

# From Obuchi to Mori: a carefully managed transition in Japan

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Just three days after the sudden hospitalisation of Japanese Prime Minister Keizo Obuchi following a severe stroke, the ruling Liberal Democratic Party (LDP) has chosen Yoshiro Mori, the party's general secretary, as his replacement. The selection was ratified in rapid succession yesterday by the lower and upper houses of the Japanese parliament or Diet and then by the emperor.

The entire process was carried out with a minimum of delay and friction by party bosses concerned at the impact of any uncertainty on public opinion, the LDP's coalition partners and the Tokyo stock exchange. Despite modest praise in the international media for Obuchi's term in office, the government is beset by falling poll ratings, the defection of a coalition partner and continuing economic recession. And it must face a national election before October 19.

Even the announcement of the seriousness of Obuchi's stroke was delayed for nearly 24 hours to allow the LDP's factional chieftains a breathing space to haggle over their choice without the pressure of public attention. Only on Monday did the Japanese public learn that Obuchi was in intensive care, breathing only with the assistance of a respirator and had been given drugs to reverse a precipitous drop in blood pressure.

By then Chief Cabinet Secretary Mikkio Aoki had been put in place as acting Prime Minister. On Tuesday, the cabinet held a short meeting and resigned en masse to pave the way for a new government. The factional deal to insert Mori had already been done. One potential rival, Koichi Kato, who had stood against Obuchi for prime minister in July 1998 and had been a critic of government policies, indicating he would not contest the post, saying, "In this emergency situation, I think the whole party must put its efforts together without making any internal fuss."

Kozo Watanabe, vice speaker of the lower house of parliament, noted on Tuesday that the choice of Mori was a foregone conclusion. Like Kato, Watanabe pointed to the anxieties within the LDP leadership when he commented: "If he [Aoki] had waited a week or 10 days after Mr Obuchi collapsed, somebody else could have raised their hand, and there could be some chaos. But by the time Mr Aoki announced the condition of Mr Obuchi it was already virtually decided who would take over."

Understanding why Mori was selected for the job rather than

another LDP timeserver is somewhat akin to trying to divine the future from tea leaves. In the backroom world of LDP politics, the shifting strengths of the various factions, one's position in the pecking order and loyalty to key party powerbrokers play as much a role as experience, policy or other political considerations. It appears that Mori's particular talents included his perceived loyalty to Obuchi, good relations with the LDP's coalition partner—the Buddhist-backed New Komeito party—and a willingness to continue the present policies.

Mori is 62, the same age as Obuchi, whom he knew from his student days at the prestigious Waseda University. He worked as a journalist on the right-wing *Sankei Shimbun* before being elected to parliament in 1969. He has served 10 parliamentary terms and held the position of education minister before being implicated in the 1988 Recruit scandal. A number of politicians were found to have received bundles of shares in return for political favours and in April 1989 then prime minister Noboru Takeshita was forced to resign. After a brief period of political penance, Mori was made international trade and industry minister in 1992-93 and construction minister in 1995-96.

Mori's first comments, after a brief expression of sympathy for Obuchi, were to reassure international markets that he would continue the economic policies of his predecessor. "I will continue to pursue Obuchi's economic revitalisation policies and make every effort to restore the economy to stable growth," he said. "I have no intention of delaying structural reforms."

His message will, however, be greeted with a good deal of scepticism in the US and Europe. A number of commentators have used the occasion of Obuchi's replacement to comment on Japan's economic woes and to castigate it for failing to press ahead with economic restructuring.

An article in Britain's *Times* newspaper, entitled "Cruel Spring—Political infighting is the last thing that Japan needs," itemises the declining popularity of the government, the return of the Japanese economy to recession, record levels of unemployment, the failure of huge government spending packages to stimulate the economy and the country's massive national debt, expected to climb to 133 percent of GDP this year.

"Japan continues to frustrate its friends," the *Times*

comments. “It appears still to be digging itself deeper into the hole that opened up in 1990. There have been spurts of growth, but of miserable quality. Too much money goes on to the wrong things, notably pork-barrel construction projects in rural LDP heartlands. The restructuring of its financial system has been too timid; its banks and insurers need not just emergency rescues but radical changes in the way they operate.”

