

## Tokyo's Trials

Yoichi Funabashi

### *Can the DPJ Change Japan?*

The rise to power of the Democratic Party of Japan (DPJ) after half a century of almost uninterrupted rule by the Liberal Democratic Party (LDP) could bring profound changes to Japan. One change will surely be generational: the new leaders, including Prime Minister Yukio Hatoyama, will be the first with little memory of World War II. Another could be substantive: the DPJ's stated objectives suggest significant shifts in both Japan's domestic policies and its external relations, especially with the United States and the rest of Asia. Since 2007, the DPJ had already been maintaining a majority coalition in the Diet's upper house, the House of Councilors, alongside the People's New Party and the Social Democratic Party; its August victory in the lower house, the House of Representatives, gave it full control over the government. Another win in the next House of Councilors election, which is scheduled for 2010, would further consolidate its power.

Japan now stands a better chance of becoming a two-party system, with real political competition, than at any time since 1890, when it held its first election--the first free contest anywhere in Asia. The economic crisis that has plagued Japan for two decades has allowed the DPJ to grow into a viable alternative to LDP rule; Barack Obama's campaign mantra "Yes, we can!" echoed across the Pacific. The DPJ has real potential to be different. And with its landslide victory, it enjoys the backing of a vast range of constituencies, including traditional supporters of the LDP.

A more vibrant democracy at home would allow Japan to become a more active ally to the democracies that have constituted the liberal international order since the end of World War II. The DPJ'S main vision for Japan's foreign policy, *nyua nyuou* (enter Asia, enter the West), which calls for closer ties with both the United States and Asia, could help stabilize the Asia-Pacific region. The DPJ seems more willing than the LDP to confront Japan's legacy of pre-World War II imperialism, which reassures Asian nations about the country's potential as a future partner. It is in the interest of the United States that Japan, its longtime ally, play a larger role in the Asia-Pacific region, as states in the area become less dependent on trade with the United States and increasingly uneasy about China's growing influence. This will require something of a balancing act: the DPJ wants to reinforce Japan's economic and cultural identity as an Asian nation and follow a European style of governance while maintaining strong political and military ties with the United States.

The road will be long and tortuous. Like the LDP before it, the DPJ will face both structural constraints and internal tensions, which could prove crippling on some issues, such as foreign policy. It remains to be seen if and how the DPJ will implement its declared policies. Broadly, the DPJ wants to limit the bureaucracy's control of state organs and resources. But the LDP had hoped to do the same and failed. The DPJ also proposes to overcome the false choice between favoring the United States and favoring Asia by building trust with both simultaneously. The Japanese government is in a better position than ever before to do this because the United States sees Japan's having closer ties to its neighbors as being in its own strategic interest. Nonetheless, managing good relations with the United States and China at the same time will require skillful diplomacy on the part of Tokyo.

A big test for the DPJ will be whether it can change Japan's current style of governance. Another will be whether the party can satisfy its constituencies' wish that it redistribute income at a time of serious fiscal constraints. One risk is that the DPJ will increase government expenditures without restraint, thereby endangering the country's macroeconomic health and

exposing it to severe punishment from the global financial market, particularly the bond market. The DPJ has a historic opportunity to change Japanese politics. Can it live up to it?

#### Lost decades

IN THE 1990s, the asset-inflated economy collapsed, triggering a period, now known as Japan's "lost decade," of bank failures, one percent annual growth rates, and economic stagnation. The LDP government responded with inept economic policies, disappointing the public. Another lost decade ensued. Japan's rank in per capita GDP fell from fourth in the world in 1989 to 19th in 2007. During that time, successive administrations unveiled numerous economic stimulus packages, and a seemingly endless flow of funds poured into public works projects. But this was achieved only by issuing more government bonds. As a result, Japan's outstanding balance of government bonds today amounts to 174 percent of GDP, up from 71 percent in 1989. The cause of this extended crisis was the government's failure to present a new growth strategy for the nation. Since World War II, Japan has simply been hoping that it would catch up to, and eventually overtake, the West. The asset-inflated bubble economy of the late 1980s was both the result of this strategy and a cause of its endurance.

