

Cabinet reshuffle amplifies factional tensions within Japanese ruling party

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Japan's Prime Minister Yoshiro Mori unveiled a new cabinet on December 5, just two weeks after the ruling Liberal Democratic Party (LDP) survived a no-confidence motion on the floor of parliament and a potential split. While the reshuffle was required ahead of a major restructure of the Japanese government bureaucracy in January, the dominant faction of the LDP has strengthened its position and marginalised its opponents in the party.

Ryutaro Hashimoto, factional boss and Japan's prime minister from January 1996 to July 1998, was appointed to the post of Special Minister for Administrative Reform. Hashimoto heads the largest of the so-called mainstream factions of the LDP, referring to those groupings most orientated toward the traditional post-war policies of high public spending, ties between government and business, and economic regulation. The “non-mainstream” factions—still a minority within the party—developed in the late 1980s as advocates of Thatcher-style economic deregulation.

In November, Hashimoto collaborated with LDP Secretary General Hiromu Nonaka to crush the threat by “non-mainstream” leader Koichi Kato to bring down the Mori government by voting with opposition parties in a no-confidence motion. Factional dealings and alleged payoffs involving both Nonaka and Hashimoto resulted in one third of Kato's faction deserting him. Heading for likely defeat in parliament and facing the threat of expulsion from the LDP, Kato called off the rebellion. Along with his remaining supporters, Kato abstained from the vote and allowed Mori to survive.

Kato's standing has been substantially weakened as a result. According to the Japanese press, the heads of the two “non-mainstream” factions—Kato and Yaku Yamasaki—were not consulted about the cabinet reshuffle, a major affront in LDP factional politics. Kato's refusal to pursue his policy differences with the LDP majority to the point of a split has discredited him among the opposition parties that had offered to make him prime minister. There has been an outpouring of recrimination against Kato in the media and more broadly in Japan, where there is deep dissatisfaction with the Mori government.

The figure who has benefited most in the short term is Hashimoto. Nonaka, the major powerbroker who has blocked

attempts to bring Mori down over recent months, resigned on December 1. His departure has left Hashimoto as perhaps the most powerful figure within the Machiavellian world of LDP factional politics. Mori's ability to continue as prime minister now depends on his support.

Hashimoto's growing clout is reflected in the composition of the downsized 17-person cabinet. Hashimoto's faction holds five ministries, including key economic and defence posts. Mori's own faction holds two, the small Kono faction holds one, while the other major mainstream faction, Eto-Kamei, holds three. Masahiko Komura, the head of a small “independent” faction in the party, was rewarded for opposing Kato by being reappointed to cabinet. Two members of Kato's own faction who distanced themselves from his rebellion remain in the cabinet—the 81-year-old Finance Minister Kiichi Miyazawa and Hakuo Yanagisawa, who now heads the “anti-Kato group” within the Kato faction.

The LDP's coalition partners—the Buddhist-based New Komeito and the New Conservative Party—each have one cabinet post. The last cabinet post was given to a non-politician, state bureaucrat Yoriko Kawaguchi, who will head the Environment Ministry when it is formally created in January.

Hashimoto has positioned himself to take advantage of any new move against Mori who is already under fire within the party over a series of scandals, gaffes and low popularity ratings. Unlike the first two Mori cabinets, which were effectively boycotted by the major faction, the new cabinet includes some of its key figures, including Hashimoto's protégé Fukushima Nukaga, who was given the important economic and fiscal policy ministry.

In an editorial entitled “Mori takes risk with big names,” *Asahi Shimbun* commented on December 6: “While those close to Mori are welcoming Hashimoto's inclusion in the cabinet as a sign that the Hashimoto faction is wholeheartedly backing the government, many in the faction see the move as placing Hashimoto in a position to replace Mori at any time.”

Another potential scandal involving Mori erupted on December 11, when the Japanese magazine *Gendai* published photographs of Mori in the company of an unidentified man said to have underworld connections. This allegation, along

with previous accusations that Mori lied about being arrested in a brothel 42 years ago, adds new pressure on Mori to quietly step aside before he is embroiled in criminal prosecutions.