In a more caustic vein, *BusinessWeek* posted an article on its web site under the title “A Sad Truth: It Hardly Matters Who Japan's Premier Is”. It pointed out that the LDP represented “the Old Economy industries such as construction, small manufacturers, mom-and-pop retailers, and farming interests—the economy's most inefficient”. *BusinessWeek* then provided the following advice for the next government:

“It's no secret that for Japan to really get moving again, a lot of creative destruction is needed to burn off excess industrial capacity, recycle jobs into faster-growth areas, and end subsidies that shield the laggards. That has been the case for more than a decade, but few politicians in the LDP have had the guts to do anything about it.

“This kind of structural transformation causes economic pain—at least in the short term. But with hard-pressed companies already pushing up the jobless rate regardless of government efforts, basic change is going to happen sooner or later. Gradualism on reform will only drag the whole nasty process out longer. In a bizarre way, if the LDP wants to save Japan by pushing for dramatic reforms, it will have to destroy its political base first.”

There is more than an element of self-interest in the policy prescriptions offered from Washington, London and elsewhere. The “creative destruction” that *BusinessWeek* writes about so blithely would mean the obliteration not just of “mom-and-pop businesses” but substantial sections of Japanese financial and industrial capital currently in competition with American and European corporations. It is precisely this that a succession of Japanese governments has sought to avoid while at the same time seeking to make Japanese corporations more competitive with their international rivals.

The *BusinessWeek* comments do, however, serve to underscore the basic dilemma facing the new Mori government. Sections of big business both in Japan and internationally are demanding a far more ruthless approach to the implementation of pro-market reforms. At the same time these policies are creating the highest levels of unemployment in the postwar period, the breakdown of Japan's lifelong employment system, a widening gulf between rich and poor, and widespread social dislocation and alienation.

With an election looming, support for the LDP in the opinion polls has plunged to less than 30 percent, with one survey last week reporting that 60 percent of voters registered their disgust with the actions of the coalition government. In recent times, the voter turnout in elections has hovered around 50 percent, with young voters in particular staying away in droves. It is not

just the LDP that many people are disgusted with but the entire political system.

Compounding the political problems facing the LDP, one of its coalition allies—the Liberal Party headed by former LDP powerbroker Ichiro Ozawa—broke ranks with the government last weekend over policy disagreements. Ozawa advocates a far more aggressive assertion of Japanese interests, including the use of its military overseas as part of UN and other international operations. The Liberal Party has since split, leading to the formation of a new grouping—the Conservative Party—made up of those MPs who want to retain the coalition with the LDP.

Perversely, despite the political uncertainty created by Obuchi's stroke and the ongoing economic and political turmoil, the Tokyo stockmarket has continued to rise this week, reaching its highest level in three years on Monday. The following day, the Nikkei index registered some declines but most commentators attributed the falls to the impact of the severe drop in the Nasdaq technology stock index in New York rather than the fate of Obuchi.

As the *New York Times* commented: “Japan's languid economy slid into another recession late last year, companies are struggling to overhaul themselves, the government's debts are piling up and the prime minister is comatose with a stroke. None of that news seems to have fazed the Japanese stock market, which has outperformed the United States market over the last year.”

Concern over the Nikkei appears to have been one of the considerations behind the LDP's decision to conceal the news of Obuchi's stroke. As one commentator noted: “To be sure, the government was careful to keep news that Mr Obuchi was hooked up to a respirator to itself until well after trading stopped on Monday, making sure that investors focussed on the good news emanating from the currency market and from a survey of business confidence released on Monday rather than on the prime minister's illness.”

There is a curious parallel between the parasitic behaviour of the stock market and that of the LDP's political operators. Speculative money is flooding into shares in conditions where the Japanese economy has been flat on its back for most of a decade and the financial system is in an ongoing crisis. Similarly with Obuchi on life support in a hospital, the LDP powerbrokers are calculating how best to exploit his illness. With little else in the way of political capital, they are considering calling an early election to try to tap into whatever public sympathy may exist for Obuchi. Both phenomena point to a social system in deep decay.



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