

Political impasse as Japanese prime minister denies intention to resign

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Japan's governing coalition between the Liberal Democratic Party (LDP) and two minor parties appears set to descend into chaos following the denial by Prime Minister Yoshiro Mori of weekend media reports that he intended to resign. A meeting today of LDP parliamentarians may see open factional divisions and possible splits emerge.

On Saturday night, following discussions between Mori and five LDP powerbrokers, party officials informed journalists that he had agreed to convene an early election for the LDP presidency, possibly as soon as mid-April. As the LDP president traditionally fills the post of prime minister and Mori was considered unlikely to stand for re-election, the Japanese media interpreted this as a de-facto resignation.

Addressing a parliamentary committee yesterday, however, Mori responded: "None of the five senior LDP leaders I discussed this with understood that I had expressed my intention to resign, and I myself did not say such a thing." Mori went on to declare that he would "surely consider" contesting for the LDP presidency, "if anyone recommends me to run". Later in the day he even appeared to call into question that there would be an early vote.

Mori has stressed that he will proceed with high level foreign policy meetings with US president George Bush on March 19 and Russian president Putin on March 25, and continue governing well into April. In doing so, Mori, and the factions of the LDP who are supporting him, have defied those within the party and more broadly in the Japanese political establishment that have been demanding an end to his crisis-stricken administration.

The political confusion contributed to heavy selling on the Tokyo stock market, which was already reeling in response to Friday's sharp falls on the US markets. The Nikkei index fell 3.6 percent to 12,171 points, its lowest level in 16 years, with analysts warning it could slump

below 10,000 points. A Japanese investment manager bitterly told *Agence France Presse*: "They should make clear if Mori is quitting or not. It's not just Mori's resignation. Ministers in charge of the economy have failed to help Japan's economy at all. The entire Mori cabinet should resign if they really want to help the markets".

The major conservative daily, *Yomiuri Shimbun*, editorialised today: "The nation does not have the luxury of spending more than a month until a new administration is created... The Mori cabinet should resign en masse immediately".

Amid widespread concern over the drift of the economy towards a financial crisis, Mori has personified the political paralysis of the LDP. His government's most recent budget was criticised internationally as amounting to "half measures" and avoiding "structural reform". The stock market has fallen by 40 percent over the past year. The yen has fallen sharply against the US dollar to its lowest level since 1999. Bankruptcies have soared and official unemployment is at post-World War II high of 4.9 percent.

After nine years of emergency spending packages to revive the economy from the collapse of the stock and property market bubble in the early 1990s, Japan's public debt has doubled to 666 trillion yen (\$US5.5 trillion) or over 130 percent of Gross Domestic Product. This level is the highest of any advanced country and compares to a US figure of 59 percent. The massive deficit spending has not, however, halted the country's economic stagnation: in the July-September quarter, the economy contracted by 0.6 percent.

With sections of the ruling class committed to bringing Mori down, leading ministers have been forced to resign over bribery or other corruption charges. Mori himself has been plagued by continuous scandals ranging from allegations he was arrested in a brothel as a young man to

having associations with gangsters.

On February 9, Mori continued playing golf for two hours after being informed of the sinking of the Japanese fishing boat *Ehime Maru* by a US submarine. Public outrage at Mori's callousness, combined with an outpouring of anger against the US, sent the government's approval ratings plummeting to new lows.

Mori's administration has now become one of the most unpopular in post-war Japan, registering just 8.3 percent support in a recent poll by *Yomiuri Shimbun*. Over 80 percent of those questioned wanted Mori to go. With elections for Japan's upper house due in July, the governing parties are facing an electoral disaster.

In the days following the *Ehime Maru* tragedy, the LDP's two coalition partners—the Buddhist-based New Komeito Party and the New Conservative Party—joined with the major faction within the LDP led by former prime minister Ryutaro Hashimoto to publicly call for Mori's resignation. Their preferred candidate to replace Mori is the 75-year old former secretary-general of the LDP, Hiromu Nonaka, who throughout the 1990s has been intimately associated with the program of bailouts and public spending, or Hashimoto himself.

But who would replace Mori is still not clear. The fact that he has clung onto his position at all in the face of concerted opposition is due in large part to the lack of agreement on an alternative leader. More fundamentally the political perplexity within the LDP leadership reflects broader divisions within the ruling class as a whole over the basic direction of Japan's economic policy.

The push for Mori's removal has come from those who identify with the demands of the international financial markets for an end to government bailouts and public works spending, and the opening up of Japan's relatively protected domestic economy to greater foreign competition. Such a policy would force the Japanese banks to call in the vast sums of bad loans owed by unprofitable, but still operating, companies. The consequence would be the bankruptcy of thousands of firms and even higher unemployment levels.

However, this policy is anathema to much of the LDP, which has governed Japan almost continuously since the party's formation in 1955. The interlocked web of protected businesses, banks and government was established under its auspices and the business interests most affected by an end to high government spending and economic restructuring would be the party's main constituencies—the construction and retail industries, smaller domestic manufacturers and rural interests.

Despairing at the “lack of enthusiasm for restructuring,” the current *Asiaweek* noted: “Tackling the inefficiencies of Japan Inc. would be the equivalent of the LDP signing its own death warrant as the country's dominant political force”.

Major LDP factions are concerned that, unless they are agreed on a replacement, any attempt to remove Mori could result in the “reformer,” Junichiro Koizumi, taking the leadership. Koizumi is the most popular candidate for prime minister among younger LDP members and urban branches. Though he is the titular head of Mori's own faction, he advocates restructuring the Japanese banking system and was close to former LDP powerbroker Koichi Kato in the mid-1990s. Kato is the LDP personality most clearly identified with the program of wholesale economic deregulation. In November, he failed in an attempt to win support within the party to side with opposition parties and bring down the government.

It is still likely that Mori will go sometime before the July elections. Those LDP members who support restructuring are on the verge of open revolt. The LDP's coalition partners, upon whom it depends to govern, are nervous over the prospect of electoral losses. The four main opposition parties are preparing to table a censure motion against Mori on Wednesday to test the extent of dissatisfaction within the government's own ranks.

But the more basic question in Japanese ruling circles is what policy his replacement will adopt to meet the country's deepening economic crisis. The LDP displays all the characteristics of a party that has exhausted itself. Fearful of losing its social base, it has nothing to offer but more of the same—an economic program that is a recipe for disaster.



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