Some features of the LDP'S growth model were beneficial. For example, the lifetime employment and pension system provided by the corporate sector, the reliance on women to handle household chores and care for the elderly, and the creation of jobs through public works projects helped hold down economic disparity, foster economic growth, and increase social stability. In 1961, at the height of Japan's period of double-digit growth, the widest income gap between any two prefectures was three to one. (In China today, it is ten to one between provinces.) But with globalization and the lower growth rates of the 1990s, Japanese companies downsized, more women joined the labor market, and the government faced the twin pressures of fiscal and market discipline. Together, these changes had a deflationary impact and shrank the job market. Prime Minister Junichiro Koizumi responded by promoting a kind of structural reform. (His mantra was "Without pain, there would be no gain.") According to Hatoyama, this meant introducing unrestrained market fundamentalism and financial capitalism, which only increased the gap between the rich and the poor.

Today, Japan faces several acute problems, among them a shrinking population, the collapse of agriculture, few prospects for young adults, and the erosion of the middle class. In 2008, people over 65 years old made up more than 20 percent of the Japanese population. In 2003, Japan's birthrate hit an all-time low of 1.29 children per woman--lower than the marker that defines countries with a "super-low birthrate"--and the number is predicted to decrease further as the women of the so-called second generation of baby boomers, born in the early 1970s, pass the age of childbearing. The percentage of the population engaged in full-time farming is dwindling, as more and more rural dwellers come to rely on the government for employment. The average age of farmers is now over 60, and in more and more villages, at least 50 percent of the population is over the age of 65. The youth are especially hard hit. With few prospects, low wages, and no job benefits, many have lost their homes and taken refuge in Internet cafes. The suicide rate, now 30,000 annually--twice that of the United States and triple that of the United Kingdom--has risen steadily for more than 11 years, and the victims are becoming younger. In virtually all sectors of society, the gaps are growing between the urban and the rural, full-time workers and part-time workers, the highly educated and the poorly educated. Japan's once proud middle-class society is now in peril, and citizens know it. In a poll conducted by the Asahi Shimbun newspaper this spring, respondents said that they had a more negative impression of life in Japan over the past two decades than during the prewar era, when the country was militaristic and undemocratic. The three words that best described the current era, they said, were "unrest," "stagnation," and "bleak."

The DPJ'S recent rise has coincided with this low point, and the party claims to offer an alternative to the LDP'S disappointing record. Although many members of the DPJ were inspired by Obama's "audacity of hope" rhetoric, they believe that a community-based European approach may fit Japan's needs and conditions better than U.S.-style politics. "The Koizumi reform [was] obviously based on the American model," Sakihito Ozawa, a House representative and one of Hatoyama's lieutenants, told me. "The DPJ instead wants to model its inspiration after Scandinavia. The central issues are child rearing, nursing care, education, the environment, and the decentralization of power." Hatoyama has long advocated empowering local governments by transferring some of the central government's authority, specifically its budgeting power, to them. The idea is that Japan should stop copying the American model and be more autonomous in defining itself. This notion has become all the more compelling since the global economic crisis sparked by the United States' economic troubles last fall.

In order to succeed, however, the DPJ'S strategy will have to redistribute income to the needy and the working poor and broaden opportunities for long-term employment and future growth. The DPJ could do this by making the Japanese economy greener and reforming the health industry, for example. Yet so far, it has not mapped out dynamic growth strategies for either move. During the 2009 election for the House of Representatives, the party proposed a support system for commercial farming households through which the government would cover much of the difference between the production costs and market prices for agricultural and livestock products. It has proposed giving families a monthly allowance of about \$275 for each child below high-school age. It has advocated revitalizing local economies by eliminating highway tolls and thereby lowering the costs of transporting goods. And it has called for paying allowances to nonregular workers who undergo job training. The DPJ'S policy prescriptions are long on how to distribute income and short on how to generate it in the first place.

The DPJ hopes to tackle issues that fell through the cracks under the LDP. For example, it has proposed a bill that would allow women to keep their maiden names when they get married, and it has offered to provide more support for nonprofit organizations by expanding tax deductions for donations, simplifying the procedure by which organizations can become eligible for such benefits, and reducing the time it takes to screen applicants. The DPJ'S vision seems to be more open, varied, and accommodating to citizen participation than the LDP'S.

