy, the Quadrilateral Security Dialogue, with the US-Japan Alliance serving as the central pillar to maintain security and stability in northeast Asia.

In regard to China, the Suga Administration seems to be willing to develop a closer but cautious cooperative approach with Beijing, exploring ways to address their differences on territorial and other issues. Also, Japan will avoid being drawn into the confrontation between China and the US, although it is possible that some Japanese tech companies, using US semiconductor technology, will refrain from doing business with China to avoid US sanctions.

As for the Korean Peninsula, Prime Minister Suga already conveyed the South Korean President, Moon Jae In, his interest to improve their strained relationship, urging South Korea to work on a constructive dialogue and avoiding to further escalate tension in regard to the South Korean's ruling, which demanded compensation from a Japanese company for forced labor during World War II. Both countries share similar values and play an important role in regional security, especially when facing the constant threats from North Korea.

Prime Minister Suga has already expressed his willingness to engage in dialogue with Pyongyang, hoping to seek the return of Japanese abductees. Yet, the government continue to work in the upgrading of the country's anti-missiles defense in case of future North Korean aggression.

In regard to the dispute with Russia over the Northern Territories, Prime Minister Suga will continue making efforts to achieve the return of those territories based on the 1956 Joint Declaration, which allowed for the normalization of diplomatic relations between Japan and the former Soviet Union. However, and despite Abe's past efforts, Russia has not shown much interest in discussing this issue.

In conclusion, I envisioned the Suga administration tackling domestic issues affecting daily lives of Japanese people, and as long as his popularity remain high, there will not need for a snap election before the fall of next year when Parliament's Lower House elections will take place.

Although Prime Minister Suga doesn't belong to any political faction within the ruling Liberal Democratic Party (LDP), he became the head of government supported by the major factions of the LDP. He may not have strong control over the party, but he is a very skillful government operator, with a capable team and long experience managing the Japanese bureaucracy and political crises.

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