

# Koizumi's election: a turning point in Japanese politics

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28 April 2001

The election of Junichiro Koizumi as president of Japan's ruling Liberal Democratic Party (LDP) on April 24 and his swearing in on Thursday as the country's prime minister constitutes a turning point in Japanese politics. Dubbed the "Koizumi Revolution," his rise to power is the product of a public campaign, spearheaded by the media, to end the 45-year domination of the government by conservative, nepotistic factions within the LDP and begin to reshape the political system and economic policy.

In every previous LDP leadership contest, the outcome has been decided by back-room negotiations between the powerbrokers of the main party factions, with the actual vote being little more than a formality to sanction the deals done beforehand over the allocation of ministerial positions. As Koizumi was supported by only three small factions, the victory of former prime minister Ryutaro Hashimoto, the candidate of the largest LDP factional grouping, was considered a *fait accompli*.

Over the last three weeks, however, Koizumi was transformed from a marginalised outsider with little chance of defeating Hashimoto, to a certainty. Unable to win the leadership through the factional system, Koizumi made an unprecedented break with party tradition. He resigned from his own faction, called for support from across the party and launched a public campaign. In street rallies and media debates, he called for drastic free market austerity policies to address Japan's decade-long economic stagnation and promised to reform the LDP.

Koizumi's public agitation on the need for economic and political change intersected with long developing processes.

The inability of government to resolve Japan's economic malaise has fueled growing big business support for radical economic restructuring and recriminations against the LDP. The dominant factions of the party, with their base of support among protected small business and rural producers, have continued to insist on huge government spending packages to pump-prime the economy. But while public debt has soared over \$US6 trillion, there has been no recovery. Unemployment is at historic highs and there is growing alarm that the state will inevitably become so indebted it will have to slash government spending on old age pensions, education and health care.

The policy paralysis in the LDP and the lack of any credible alternative from opposition parties such as the Democratic Party (DPJ), the Social Democrats (SDP) and Communist Party (JCP), has produced deep political alienation among broad sections of the population. Among LDP members and traditional LDP voters there has been growing disillusionment which, in the last several years, right-wing demagogues such as Shintaro Ishihara and LDP legislator Makiko Tanaka have been able to exploit. Ishihara was elected

Governor of Tokyo in 1999 and Tanaka's denunciations of the LDP hierarchy have made her the most popular politician in the country. A deep sense that things cannot continue in the same way permeates Japanese society.

Under these conditions, decisions were made in high places to throw the weight of the Japanese political establishment behind Koizumi and exploit the confused public sentiment for change to break the grip of the LDP factions and bring in an administration committed to a program of economic restructuring.

Makiko Tanaka joined with Koizumi and aggressively promoted him among the LDP rank-and-file. His bid for prime minister was openly supported by major newspapers such as *Yomiuri Shimbun* and *Asahi Shimbun*, who presented him as the only candidate seriously proposing solutions to the debt crisis of the Japanese government and the banking system.

In an unmistakable sign of support for Koizumi by the Japanese financial markets, Bank of Japan Governor Masaru Hayami issued a statement on April 19, in the midst of the campaign, labelling government policies as "backward looking" and "extremely regrettable" and calling for rapid economic reforms.

In the media, Koizumi—a man who has spent his entire adult life as a representative of Japan's conservative ruling party—was built up as a rebel and reformer. His permed hair, divorcee status, taste for rock music and eccentric mannerisms were described as making him more "in touch" with the younger generation compared to the aging factional LDP leaders. In the normal run of events in Japan, exactly the same characteristics would have ruled him out of contention.

In the final days of the campaign, Koizumi solidarised himself with the substantial right-wing nationalist element among the LDP membership. He advocated the removal of the pacifist clause from the Japanese constitution and pledged to visit the Yasukuni Shrine to Japan's war dead, where convicted war criminals are interned, in an official capacity. Japanese prime ministers have avoided doing so in deference to the deep anti-militarist sentiment both in Japan itself and in neighbouring countries like China and South Korea.

The result of the campaign was a rebellion within the LDP against the factional system. Koizumi swept primary ballots last weekend in the 47 LDP branches, winning 123 of the 141 delegate votes. Many of the party's 2.3 million membership, 65 percent of whom hold party cards because they belong to LDP-affiliated business or professional associations, repudiated their ties to the Hashimoto or other factions and voted for Koizumi.

During last Tuesday's election, there was a further breakdown of already strained factional loyalties among LDP parliamentarians. Shizuka Kamei, a vocal advocate of government spending, whose

faction has been a traditional ally of Hashimoto's, withdrew his own candidacy and cut a deal with Koizumi to try to gain some influence in the new administration. The faction of Mitsuo Horiuchi, which had pledged support to Hashimoto, gave its members a "conscience vote". Even members of Hashimoto's own faction broke ranks and voted against him.