It also is far more ambitious. For example, the party is proposing to reduce Japan's carbon emissions from 1990 levels by 25 percent by 2020--compared with the LDP'S proposed eight percent. This will most certainly prompt a clash between the DPJ and Nippon Keidanren, Japan's conservative big-business lobby, which is determined to oppose the DPJ'S cap-and-trade policy. The test for the DPJ is whether it can translate its grand ideas into actionable policies and develop a solid growth strategy for the country.

Party like it's 1998

THE DPJ was formed in 1998 after disaffected LDP members joined a small group of Socialists and reformists who had united a few years earlier. Although the party is only a decade old, it has changed presidents on several occasions--evidence of a bumpy start. Prime Minister Hatoyama holds a Ph.D. in engineering from Stanford University and counts as a major influence Aurelio Peccei, the Italian industrialist and founder of the Club of Rome, which in 1972 published a report predicting that economic growth would reach its limits within a century. He is also a political prince, a grandson of former Prime Minister Ichiro Hatoyama, who is best known for normalizing relations with the Soviet Union and winning Japan's admission into the United Nations in 1956. Yukio Hatoyama now leads a troika that includes Foreign Minister Katsuya Okada, formerly an official at the Ministry of International Trade and

Industry (now the Ministry of Economy, Trade, and Industry) and a formidable policy wonk, and Naoto Kan, the head of the newly established National Strategy Bureau and an activist in Japan's emerging civil society in the 1970s.

Hatoyama's biggest rival within the DPJ is likely to be Ichiro Ozawa, the party's new general secretary and the main architect of the party's victory. Ozawa, a longtime kingmaker--and king breaker--has the potential to be a "Dick Cheney in the new administration," as one American observer of Japanese politics quipped in late August. While president of the DPJ, in 2006-9, he was known for his old-school pork-barrel politics, and under his leadership, the DPJ attacked the LDP government for the widening income gap caused by Koizumi's reforms. Now, as the DPJ'S chief campaign officer, Ozawa can shape the party's direction as it prepares for elections in the upper house in the summer of 2010.

Despite a general consensus within the DPJ, the party's heavyweights hold diverging views on some important matters. The DPJ is deeply divided over Japan's constitution, for example. Hatoyama firmly believes that it should be revised, and in a 2005 book he called for amending Article 9, which prohibits the country's remilitarization. Although many DPJ members agree with Hatoyama, labor unions and the former socialist group are strong dissenters.

Meanwhile, on issues that garner a consensus within the DPJ, the party's views may be more similar to the LDP'S than voters realize. Issues such as support for farmers and for child rearing highlight the similarities between the two parties. Both have agreed to increase funding for those areas, and both realize that given Japan's huge public debt, such funding will require increasing the sales tax. Fearing the unpopularity of such a measure, both were playing a game of fiscal hide-and-seek during the campaign: the LDP said that it would not raise the tax over the next three years, and the DPJ said that it would not raise it over the next four years.

Likewise, the two parties' bases are more similar than it might appear at first. The DPJ is more socially and ideologically diverse than the LDP, being neither class-based nor ideologically or religiously oriented. The DPJ'S supporters have typically been city dwellers and labor unions, whereas the LDP'S have traditionally been rural groups, the elderly, and big business. (In 2007, for example, Nippon Keidanren contributed over \$30 million to the LDP, compared to roughly \$850,000 to the DPJ.) But the DPJ also enjoys a number of supporters in the business world, especially in the information technology industries. And recently, the parties' bases have been shifting. The elderly, who have traditionally supported the LDP, largely abandoned the party in the 2007 election for the House of Councilors in retaliation for a series of pension scandals. Even among trade associations, agricultural cooperatives, medical associations, and general contractors, all longtime backers of the LDP, there has been a strong shift toward the DPJ. Some voters have been feeling neglected by the LDP, and others have simply jumped on the DPJ bandwagon; whatever the reason for this, the result is that Japan's conservative base is breaking up. The solidly conservative slice of the electorate now expects two parties to compete for its endorsement.

Some DPJ members continue to stress the party's liberal and pluralistic vision for Japanese society, as expressed in the party's 2005 manifesto. But others think of it as a conservative alternative to the LDP and embrace the more staid tenor of the party's 2009 manifesto.

Although the identity of the DPJ is still unclear, it is fair to expect that as it increasingly tries to reflect the more diversified interests of the Japanese people, it will become a more liberal, center-left party.

