

An unstable new government in Japan

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The cabinet announced by newly installed Japanese Prime Minister Yoshihiko Noda last week is an attempt to balance between competing factions in the ruling Democratic Party of Japan (DPJ) and conflicting foreign and economic policies. Like his predecessor Naoto Kan, Noda has obtained a short-term bounce in the opinion polls to 65 percent approval, but that will fall rapidly as divisions emerge in the Democrats and the cabinet implements unpopular measures.

Noda, the previous finance minister, won the party leadership ballot on August 29, after Kan stepped down days earlier with a record low approval rating of 16 percent. A major component of Kan's unpopularity was his failure to adequately assist those hit by the triple disaster of the March 11 earthquake, tsunami and nuclear crisis at the Fukushima plant. Instead he covered up and protected corporate interests.

Noda promised last Friday that his government would immediately “accelerate rebuilding efforts in response to those who have said the government has been slow.” Far from offering anything new, however, Noda retained the minister in charge of the Fukushima nuclear accident, Goshi Hosono, and reconstruction minister Tatsuo Hirano.

During his last months in office, Kan had tried to boost his popularity by calling for a gradual lessening of Japan's reliance on nuclear power. In his first statement, however, Noda declared that nuclear power was necessary for the economy and that he would prepare to restart most of the 54 reactors currently shut for safety inspection, despite local opposition. Big business, which is already being hit by the high value of the yen and global economic turmoil, is pressing for the nuclear plants to restart in order to stem rising energy costs.

Noda's economic policies will quickly provoke public opposition. He appointed former vice defence minister Jun Azumi as finance minister. Azumi immediately declared he would raise the country's unpopular consumption tax to finance earthquake reconstruction. He also warned that if cutbacks to “wasteful spending” were insufficient, the government would increase taxes to reduce the country's huge public debt, which currently stands at 210 percent of gross domestic product. The DPJ lost control of the parliamentary upper house when Kan proposed to double the consumption tax.

Azumi will also follow Noda's former policy of active intervention to prevent further rises in the value of the yen. Azumi and new fiscal policy minister Motohisa Furukawa are pushing the Bank of Japan to carry out its own version of the US Federal Reserve Board's policy of “quantitative easing”—that is, effectively printing more yen to lower its value and boost the competitiveness of Japan's struggling export industries.

Noda underlined his pro-business orientation by making his first visit as prime minister to meet with corporate leaders—an unusual opening move. He met with the Japan Business Federation (Keidanren), the Japan Association of Corporate Executives and the Japan Chamber of Commerce and Industry, immediately after he was ratified as PM and was warmly welcomed. Keidanren chief Hiromasa Yonekura issued a statement pledging “full cooperation” with the new government.

Within the Democrats, Noda is likely to run into sharp opposition from the factions led by Ichiro Ozawa and former prime minister Yukio Hatoyama, both of

whom favour stimulus spending and the implementation of the DPJ's 2009 election pledges on social spending, rather than austerity measures. On foreign policy, Ozawa and Hatoyama support better relations with China and less reliance on Japan's strategic alliance with the US.

Hatoyama's foreign policy orientation ran into opposition from the Obama administration, which has ramped up efforts in Asia to undermine China's growing influence. Washington had a hand in ousting Hatoyama. He was forced to resign last year after the US refused point blank to negotiate the removal of an American military base from Okinawa—one of the DPJ's election promises. After his installation, Kan immediately sought to strengthen ties with Washington and to adopt a more aggressive stance toward Beijing.

Noda signalled that he would maintain Kan's pro-Washington stance, while declaring that he wanted to improve relations with both the US and China. In the course of the leadership contest, Noda warned that China might "take provocative action against Japan" in the next year, given the pending leadership change in Beijing. His appointee as foreign minister, Koichiro Genba, also regurgitated Washington's line on China, declaring: "China is building up its naval power without transparency. We will make firm demands on China over the matter."

Well aware of the sharp differences inside the ruling party, Noda's appointments to cabinet and top party positions involve a precarious balancing act. He allocated the number two post in the party, DJP secretary-general, to Azuma Koshiishi, head of the DPJ upper house caucus, who is closely associated with Ozawa. The position of chairman of the DPJ Diet Affairs Committee went to Hirofumi Hirano, an ally of Hatoyama.

At the same time, however, Noda handed the post of DPJ policy chief to Seiji Maehara, a former foreign minister. Maehara, who is known for his hardline anti-China stance and hostility to Ozawa, was the candidate in the leadership ballot with the highest public opinion rating. After losing out in the first ballot, he threw his factional numbers behind Noda to defeat Ozawa's

preferred candidate.

Having appointed a pro-US foreign minister, Noda chose a longstanding member of Ozawa's faction, Yasuo Ichikawa, as the new defence minister. In his first statement, Ichikawa declared that his priority issue was the relocation of the sensitive US base on Okinawa to another position on the island as previously agreed with Washington—indicating the Ozawa faction was now toeing the line. During a challenge to Kan's leadership last year, Ozawa announced that he would renegotiate the agreement with the US to ensure that the base was moved off Okinawa.

While forming what he described as "a well-balanced mix of different elements," Noda is clearly hoping to ease inner-party tensions. His efforts to balance factional interests, however, will do nothing to resolve the fundamental underlying dilemmas facing not only his government but also the Japanese political establishment as a whole. Inevitably, the appearance of party unity will fracture as the government seeks to implement policy, leading to a new round of political instability.



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