

Koizumi threatens ruling party factions in Japan with a split

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Japanese Prime Minister Junichiro Koizumi openly threatened on Sunday to call early lower house elections and split the ruling Liberal Democratic Party (LDP) if the party did not support his economic restructuring program.

Interviewed by a Japanese TV network, he declared: "I'm fighting for the [July 29 upper house] election assuming the LDP is behind the Koizumi administration's reform plans. But if not, I want to make a decision as prime minister and ask for the opinion of the people." Koizumi told an election rally later that day in Osaka he would "break-up the LDP" if it worked against his economic policies.

Koizumi's weekend outburst followed falls on the Tokyo stock market and criticism by opposition parties and in the Japanese and international press that his two-month old administration was already capitulating to vested interests within the ruling party.

At the end of June, the Koizumi cabinet adopted an economic plan that called for a far-reaching deregulation of the Japanese economy, the elimination of bad loans within two to three years, privatisations and budget austerity measures to slash the country's massive public debt. His finance ministers have warned that the program will produce a period of negligible growth and large-scale layoffs.

The LDP platform released last week for the upper house election, however, effectively scuttles some of Koizumi's more controversial policy proposals. The privatisation of the postal system, the transfer of road taxes into general revenue and changes to local government budget allocations are all described as issues for "further discussion". In the context of Japanese politics, this is a euphemism for burying these measures in a series of parliamentary committees and sub-committees.

The main LDP factions, particularly the largest led by former prime minister Ryutaro Hashimoto, are widely

believed to have insisted that these proposals be excluded from the election manifesto. In doing so, they are protecting the business interests and rural base on which the LDP has rested throughout the post-war period. An entire industry, for instance, is based on the stipulation that a road tax raising \$US45 billion must be spent on constructing roads. Japanese farmers are among the most subsidised in the world.

To this day, 65 percent of the LDP's membership is drawn from groups such as rural producers' associations, construction industry employers, post office managers, the Japan Medical Association and the Japan War-Bereaved Association. Over half of the 346 LDP MPs belong to the Hashimoto faction, or its traditional factional allies, which are closely linked to regulated and protected sectors of the Japanese economy, such as construction, retail and agriculture.

Commenting on the obstacles to free market reform, the *Financial Times* warned on July 5: "Mr. Koizumi's problem is that he does not have the support of enough LDP members to drive his legislation through parliament. The LDP is dominated numerically by the faction controlled by Mr. Hashimoto, a haven for anti-reformists and behind-the-scenes critics of Mr. Koizumi's policies".

Yomiuri Shimbun, Japan's largest daily, on July 8 urged Koizumi to get on with restructuring. It criticised the new government for failing to outline concrete policies to liquidate thousands of indebted companies and eliminate bad loans from the banking system. "Stock prices fell during the latter part of last week. The ruling and opposition parties should take the fall as a warning from market players about the futility of a lingering debate..."

These comments reflect concerns in ruling circles in Japan and internationally that the opportunity to open up the country's economy and overhaul its political superstructure will be lost.

In April, after a decade of economic stagnation,

significant sections of the ruling elite backed Koizumi in the ballot for LDP leadership against his main rival Hashimoto in the hope that he would be able to implement economic reforms. To win the vote Koizumi stepped outside the traditional LDP faction system and called for an internal revolution in order to change Japan. He rested on an alliance of dissident LDP elements, ranging from the extreme nationalists of his own Fukuda faction to free market populists such as Makiko Tanaka, the daughter of a former prime minister.

Koizumi and Tanaka were aggressively promoted in the media as the only means of salvaging both Japan's economic prospects and the party's chances in the upper house election. Koizumi took advantage of the disaffection in the party's ranks to win the vote of virtually all the LDP branches and also carried the poll of LDP legislators. But having won the party leadership, his difficulties have just begun.

His opinion poll approval rating is hovering near 90 percent. With the backing of the media, Koizumi has been able to tap into the widespread discontent in Japan with the LDP and the political establishment, even though he declares that Japan has to pass a period of "pain" to recover. Sections of the ruling class are insisting that his government press ahead with economic restructuring as quickly as possible before the impact of his policies becomes apparent, and euphoric support for Koizumi turns to opposition and hostility.

But from the day it was formed, the Koizumi cabinet has faced bitter inner party opposition. If Hashimoto and his allies have not challenged Koizumi too openly so far, it is because they calculate that his popularity will be helpful in the upcoming elections. However, there has been what can only be characterised as an ill-disguised guerrilla campaign aimed at discrediting and undermining the position of Koizumi and his key allies.

One of the prime targets has been Foreign Minister Makiko Tanaka, who as one of the country's few popular politicians is a crucial Koizumi ally. From the outset, Tanaka set out to stamp her own authority on her post—a major shift from past practice. Under conditions where ministries were allocated mainly on factional grounds, the state bureaucracy had considerable power, working in league with LDP faction chiefs and big business. Policy was formulated and implemented by senior bureaucrats, who regarded their ministers as ceremonial mouthpieces.

Using a long-running corruption scandal in the ministry, Tanaka announced her intention to seek the removal of four powerful bureaucrats, including the current vice

foreign minister and the US and British ambassadors.

The consequences of challenging the entrenched officialdom were immediate. Tanaka confronted a flood of high level leaks from within her ministry—the most damaging taking place in early June. The media was handed alleged transcripts recorded by ministry translators and note-takers of informal discussions between Tanaka and the foreign ministers of Germany, Italy and Australia. The leaks portrayed her as anti-American, hostile to the planned US National Missile Defence system, contemptuous of Bush and his administration and a defender of the Kyoto Protocol on green house gas emissions.

Released just weeks before Tanaka and Koizumi travelled to the US for talks with the Bush administration, the leaks caused havoc to the formulation of foreign policy. In order to prevent the potential airing of details of the discussions in Washington, Tanaka has been forced to back off. The personnel reshuffle has been deferred until August when the senior officials are due to retire.

According to unnamed officials cited in the *Japan Weekly Post*, senior bureaucrats have also been engaged in sowing discord between Economic Policy Minister Heizo Takenaka and Financial Policy Minister Hakuo Yanagisawa. The two differ over Yanagisawa's opposition to using more public funds to bail out Japan's debt-ridden banking system.

In the lead-up to the upper house elections, the conflict within the LDP and between the cabinet and the state bureaucracy has been relatively tame. Based on current polling, Koizumi's popularity has increased support for the LDP to 50 percent, its highest level since 1991, and the government is likely to retain control of the upper house of parliament. After the poll is over, however, the infighting is likely to become far more savage as Koizumi is pressed to implement economic restructuring, and his opponents attempt to block or at least modify it.



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