Sins of ambition

IN THE meantime, however, the DPJ'S ill-defined nature makes its platform, especially regarding foreign policy, vulnerable to confusion. The DPJ'S foreign policy program reflects Japan's desire for a new identity in the twenty-first century. But its proposals about how to achieve that vision are vague, and the party is divided over implementation. Many conflicting views within the party, including those of socialist pacifists, were ignored for the sake of the election. Perhaps to present a united front, only five of the 55 sections in the DPJ'S election manifesto concerned foreign policy, and most of those contained only vague proposals. The DPJ'S vision for how to build an institutional architecture for East Asia is ambiguous. How does the party hope to involve the United States in this community? Will Japan's traditional endorsement of "open regionalism," a call for integration in the Asia-Pacific region enshrined in the principles of the Asia-Pacific Economic Cooperation, hold? The DPJ'S manifesto states that "North Korea must not be permitted to possess nuclear weapons" but offers no specific policy for denuclearizing it. Just before the election, a former Bush administration official referred to the foreign policy positions expressed in the DPJ'S manifesto as being "all mood music." Having long defined its proposals in opposition to the policies of the ruling party, the DPJ has developed a foreign policy platform that excludes many opinions within the party and yet is difficult to pin down.

Paradoxically, given that vagueness and the DPJ'S lack of confidence in its policymaking ability, the party often gets bogged down in constitutional and treaty-related discussions. One example is Ichiro Ozawa's controversial argument that Japan's Self-Defense Forces should engage in combat operations authorized by United Nations resolutions. This would seem to contradict Article 9 of Japan's constitution, which declares that "the Japanese people forever renounce war as a sovereign right of the nation," but Ozawa has justified his position by staunchly opposing Japan's involvement in non-UN operations. Following this line of reasoning, the DPJ has in recent years opposed helping the U.S.-led coalition forces in Afghanistan refuel in the Indian Ocean. The party has also questioned the wisdom of dispatching Japan's Maritime Self-Defense Forces on antipiracy missions off the coast of Somalia, arguing that any such decision requires prior approval from the Diet. (It preferred to send the Coast Guard, a civilian and therefore arguably pacifist organization.) Yet when the general election was coming to a close in late August, the party started softening its stance. It now claims, for example, that it will accept the Maritime Self-Defense Forces' participation in the Indian Ocean refueling missions--at least until next January, when the law allowing Japanese vessels to assist the ships of countries involved in antiterrorism efforts is due to expire.

The DPJ has also opened itself up to criticism regarding its policies toward the United States. During the campaign, it advocated building a close and equal U.S. -Japanese alliance while developing an autonomous foreign policy strategy for Japan. But it did not define what either would entail. It has called for revising the 1960 U.S.-Japanese status-of-forces agreement but has yet to explain how. Ozawa has said that U.S. military bases in Japan are unnecessary and that the presence of the U.S. Navy's Seventh Fleet is sufficient to protect both the United States' and Japan's interests. He told reporters in February 2009, "We are depending too heavily on the U.S., which is why we are so obedient to the wishes of America. If Japan would make up its mind about itself, there would be no need for the U.S. to have its forces on the front lines in Japan." Hatoyama, for his part, has argued that the presence of the U.S. military is only necessary in times of emergency. But North Korea's nuclear tests earlier this year have tempered such calls for reform. In his first conversation with Obama, on September 3, Hatoyama stated his commitment to "build[ing] constructive, future-oriented relations with the Japan-U.S. alliance as the cornerstone."

Still, the DPJ wants closer relations with other Asian countries. Hatoyama has argued for establishing a regional currency union in East Asia, arguing that it is time to get past the Bretton Woods system. Ozawa has long supported the Chinese-Japanese strategic partnership,

and the Chinese leadership has responded well to his overtures: every time Ozawa visits China, he meets with President Hu Jintao. The DPJ is also interested in tightening relations with South Korea, the first country Hatoyama visited after becoming party president in the spring. South Korean President Lee Myung-bak was the first head of state to congratulate Hatoyama for the DPJ'S victory this summer.

To improve Japan's relations with its neighbors, the DPJ believes in being transparent about the legacy of the country's imperialism in the first half of the twentieth century. The party has criticized former Prime Minister Koizumi's visits to the Yasukuni Shrine, which honors Japan's fallen soldiers--including several Class A war criminals--and has proposed the construction of a new, secular memorial. Such moves have drawn praise from other Asian nations.

