

Opening Japan to the world

Naoto Kan is proposing the boldest reforms to Japan in decades



ONE measure of Japan's dysfunction is the way its system allows weak politicians to rise to the top then spits out each new prime minister in favour of the next unexceptional man. Up to last June, Japan had had four short-lived prime ministers in as many years, each underwhelming. Naoto Kan, prime minister since then, appeared to be made in the same dismal mould. He has achieved little in his time in power and the media, the opposition and much of his own Democratic Party of Japan (DPJ) are out to get him.

But just as Mr Kan seemed likely to follow his predecessors into the dustbin of history, he has put together a package of proposed reforms more radical than anything attempted during two decades of economic malaise. Even Junichiro Koizumi, the prime minister from 2001-06 who dazzled outsiders and quit while on top, did not attempt anything so bold.

The agenda is almost recklessly ambitious (see page 51). Mr Kan plans to overhaul social security, giving more credible assurance about the state's ability to pay future benefits. By June he will have plans to raise the consumption (ie, sales) tax as a means of stabilising the finances of one of the world's most indebted countries, in which more government bonds are issued than tax revenues collected. Critics say that would cripple an already beleaguered economy. But, crucially, the plan combines fiscal tightening with measures to stimulate growth. Mr Kan wants Japan to join a radical free-trade area called the Trans-Pacific Partnership, currently being expanded to nine nations, including America. It would mean facing down the farm lobby to remove barriers to some of the planet's most protected rice. Mr Kan's preference for an America-oriented trading block is all of a piece with his efforts to revive the Japa-

nese-American alliance: for the first time since Mr Koizumi, a prime minister is articulating a vision of Japan's place in the world, as well as a response to a rising China.

The proposals make economic sense, which is a novelty in Japan. Yet even in the DPJ, which has strong union backing, they have many vocal critics; and the opposition Liberal Democratic Party (LDP), whose decades in power are largely responsible for Japan's mess, is determined to bring the government down. If it succeeds in blocking this spring's budget, both Mr Kan and his proposals will soon be history.

Take it to the people, Mr Kan

Mr Kan does himself few favours. Though a canny politician, he is a clumsy speaker, with none of Mr Koizumi's razzmatazz. But he has one card up his sleeve: a growing popular frustration with the usual politics.

If he cannot get politicians' support for his reforms, he should, like Mr Koizumi, go over their heads and appeal to urban voters fed up with cossetting farmers and others. At present the public appears ambivalent: polls suggest mixed feelings on both free trade and a higher consumption tax. However, businessmen and newspapers such as the *Yomiuri Shimbun* (circulation 10m) are overcoming their initial hostility to Mr Kan and supporting his reforms. The LDP's obstructionism will, in the long run, serve only to show that the party hasn't got two constructive ideas to rub together.

Mr Kan may have to call a snap election, with all the risks to his own job and his party that might entail. Voters might yet shy away from more engagement with the outside world. But to prove his reform proposals are the product of conviction and not recklessness, Mr Kan must show courage and leadership. If he gets them through, he will have demonstrated to the rest of the world that Japan is not, in the phrase of one observer, just a fly waiting for a windscreen. •