Given Hashimoto's influence in cabinet, there is considerable uncertainty over the government's policy direction. Hashimoto became prime minister in 1996 with the backing of the non-mainstream factions and initially voiced support for radically restructuring the Japanese government and banking system. He appointed the free market advocate Masaru Hayami as Bank of Japan head, raised taxes and curtailed public spending.

When the 1997 Asian financial crisis plunged Japan back into recession, Hashimoto abandoned his economic reforms in order to shore up the retail chains, construction companies and rural regions connected with the dominant LDP factions. At the beginning of 1998, his government unveiled an unprecedented emergency program of public works projects and corporate bailouts totaling \$US120 billion, which resulted in a falling out between Hashimoto and Kato.

Hashimoto was held responsible for the heavy LDP losses in upper house elections in June 1998, lost the leadership of his faction and was forced to resign as prime minister. But his successors, Keizo Obuchi, followed by Mori after Obuchi's death in April, have continued and expanded deficit spending to prop up vested corporate interests.

The consequence is an unsustainable growth in government debt—now exceeding \$US6 trillion or 133 percent of Gross Domestic Product (GDP)—and an increasingly bitter rift in the ruling class over how to address it. To attempt to balance the budget under the current conditions of economic stagnation would mean bankrupting substantial sections of corporate Japan and even higher rates of unemployment.

In July Hashimoto retook the leadership of his faction. With Mori deeply unpopular and the divide between the mainstream factions and Kato widening, the *Far Eastern Economic Review* commented: “Hashimoto may be the only party figure with the gravitas and battlefield smarts to close the gap between reformers and LDP veterans.”

His return to the centre of Japanese politics is not with the support of the non-mainstream factions, but at their expense. Though Hashimoto recently described the deficit spending policy as “like shopping with credit cards that will have to be paid off by our children, grandchildren and unborn great-grandchildren,” the new cabinet has hinted it will make no major changes. Economic and Fiscal Policy Minister Fukushiro Nukaga told a press conference: “It is important to keep economic policy focused on supportive steps, [i.e. high public spending to stimulate the economy] although fiscal policy reform should be discussed in the longer term”.

Nevertheless, pressure on the LDP government for a shift toward free market restructuring is growing. This week, after two days of talks in Tokyo, US Trade Representative Richard Fisher described Japan's economy as being in “a deep funk” and demanded action to rewrite Japan's corporate codes and

deregulate its telecommunications and energy markets. Fisher declared: “We are urging Japan to remove what we regard as unnecessary restrictions on corporations and bring them into the globalised economy”.

Within the ruling party, the sidelining of Kato will see the focus of discontent over economic policy shift to other opponents of the mainstream factions, such as Makiko Tanaka, the daughter of former prime minister Kakuei Tanaka who dominated the LDP for much of the 1960s and 1970s.

Makiko Tanaka registers as one of the most preferred prime ministers in opinion polls due to her populist criticisms of the government and the mainstream LDP factions. After the June election, she joined the “Young Turks,” a cross-factional grouping of 50 or so younger LDP legislators formed to agitate against Mori, but left it in October on the grounds it had become too supportive of Koichi Kato. Mori reportedly wanted to appease Tanaka by including her in the cabinet, but Hashimoto blocked the move.

Tanaka is ideologically close to extreme nationalists such as Liberal Party leader Ichiro Ozawa and Tokyo governor Shintaro Ishihara, both of whom are advocating a radical shake-up of the economy. Unlike Kato, Ozawa and Ishihara also call for an end to Japan's pacifist constitution and the country's remilitarisation. Ishihara's son, Nobuteru Ishihara, is a prominent “Young Turk”. Ozawa is keen for the group to split from the LDP and join with him in forming a new rightwing “Japan First” party that would attempt to govern through a coalition with the largest opposition party—the Democratic Party of Japan.

Far from stabilising the LDP, the latest cabinet reshuffle is likely to be simply the prelude to further behind-the-scenes factional brawling. Many in the LDP want the highly unpopular Mori out before upper house elections scheduled for July 2001. But such is the instability of LDP, and Japanese politics as a whole, that if Hashimoto does replace Mori in the coming months, he may find that his time at the top is even shorter.



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