

Japanese prime minister resigns after stunning election loss

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Japanese Prime Minister Ryutaro Hashimoto resigned today at a press conference held in the wake of the ruling Liberal Democratic Party's stunning defeat in yesterday's elections for the parliamentary upper house -- the House of Councillors. The LDP won only 44 seats of the 126 contested -- falling far short of the 61 the party had hoped to retain.

Upper house elections in Japan have usually been dull and uneventful affairs. Only half of the seats are contested at a time. The upper house has limited powers to name the prime minister, ratify treaties and pass state budget bills. The LDP has not had a majority in the House of Councillors since 1989 and did not expect to gain one in these elections.

But the poll rapidly became a test of confidence in Hashimoto who has been under increasing attack over his government's handling of Japan's economic crisis. At the last upper house elections, voter turnout reached a record low of 44 percent reflecting widespread alienation from parties and politics. Yesterday, however, voters turned out in higher numbers -- 58 percent -- many of them determined to register their hostility to the LDP.

After early morning meetings with party leaders, Hashimoto announced he would take 'all responsibility' for the election losses and resigned. Although no successor has been named, likely candidates include Foreign Minister Kiezo Obuchi and former Chief Cabinet Secretary Seiroku Kajiyama, both of whom have been jockeying for the job of prime minister for months.

A new prime minister is expected to be formally installed at a special session of parliament already scheduled for the end of July to discuss the economy, including the record rates of unemployment -- now at 4.1 percent.

Hashimoto's resignation throws into doubt the planned prime ministerial visit to Washington scheduled for July 21 for talks about the Japanese economy, including plans to create a special 'bridge bank' as a means for restructuring the estimated \$US600 billion in bad debts burdening the country's banking system.

In the midst of its worst economic recession since World War II, Japan has a lame duck prime minister. Economic crisis is creating political instability which in turn is compounding uncertainty on the international markets. The response to the election results has been a further plunge in the yen from 140.93 to the US dollar on Friday to around 142.4 midday today, and a decline in share prices.

Moreover, far from resolving the crisis in the LDP, Hashimoto's resignation is likely to open up even deeper divisions. The conservative Kajiyama and his supporters have been highly critical of Hashimoto's recent plans for tax cuts as a means of boosting the economy rather than the LDP's more traditional approach of handing out lucrative public works contracts to curry favour with particular electorates and sections of big business.

The major winners in the elections have been the opposition Democratic Party of Japan (DJP) or Minshuto which contested its first upper house election since its fusion with three other oppositional fragments three months ago. The DJP won 27 seats taking its total to 47 compared with 38 prior to the elections.

The DJP leader Naoto Kan who received considerable media coverage sought to appeal to voters by attacking 'corruption' and calling for higher tax cuts and greater welfare spending. He has publicly called for the formation of a coalition of opposition parties including the Stalinist Japanese Communist Party (JCP) --

modelled on Italy's Olive Tree coalition.

The JCP also significantly increased its share of upper house seats -- winning 15 to take its total representation from 14 to 23. It is now the third largest party in the upper house. As in Italy, the entry of the Stalinists into a capitalist coalition would serve one basic purpose -- to smother the opposition of the working class while the government imposed austerity measures.

Both of the LDP's coalition partners -- the tiny Sakigake faction and the Social Democratic Party -- suffered further election losses. The SDP, the largest opposition party for most of the post-war period, won only five seats, reducing its total from 20 to just 13. Sakigake won no seats and retains only three positions in the upper house.

The disaffection of voters with the major parties was also revealed by the many independents elected -- 20, taking the total number to 26.

The results of the upper house elections are a harbinger of further political instability not only in Japan but throughout the region as the economic slump deepens. Hashimoto is now the second major political leader -- after Indonesia's president Suharto -- to fall victim to the Asian financial crisis.

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