

Japan's ruling party to select new prime minister as economy slides into recession

Aso's opponents

John Chan**20 September 2008**

Japan's ruling Liberal Democratic Party (LDP) is due to pick a replacement for outgoing Prime Minister Yasuo Fukuda on Monday. LDP secretary general and former foreign minister Taro Aso is the clear frontrunner in a field of five as the party desperately attempts to resurrect its political fortunes before likely early elections.

In office for just a year, Fukuda stepped down on September 1 after a cabinet reshuffle and the announcement of a stimulus package failed to lift his cabinet's poll ratings. A *Jiji* poll published yesterday put the government's approval rating at just 15.6 percent, down eight points from last month. Fukuda's predecessor, Shinzo Abe, suffered a similar fate after taking over from Junichiro Koizumi, who held onto office for five years.

Aso's selection appears to be almost certain. He kicked off his campaign on September 10 with 125 LDP lawmakers from the lower and upper houses of the Diet turning up to support him, compared to 20 for each of the other four. According to the *Asahi Shimbun* on Thursday, about 60 percent of the Diet members backed Aso, who is also well ahead among LDP prefecture chapters.

The other four candidates are: Economic and Fiscal Policy Minister Kaoru Yosano; former defence minister Yuriko Koike—the first woman to challenge for the LDP leadership; Shigeru Ishiba, another former defence minister; and Nobuteru Ishihara, son of Tokyo's right-wing governor, Shintaro Ishihara. Yosano reportedly has the support of about 50 lawmakers. Koike has been endorsed by Koizumi, who is still an influential figure in political and business circles, but she apparently has little support within the LDP.

Given that the outcome appears to be a foregone conclusion, some commentators have speculated that the contest is simply a stunt designed to give the LDP a much-needed boost. There are nevertheless sharp differences

between the candidates, particularly over economic policy. These divisions have been accentuated by the US and global financial crisis, fears of a recession in Japan and public hostility over rising prices and deepening social inequality.

Despite his attempts to affect a down-to-earth character and appeal to young people by declaring his passion for manga comics, Aso is very much a traditional LDP politician. He advocates boosting public spending in an attempt to end nearly two decades of stagnation—a policy that makes him popular with the LDP rank-and-file, especially in its rural base. However, a series of huge stimulus packages since the early 1990s have failed to revive the economy significantly and led to massive government debts, which now stand at 180 percent of the GDP.

Undaunted, Aso has called for greater efforts to stimulate the economy and the postponement of the LDP's pledge to end the budget deficit by the 2011-12 fiscal year. Speaking in a debate yesterday with other contenders, he said the economy would be his "first priority" as prime minister and has called for a supplementary budget. Official statistics released last week showed that Japan's economy contracted 3 percent in the second quarter on the annualised basis, due to faltering exports and domestic demand as well as soaring prices for raw materials.

There are concerns in Japanese ruling circles that Aso's hawkish foreign policy stance will lead to tensions with China and South Korea. He backed Koizumi's public visits to the Yasukuni Shrine, a notorious symbol of Japanese militarism, that provoked protests in Beijing and Seoul. As foreign minister under Koizumi and Abe, Aso was closely associated with their hard-line stance against North Korea and support for the US occupations of Iraq

and Afghanistan. Mindful of the fact that China is now Japan's largest export market, Aso has promised to maintain Fukuda's improved relations with China, but doubts remain among the corporate elite.

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Aso's chief opponents are Yosano and Koike. Yosano, 70, is regarded as a "fiscal hawk" known for his support for a dramatic tax overhaul, including doubling the country's unpopular consumption tax to 10 percent, and cutting social security expenditure.

Koike, 56, however, advocates more of the sweeping economic restructuring that was carried out under Koizumi. Not surprisingly, Koizumi has publicly backed her, rather than Yosano. He had lunch with Koike and her supporters on Tuesday. "I support Ms Koike. I will vote for her. If a prime minister Koike becomes reality, she would give a good fight to the Ozawa-led Democratic Party," Koizumi declared. Ichiro Ozawa is the leader of the opposition Democratic Party of Japan (DPJ).

During yesterday's debate, Koike accused Aso of risking Japan's financial health through lavish public spending. Taking over Koizumi's anti-establishment rhetoric, she blamed "Kasumigaseki"—the Tokyo district that houses Japan's powerful state bureaucracy—for obstructing economic reforms. "My role is to reform or destroy Kasumigaseki. In other words, it is political leaders who should be taking the strong [national] leadership initiatives," she declared.

Koike was one of the 80 or so "Koizumi children"—the group of lawmakers who entered the lower house of parliament after the LDP's landslide election win in September 2005. Koizumi took the unprecedented gamble of calling the snap election after his postal privatisation bill was defeated in the upper house due to the defection of LDP lawmakers. Privatising Japan Post—the largest public financial institution, employer and holder of government debt—was the cornerstone for Koizumi's market reform.

Koizumi expelled the dissident LDP lawmakers. By posturing as an anti-establishment figure, fighting LDP vested interests, Koizumi managed to bury the substantive issues, including his highly unpopular dispatch of Japanese troops to Iraq. Koike, a former TV anchorwoman and Arabic-speaker, was one of Koizumi's high-profile "assassins" recruited to target the so-called

postal rebels in the election.

Koizumi's triumph soon began to fade, however, as the painful social consequences of his economic agenda became apparent. In 2006, an unprecedented public discussion opened up on "winners" and "losers," reflecting concern about the deepening social chasm between rich and poor. In July 2006, as he prepared to step down, Koizumi pulled Japanese troops out of Iraq. Contrary to the myths surrounding Koizumi, his popularity was already sliding when he handed over the reins to his hand-groomed successor, Abe, who presided over a disastrous loss in upper house elections in 2007.

While Koike is trying to revive the Koizumi political magic, the lack of enthusiasm for another round of drastic pro-market reforms is reflected in the polls. According to an *Asahi Shimbun* poll published on September 12, 42 percent of voters supported Aso, compared to just 8 percent for Koike and 6 percent for Yosano.

The rifts within the LDP remain, however. Koizumi's backing for Koike opened up a split in the largest LDP faction led by Chief Cabinet Secretary Nobutaka Machimura. While the faction has officially expressed its support for Aso, a minority headed by former LDP secretary general and top Koizumi aide, Hidenao Nakagawa, is threatening to support Koike. The *Financial Times* cited Takao Toshikawa, editor of *Inside Line*, as suggesting that a significant numbers of LDP parliamentarians—the so-called "reformers" led by Nakagawa—might leave the party if it fares badly in the next election.

Aso yesterday scotched media speculation that the LDP had already decided to call an early lower house election on October 26. But there is little doubt the LDP is considering a sudden election to take advantage of any boost in the polls from the new leadership. If he becomes prime minister next week, Aso could well use his proposed supplementary budget and legislation to renew Japan's naval support for the US occupation of Afghanistan as the basis for the campaign. The opposition DPJ, which controls the upper house, has vowed to oppose both measures.



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