Of the 346 LDP legislators in Japan's two houses of parliament, Koizumi won 175 votes, Hashimoto, 140, and the third candidate, Economy Minister Taro Aso, 31. Overall, Koizumi won an outright majority of 298 of the 484 valid votes cast for LDP president. LDP legislator Nobuteru Ishihara—Shintaro's son—declared the result was "a historic day... a candidate who is backed by the largest faction cannot become the leader."

As he promised his backers, Koizumi formed a cabinet on Thursday night that largely excludes the major LDP factions and gives key economic posts to advocates of radical economic change.

There are parallels between the situation today in Japan and the experience passed through a decade ago in Eastern Europe and the Soviet Union, from which important political lessons can be drawn. Resentment against an ossified and stagnant political order is being channelled in a direction inimical to the interests of the broad mass of the population. Koizumi has even been dubbed a "mini-Gorbachev," referring to the Soviet leader who directed the first stage of restoring the free market—a process that has devastated the living standards of the Russian people.

Koizumi himself has given no more than a vague outline of the policies he will attempt to implement. He has spoken only in general terms of controlling debt accumulation, corporate cost-cutting—such as that undertaken by companies like Nissan—and eliminating the bad loan problem within two to three years. As Japanese political analyst Shigenori Okazaki observed to the *Sydney Morning Herald* on Monday: "The public really has no idea what kind of reform policies he is talking about, and they are not going to like it if it really does involve pain."

A number of reports by leading financial analysts, however, have provided detailed estimates what the "reforms" would involve. A recently released Goldman Sachs study predicted that if the Japanese banks foreclosed on the \$US178 billion owed by the worst corporate debtors, 324,000 jobs would be destroyed and official unemployment would rise to over 5.7 percent.

But this is only the tip of the iceberg. As fast as the Japanese banks have retired debt, more has accumulated. According to the Tekoku Databank, there were 18,926 corporate bankruptcies last year that left behind a record 25.98 trillion yen (\$US216 billion) in outstanding debt—a staggering rise of 130.7 percent over 1999. Fifteen conglomerates listed on the Tokyo stock exchange were among the company failures.

Such are the potential consequences of a radical restructuring of the Japanese economy that Andrew Smithers recently declared it to be "impractical" and "disastrous". He estimated that to restore corporate profitability through cost reductions would involve lowering the national wages and salaries bill by 40 percent. The restructuring of Nissan alone, after its buyout by French company Renault, resulted in the slashing of 21,000 jobs.

Last year's McKinsey Report on the Japanese economy projected that unemployment would double immediately if firms laid off so-called surplus workers. It concluded that deregulation in the retail sector would ruin thousands of "tiny, archaic mom and pop stores".

Despite the initial rapture among elements of the establishment over

his victory, the new administration will be a highly unstable one. He will inevitably face bitter opposition from within the LDP to any major economic restructuring. The LDP's main coalition partner, the Buddhist New Komeito, has a large base among small family-owned businesses which will face hardship if Japan returns to recession.

Moreover, New Komeito suffered religious repression in the 1930s and its constituency is deeply suspicious of any revival of pre-war Japanese militarism by the LDP. While the party voted for Koizumi in parliament on Thursday, it could ultimately split from the coalition and try to bring down the government.

The working class is also not going to passively accept mass unemployment and cutbacks to welfare and wages. Japan's grossly underestimated jobless figures are already at a postwar high and there are signs of rising levels of homelessness and poverty. A sharp rise in job losses, particularly if combined with cutbacks to the pensions and services, will generate anger and hostility.

Koizumi has already indicated his response to the country's growing social tensions will be to try to divert the alienation and hostility of broad layers of people in a right-wing nationalist direction. By proposing to amend the pacifist clause of the constitution and to officially visit the Yasakuni shrine, he is indicating his support for the agenda of layers in the LDP and the extreme rightwing who want to revive Japan as a military power.

Koizumi's tenuous grip on power makes him something of a gamble for the Japanese political establishment. Outlining an economic agenda for Japan, the *Financial Times* warned: "At stake is whether or not Japanese democracy is able to resolve the deep ills of the world's second largest economy. This is one of the toughest jobs in the world."

While the *Times* did not further elaborate, its editorial does underscore an issue that is increasingly being discussed in ruling circles in Japan. If the parliamentary system erected after World War II is incapable of producing a government to serve the needs of Japanese capitalism and ending a decade of economic stagnation and political paralysis, then other methods will be required. As Koizumi makes overtures to the extreme rightwing, it should be recalled that Japan's militarist regimes of the 1930s sought a way out of the country's economic crisis through a combination of aggressive adventures abroad and extreme political repression at home.



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