

# Japanese prime minister set to step down

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The ruling Democratic Party of Japan (DPJ) is likely to replace Prime Minister Nanto Kan by the end of August, amid a stagnant economy and widespread distrust of the government's handling of the Fukushima nuclear disaster.

In a deal struck between the DPJ and opposition parties last week, by August 26 parliament will enact two pieces of legislation that Kan previously set as conditions for his resignation. These are a bill to allow the government to issue bonds to finance the 2011 budget and a bill stipulating that power companies produce a greater share of electricity from renewable sources.

Kan has effectively been a lame-duck prime minister since early June, when the opposition Liberal Democratic Party (LDP) moved a no-confidence motion, which key Democrat factions threatened to support. Kan only prevented the rebellion in Democrat ranks by promising to resign in the near future. He set three conditions, however—the first two being the passage of the above bills that the LDP, which controls the upper house, had initially opposed. The third was a second supplementary budget to finance earthquake reconstruction, which was passed on July 25.

Kan confirmed last Wednesday that he would step down after all bills cleared the Diet and a new party leader was chosen. DPJ Secretary-General Katsuya Okada is planning to hold the leadership ballot on August 28, so a new prime minister could be ratified by the Diet on August 31—the last day of the current parliament session.

The rush to install a new prime minister—the second in less than two years—underscores the political crisis facing the Democrats, the government and the entire political establishment.

The DPJ won the September 2009 election in a landslide ousting the LDP that had held power virtually without a break for half a century. The new prime minister, Yukio Hatoyama, promised “change”, including increased social spending and a shift in the focus of foreign policy away from

the US-Japan alliance and toward Asia.

Hatoyama quickly ran into political difficulties, however. The DPJ's election promises to axe expressway tolls and provide child allowances came into conflict with the escalating global sovereign debt crisis and demands from big business to cut public spending. Japan is the world's most indebted industrialised country, with public debt exceeding 200 percent of GDP.

Hatoyama also came under strong pressure from Washington, which refused to move a highly-unpopular marine airbase off the island of Okinawa—a major DPJ election promise. After only nine months in office, Hatoyama resigned amid mass anti-base protests on Okinawa after he agreed to keep the base on the island.

Kan came to office in June 2010, championing a shift to economic austerity, and called for a debate over increasing the country's consumption tax. Opposition to the tax then became a significant factor in the DPJ's losses in the upper house elections last year.

Kan also moved to patch up relations with Washington, effectively ditching Hatoyama's call for better relations with China and the establishment of an “East Asian community”. In line with the Obama administration's aggressive steps to undermine Chinese influence in Asia, Kan ratcheted up the rhetoric over the Chinese “military threat” and provoked a diplomatic confrontation with Beijing last September following the arrest of a Chinese fishing trawler captain in disputed waters in the East China Sea.

None of the conflicts over economic and foreign policy has been resolved. DPJ powerbroker Ichiro Ozawa, a champion of stimulus spending and closer relations with China, challenged Kan for the top job last September, but failed. Sino-Japanese relations plunged to a new low, hurting powerful sections of business dependent on China for export markets and as a source of cheap labour.

The March 11 earthquake and the subsequent Fukushima nuclear disaster exacerbated the government's political crisis. Poll ratings continued to plunge as the government failed to provide adequate relief to the hundreds of thousands of people hit by the quake and tsunami in northern Japan. There was also widespread hostility over the government's response to the nuclear crisis. Kan's approval rating fell from 23 percent in June to just 17 percent last month.

The prime movers behind the efforts inside the DPJ to oust Kan have been Ozawa and Hatoyama, both of whom are hostile to his austerity policies and pro-US orientation. These tensions have been compounded by the onset of economic recession. The latest official figures released this week showed that the economy shrank by 1.3 percent on annualised basis in the second quarter—the third consecutive quarter of negative growth.

Amid the mounting global financial turmoil, the Cabinet Office last week revised Japan's growth forecast for this fiscal year from 1.5 to 0.5 percent. Japan's exports are being hit by the rising value of the yen against the US dollar as investors turn to the Japanese currency as a safe haven. An increasing number of Japanese companies are relocating overseas, particularly to China, to lower costs. Japan's growing economic dependence on China is increasingly at odds with its close strategic alliance with the US.

Against this backdrop, Ozawa's influence has resurged inside the DPJ, even though his party membership was suspended earlier this year over an alleged corruption scandal. *Asahi Shimbun* reported on Monday that all the major contenders for Kan's post are beating a path to Ozawa's door. He commands the largest parliamentary faction of 120 lawmakers.

Finance Minister Yoshihiko Noda, Kan's most likely successor, requested a meeting with Ozawa immediately after the no-confidence motion in June. Noda strongly supports a hike in the consumption tax—a move opposed by Ozawa—but his currency intervention this month to keep down the value of the yen is broadly in line with Ozawa's economic outlook.

Speaking on television last Saturday, Noda suggested that the DPJ, LDP and another opposition party, New Komeito, form a "national salvation coalition" otherwise, "politics will not move forward." He called for the parties to "open a frank dialogue and discuss reconstruction, nuclear power plants and the fiscal issues." DPJ Secretary-General Okada

threw his support behind the proposal the following day.

The very fact that such a "grand coalition" has again been mooted is a measure of the political impasse confronting the ruling elite, but deep rifts exist over the proposal. Kan made a similar call in the immediate aftermath of the March 11 disaster, only to be rebuffed by LDP leader Sadakazu Tanigaki, who has again expressed reservations, citing policy differences, including over foreign diplomacy. Noda's call was opposed by other figures within the DPJ.

A possible rival candidate, Sumio Mabuchi, a former transport minister, also met with Ozawa in June. He is seeking support by opposing any sales tax increase and supporting stimulus measures. In a soon-to-be-published article, Mabuchi criticises Kan for isolating Ozawa. Another likely candidate, former environment minister Michihiko Kano, appealed to a group of young lawmakers last week not to exclude any colleagues—i.e. Ozawa—from the party.

To underscore his rising influence, Ozawa delivered a lecture to 150 lawmakers last Wednesday—the same day that Kan confirmed his intention to step down. Ozawa promised not to change the party's 2009 electoral manifesto and spending programs, declaring: "The manifesto is a contract with the public in which lies sovereignty, so it is very important."

As Ozawa well knows, however, the DPJ's deal with the opposition parties to allow legislation to pass involves ditching its election promises. According to the *Japan Times*, "the DPJ made great concessions on the free-toll expressway plan, income compensation for individual farmers and the high school free tuition plan" as well as child allowances.

Whoever takes over as the next prime minister will immediately come under pressure from big business in Japan and internationally to implement austerity, not stimulus, measures. Amid widespread suspicion, hostility and outright opposition toward the entire political establishment, the incoming government is unlikely to last any longer than the previous one.



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