

# Koizumi reshuffles Japanese cabinet to pursue right-wing agenda

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Japanese Prime Minister Junichiro Koizumi late last month carried out a major cabinet reshuffle aimed at pressing ahead with his agenda, in particular in the area of economic restructuring. Having cut public spending, imposed an unpopular new pension scheme and toughened banking guidelines, the new cabinet plans to proceed with the privatisation of Japan Post.

At stake is the world's largest financial institution. Japan Post not only functions as a postal service but is extensively involved in banking and insurance. It manages \$3.2 trillion in savings account deposits and insurance policies—about a quarter of the country's total household assets.

Legislation to privatise Japan Post is due to be presented to parliament in early 2005. The sell-off is scheduled to begin in 2007 and take a decade to complete. The plan envisages breaking up Japan Post into a four separate entities initially under the control of a government-owned holding company to handle insurance, postal savings and the management of post offices.

In announcing his plans, Koizumi told the media: “We have finally reached the core base of reform that is postal privatisation. I have reshuffled the cabinet to push through that reform.” Previously a large portion of Japan Post's funds was funnelled into public works projects, many of which were concentrated in rural areas that formed the political base of the ruling Liberal Democratic Party (LDP). Koizumi wants to open up this huge pool of capital to the private sector.

Koizumi has advocated the privatisation of Japan Post for more than a decade in the face of entrenched opposition from the LDP factions. His plan will provoke resistance from many of the party's traditional backers in the construction industry as well as in rural areas where Japan Post is often the only financial

institution. In the past, the LDP has also been able to count on the political support of Japan Post management. Privatisation and restructuring will inevitably lead to job losses and a political backlash from the institution's more than 400,000 full-time and part-time employees

The cabinet reshuffle is aimed at overcoming this opposition. Koizumi has appointed Heizo Takenaka, previously the financial services minister as postal reform minister. A former Harvard economics professor, Takenaka has been a leading advocate of wholesale economic restructuring. He presided over the government's cutbacks to public works spending and banking reforms aimed at slashing bad loans.

Takenaka told a press conference: “Postal privatisation is the core of Koizumi's structural reforms. My role is to put into detail the prime minister's wishes.”

Loyal Koizumi supporters Hiroyuki Hosoda and Sadakazu Tanigaki were reappointed Chief Cabinet Secretary and Finance Minister respectively. Tanigaki gave his vote of approval to postal privatisation stating: “We must fix the situation of so much money flowing into public coffers.”

A less publicised but no less significant aspect of the cabinet reshuffle involved defence and foreign affairs. Nobutaka Machimura, the new Foreign Minister, and Yoshnori Ono, the new Defence Minister, are both known for advocating changes to the country's postwar pacifist constitution to allow Japan to adopt a more aggressive military posture.

Koizumi has already dispatched Japanese troops to help bolster the US occupation of Iraq—the first time since World War II that the country's combat forces have been deployed overseas. He is committed to removing all barriers to the revival of Japanese

militarism, including article 9 of the constitution that prohibits war or the use of force as a “means of settling international disputes”.

The US-based Stratfor thinktank noted in its comment on the cabinet reshuffle: “Koizumi also has placed ministers in power who share his vision of building Japan into a full-fledged military power. Postal reform will probably continue to snatch headlines in the near future, even while Tokyo continues to redefine its military footing and its role as a regional power.”

Stratfor pointed to the comments of the new ministers who both called for changes to the constitution. Machimura declared that Japan should revise the constitution so it can play a greater security role in the world. Defence Minister Ono was more explicit calling for constitutional change so Japan can exercise the right to collective self-defence, or aid an ally if one is attacked.

Given the widespread opposition to the deployment of Japanese troops to Iraq, the call for a military build up is couched in terms of defending peace and ensuring security. But there is no doubt that the Japanese ruling elite is seeking to fashion a military instrument to defend its economic and strategic interests against its rivals.

In a recent article on the Al Jazeera Internet site, Hiroshi Honda, a professor of politics at Hokkaido Gakuen University, commented: “There is no consistency to the government’s policy in the Middle East and Japanese troops are there primarily to show solidarity with the US government. But there are other reasons as well.

“Oil is one consideration, but I also believe that the SDF [Japan’s military] is there because the government wants them to get used to combat situations. It’s a kind of training program: the SDF has never been in the position of being shot at and the whole thing is less about humanitarian assistance than training the troops.”

It is undoubtedly also about oil. With an economy totally dependent on imported oil, the government has to ensure, by whatever means, adequate access to cheap oil. As Japan’s new postal privatisation chief Heizo Takenaka bluntly noted: “We need to carefully watch the movement of oil prices. Every \$10 increase in the price of a barrel of crude oil trims Japan’s gross domestic product by 0.4 per cent.”



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