

Abe and the LDP Are Back. Now What?

Ninth Annual Lecture on Japanese Politics

September 25, 2013



Gerald L. Curtis

Burgess Professor of Political Science, Columbia University

Japan's re-emergence into the international spotlight under its prime minister Shinzo Abe has been lauded by the international community and press. He has been doing very well, but the path to lasting success is fraught with many obstacles, as Gerald L. Curtis, Burgess Professor of Political Science at Columbia University, discussed with the audience at his ninth annual lecture on Japanese politics at Columbia University. In a wide-ranging analysis of PM Abe and Japan's reforms, Professor Curtis analyzed a range of issues that Japan must address, including its political structure, economic reforms, and foreign policy. He started by reviewing the political structure and institutions in Japan, and how they played into PM Abe's comeback, stating that, "Prime Minister Abe is in a stronger position than any other LDP leader in recent years." He explained how the Liberal Democratic Party's (LDP's) victory in the Upper and Lower House elections means that Japan no longer has a "twisted Diet," a situation in which the party coalition that controls the majority in the Lower House does not also have a majority in the Upper House. "Assuming his health is good, chances are [PM Abe] will be prime minister for several years," stated Professor Curtis. However, he noted that stability comes at the price of competitive politics, and that the country does not have a truly competitive party system.



Moderator Professor Hugh Patrick

Professor Curtis praised PM Abe for not following the traditional LDP policy of shuffling cabinet positions every six months or so, explaining that PM Abe keeps ministers long enough to understand what their ministries are supposed to do, as well as to engage with bureaucrats and achieve results. Moreover, Professor Curtis noted that, having learned some lessons from his previous tenure as prime minister in 2006-07, PM Abe has had a “laser beam focus” on the economy and emerged from his election with a package of economic reforms with brilliant

branding: “Abenomics.” This policy of economic reform entails three “arrows” (fiscal stimulus, aggressive monetary easing, and structural reforms) which appeal not just to Japanese, but also to Wall Street, where people are using PM Abe’s terminology and asking questions like, “What’s happening with the third arrow?”

Professor Curtis noted that the Japanese are now cautiously optimistic about the economy and have begun to loosen their purse strings. On raising the consumption tax, he said PM Abe did the right thing in deciding to raise it by 3 points to 8 percent in April 2014 since, “Politically, it would have been foolhardy to back away from a policy that the LDP had argued for, for years.” Professor Curtis also pointed out, however, that the next budget will be the largest budget ever and will rely heavily on deficit financing. He also expressed skepticism that Abe will go through with a further increase in the consumption tax to 10 percent in the fall of 2015. That falls at the time of the LDP presidential election and less than a year ahead of the 2016 Upper House election. So Japan’s fiscal problem will continue to be extremely serious. He said that the idea that Japan will grow its way out of such a fiscal hole is an illusion, and he dismissed the notion that the Japanese population will readily accept further tax increases as “fairy land talk.”

Professor Curtis’s concluded that PM Abe’s move to tackle economic structural reform was unlikely to bring about the dramatic changes that the rhetoric about the third arrow has led people to expect. Labor market reforms, such as easing restrictions on firing redundant workers, are opposed both by the unions, which worry that the price they would have to pay for a commitment to raise wages would be an easing of restrictions on dismissing workers, and by companies that are reluctant to lock themselves into higher base wages, since salaries in Japan are difficult to reverse in times of economic downturn. Professor Curtis criticized PM Abe’s newfound advocacy of “womenomics” as unrealistic and for not offering enough in the way of policies to counter the underutilization and discrimination against women in the workplace. For instance, the commitment to have women occupy 30 percent of positions on corporate boards of directors is unobtainable and would lead to appointing women to boards simply because they are women and not give them any responsibility. Only 1.6 percent of board members at Japanese companies are women, and only 15 percent of Japanese companies have female executives at all. He said that there is not very much PM Abe’s

administration can do to change attitudes or policies regarding women in Japanese society, and that there is no evidence that he favors the kinds of legal changes seen in Europe and elsewhere to compel companies to provide greater opportunities for advancement to women.

Regarding foreign policy, Professor Curtis said that PM Abe's actions so far do not justify his image as a right-wing ideologue and a "hawk." As many have noted, in the first budget he passed, he raised allocations for defense spending for the first time in eleven years; however, this increase was by less than one percent – far less than China's annual double-digit increases. Professor Curtis noted that Japan's efforts to strengthen relations with countries in Southeast Asia were succeeding, and that the critical challenge it faces is how to improve its relations with Korea and China. Those relations are marked by an "abysmal lack of trust" between Japan and the Koreans and Chinese. This distrust is reflected in the hostile reactions by Koreans and Chinese to Japanese high-level visits to Yasukuni Shrine, and by what they consider to be inadequate apologies for Japan's actions during World War II.

Finally, Professor Curtis discussed the territorial dispute between China and Japan involving the Senkaku Islands (known as the Diaoyu Islands in China), stating that, while both sides want to avoid a military confrontation for now, neither is willing to make concessions to reduce tensions. There are no mechanisms in place to manage a crisis should an accidental clash occur. Professor Curtis said that a "solution" to the Senkaku problem is not possible because neither China nor Japan will agree that sovereignty belongs to the other country. The challenge is to find a way to shelve this issue and get the two countries to focus on other "win-win" issues. Since China appears to be unwilling to ask for the dispute to be submitted to the International Court of Justice, the only way forward is for PM Abe and China's president Xi Jinping to meet and for both governments to seek a political accord.



Question and Answer session

Richard Katz, editor-in-chief of The Oriental Economist Report, asked about PM Abe's personality, whether he has a risk-averse approach, and if he has enough political capital to push through his goals.

Professor Curtis answered that PM Abe is cautious in foreign policy, but that his economic policies are not the result of his being risk averse. More importantly, PM Abe is not an advocate of Anglo-American ideas of free market reform: "He is not (ex-Prime Minister Junichiro) Koizumi." Professor Curtis said it is a mistake to think of PM Abe as a free market reformer like Mr. Koizumi, Margaret Thatcher, or Ronald Reagan.

Another audience member asked about PM Abe's political capital and party discipline under his leadership.



Professors Gerald L. Curtis (left) and Hugh Patrick (right)

Professor Curtis reiterated PM Abe's strong position within the party: "There is no one in the LDP who has a chance to challenge him." As an example, even though there was not much enthusiasm for Japan joining the Trans-Pacific Partnership (TPP), when he decided he wanted Japan to join the TPP negotiations, party members went along with him like "lambs."

Finally, an audience member asked how Japan could improve relations with its neighbors.

Citing the expression, "It takes two to tango," Professor Curtis noted that the Chinese have been quite aggressive, believing they can benefit domestically by bashing Japan. China and Korea have to be willing to take steps to improve relations. Likewise, Japan would benefit from taking a more magnanimous approach to compensating victims of its wartime conduct. Resorting to legalistic arguments about all war claims having already been settled does not promote Japanese interests.

This event was presented by the Center on Japanese Economy and Business (CJEB) at Columbia Business School and the Weatherhead East Asian Institute at Columbia University, and was moderated by Hugh Patrick, R.D. Calkins Professor of International Business Emeritus and director of CJEB.