

Democrat government installed in Japan

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17 September 2009

Yukio Hatoyama, leader of the Democratic Party of Japan (DPJ), formally took office as prime minister yesterday after a vote in the lower house of Japan's parliament or Diet. The Democrats won a landslide victory in the August 30 lower house election, sweeping the Liberal Democratic Party (LDP) from office after more than half a century of virtually continuous rule.

The new government, which came to power on vague promises of change and widespread hostility to the Liberal Democrats, immediately confronts pressure from big business to cut government spending and wind back its own limited election promises to provide child allowances, free education and support for farmers, and to cut road tolls. Japan, which has been hard hit by the global economic crisis, has public debt amounting to 170 percent of GDP—the highest of any industrialised country.

The DPJ, which was formed in 1998, is an amalgam of breakaway LDP factions, fragments of the former Japanese Socialist Party and other smaller parties. However, most top positions in the 18-member cabinet are held by former Liberal Democrat figures. Hatoyama comes from an established LDP dynasty and was an LDP parliamentarian until he quit the party in 1993. His grandfather Ichiro Hatoyama helped found the LDP in 1955 and was its first prime minister.

Two top cabinet posts have been filled by DPJ figures known for supporting pro-market restructuring. Deputy Prime Minister Naoto Kan will head a new National Strategy Bureau to set overall policy guidelines and implement the party's promise to eliminate "waste" and rein in the country's influential bureaucracy. While this pledge was not prominently featured in its election campaign, the party plans to slash 20 percent from the overall payroll by 2013 through the axing of jobs and pay reductions. Kan is the only senior minister not originally from the LDP.

The incoming finance minister, Hirohisa Fujii, was a senior finance ministry official before becoming an LDP

parliamentarian. He joined the wave of defections from the Liberal Democrats in 1993 and served as finance minister in the two short-lived non-LDP governments in 1993-94 that followed the break-up. Fujii told the *Financial Times* last week that the next government would immediately review previous stimulus spending and make "substantial cuts". He pointed to the 2.9 trillion yen (\$US31 billion) earmarked for government facilities and 4.3 trillion yen in government discretionary funds as being the first targets.

The appointment of Shizuka Kamei as postal and financial affairs ministers has provoked some concern among financial commentators. Kamei was an LDP factional heavyweight until he was expelled from the party by Prime Minister Junichiro Koizumi in 2005 for voting against postal privatisation legislation in the upper house. He now heads the Peoples New Party (PNP), one of two small parties in the ruling coalition. Kamei is likely to slow the restructuring of Japan Post, which big business has been demanding open up its vast poll of savings for private financial institutions.

A *Wall Street Journal* comment yesterday bemoaned the presence in the new cabinet of "antireformers, socialists and union leaders, who combine an open hostility to free markets, deregulation and entrepreneurship with a romantic longing for a somehow simpler, fairer economic and social system". However, in highlighting Kamei, it also had to note that he had been instrumental in the 1990s in axing more than 200 public works projects, saving almost 3 trillion yen or \$US33 billion at current exchange rates.

It is certainly true that former so-called socialists and union leaders have a number of ministries in the new government. Hirotaka Akamatsu, who becomes the agriculture minister, was a Socialist Party parliamentarian until its breakup following the 1994-96 grand coalition with the LDP. Justice Minister Keiko Chiba is also a former Socialist Party MP. Four others were members of the Democratic Socialist Party (DSP), which formed in 1960 as a right-wing breakaway from the Socialist Party. Most prominent is the new economy, trade and industry minister

Masayuki Naoshima, a former senior union bureaucrat from the Confederation of Japan Automobile Workers Unions.

The DSP dissolved into the New Frontier Party, one of the LDP breakaway factions, in 1994. To add to the confusion, following its collapse, the Socialist Party renamed itself as the Social Democratic Party in 1996. Now a minor rump party, the Social Democrats are the second coalition partner in the new government. Its leader Mizuho Fukushima holds the relatively minor post of population, consumer affairs, gender equality and food safety minister.

The real significance of the presence of “socialist” ministers lies in the fact that they will be needed to contain and suppress the opposition that will inevitably develop, in the working class in particular, to the government and its policies. Official unemployment in Japan is already at a post-war high of 5.7 percent. Homelessness and poverty are rising in conditions where the jobless have only limited welfare benefits.

The Hatoyama government will rely far more directly than the LDP on former socialists and the trade unions in sabotaging protests and strikes against austerity measures. It will also be able to call on the services of the Japanese Communist Party (JCP), which, while not part of the ruling coalition, pledged in the course of the election campaign to play the role of a loyal parliamentary opposition. Yesterday, JCP leader Kazuo Shii declared that the party would adopt a case-by-case approach to its cooperation with the new government.

The “socialist” ministers will also play a role in stemming the anger of those who voted for the Democrats in part because of their posturing against the US-led occupations of Iraq and Afghanistan. In foreign policy, as in domestic policy, the top posts are held by former LDP politicians. The new foreign minister is Katsuya Okada, who was DPJ leader until losing the 2005 elections. Toshimi Kitazawa is the incoming defence minister.

Even before assuming office, Hatoyama declared in a comment in the *New York Times* that the US-Japan alliance remained the cornerstone of Japanese foreign policy. Okada has signalled that there will be no significant change in relations with Washington and has begun to back away from the party’s promise to end Japan’s naval refuelling mission in support of the war in Afghanistan. Yesterday, he did not rule out extending the mission, perhaps under different conditions, or contributing in other ways to the occupation of Afghanistan.

Hatoyama cautiously called yesterday for a review of US ties and declared he wanted to change Japan’s “somewhat passive” relationship with Washington. He has previously indicated that he wants better relations with Japan’s Asian neighbours, particularly its largest trading partner China. In an interview with Reuters in July, Okada emphasised that the party would proceed slowly. “What I have told [visiting] US officials... is that we will not negotiate by putting all issues on the table at once and saying ‘What about it?’”

However, there are areas of potentially sharp contention. The Democrats have indicated their intention to review arrangements for the restructuring of the US military bases on Okinawa, particularly the pledge by the previous government to pay \$6 billion toward the relocation of 8,000 US Marines to Guam. They are also under pressure from the Social Democratic Party to release details of a secret protocol that reportedly allows nuclear-armed US warships to enter Japanese ports.

Under conditions of global recession, the sharpest disputes with Washington are likely to arise over trade and protectionism. Japanese exports have declined dramatically over the past year. Moreover, to win rural voters away from the LDP, the Democrats promised to protect Japanese farmers in any trade deal with the US. Significantly, the two portfolios of agriculture and industry have been handed to “socialist” ministers. The various so-called socialist parties in Japan were always based, not on socialism, but on national economic regulation and protectionism, as well as greater Japanese independence from the US.

The installation of the Hatoyama government is the end product of a long process that followed the break-up of the post-war political and economic relationships internationally in the 1970s and 1980s. Powerful sections of the political and business establishment concluded in the early 1990s that a new instrument was required to aggressively prosecute the interests of Japanese capitalism at home and abroad. That is precisely what the new administration is now under enormous pressure to do.



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