On many other foreign policy questions, the DPJ is at once ambitious and vague. It supports free trade: it has announced plans to conclude talks on a free-trade agreement with South Korea and has promoted a similar agreement between Japan and the United States. But it is unclear how the party plans to push such agreements through, especially given the considerable resistance of farming groups. The DPJ also claims to be interested in protecting the environment, helping poor nations develop, building peace in failing states, and promoting nuclear disarmament--all issues that were pushed to the side under Koizumi. More than the LDP, the DPJ is looking to increase cooperation with nongovernmental organizations. Japan's new government is likely to pursue, as high priorities, policies to stem climate change and nuclear proliferation and to promote development and peace building in vulnerable states such as Afghanistan. All of this confirms Japan's postwar policy of reengaging with the world in order to become a global civilian power.

This is an especially ambitious agenda in a time of especially meager means. Japan has become dangerously marginalized diplomatically. It will soon be replaced by China as the world's second-largest economy. People are afraid that the U.S.-Japanese relationship is becoming less important even as the relationship between the United States and China is growing stronger. Meanwhile, partly because of the threat posed by North Korea's nuclear program, the Japanese feel increasingly isolated. If the party is serious about overcoming Japan's loss of diplomatic influence, it will have to regain its confidence, revitalize the Japanese economy, and demonstrate to the public that its "enter Asia, enter the West" strategy is viable. But first, it will have to fully engage in an internal debate about how exactly to go about these tasks.

#### Waste management

THE DPJ'S motto going into the 2009 summer election was "Big cleaning of the government." Since it was founded a decade ago, the party has consistently criticized bureaucratic control of the state. It has called for a Meiji Restoration in reverse, referring to the mid-nineteenth-century movement that destroyed shogunate feudalism through a top-down overhaul of the existing bureaucracy. The DPJ wants to bring about change through grass-roots reform.

To that end, it is calling for three important changes to the current system. First, it wants to reinforce the authority of the prime minister's office. The Japanese constitution designates the cabinet as the supreme executive body responsible for submitting bills and preparing budgets and the Diet as the state's sole lawmaking organ. In reality, however, bureaucrats and powerful members of the Diet make most policies. This is the reason that the DPJ wants to restore decision-making power to the prime minister and the cabinet. It has already created a National Strategy Bureau in the cabinet, and it hopes to place 100 or more Diet members in government posts, which would allow greater coordination between the government and the party. Second, the DPJ is calling for decentralizing national power and giving more authority to

local governments--what it calls "regional sovereignty." It therefore recommends greatly increasing the funds under the independent control of local governments. But it has not clearly stated how taxes should be distributed between the central and the local governments. If these decentralization efforts come to fruition--and this is a big if--they could fundamentally transform the structure of the national government's bureaucracy and enormously strengthen the DPJ'S clout with local governments. Third, the DPJ wants to increase citizen participation in the government in order to end the bureaucrats' monopoly over domestic policymaking. By all accounts, the bureaucrats will resist this Meiji Restoration from below. Thus, the DPJ'S first big hurdle will be passing its budget bill for fiscal year 2010.

The DPJ will have to avoid various pitfalls. It must resist favoring policies that cater to the public. The DPJ has a reputation for speaking boldly about cutting waste in government to pay for new initiatives. But these savings are unlikely to make up for new expenditures, and the global financial market will severely test Japans fiscal health in the years ahead. Once in government, the DPJ'S leaders might find themselves more ready to accommodate the bureaucrats than they had thought. And before they know it, they could become as beholden to the bureaucracy as the LDP was--and then find themselves unpopular with the voters who elected them on the strength of their reform agenda. Another danger is that the DPJ will embrace a more nationalist stance if the LDP starts doing so, as it might, in order to revitalize itself after its loss in the August election.

Before this summer's watershed vote, the only time since World War II that Japan was not run by the LDP was during the maverick Morihiro Hosokawa's brief tenure as prime minister, from late 1993 to early 1994. Hosokawa's biggest mistake was rising to power by advocating political reform but then, once in office, following traditional policies for fear that voters were not ready for real change. In fact, the Japanese needed and wanted change then. And they do now. The DPJ must not repeat Hosokawa's mistake. It must display strong and innovative leadership and provide a genuine alternative to the LDP'S rule.

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