

Japan's Political Future

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Japan's Economic and Political Future
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A Possible Scenario: Tax Hike Bill

Amendment Agreement

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graph TD; A[Amendment Agreement] --> B[Tax Hike Bill Approval]; B --> C[Negotiated Election]; C --> D[Realignment?]
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Tax Hike Bill Approval

Negotiated Election

Realignment?

Key Events & Possible Timing for Lower House Election

June 21 End of Diet Ordinary Session □ Extension?



Sept. 26 LDP Party Presidential Election

Sept. 27 DPJ Party Presidential Election

(Nov. 6 US Presidential Election)

(Dec.19 ROK Presidential Election)

Late-Dec. Budget Proposal of FY 2013



Mid-Jan. Convocation of Diet Ordinary Session

April Approval of FY 2013 Budget Bill



A Possible Scenario: Tax Hike Legislation

- DPJ/LDP/(New Komeito) agree on a joint amendment of the Tax Hike Bill
- June--The Bill, passed in Lower House
- July-- The Bill, passed in Upper House
- Extension of the ordinary session until the end of July at least
- General Election of Lower House before September

Strategy of DPJ/PM Noda

- Call for the election stressing the achievement of Tax Hike
- Getting re-elected as party president and continue on as Prime Minister
- Work on other issues including TPP and FRF after re-election

Strategy of LDP/Tanigaki

➤ Call for the election as early as possible

➤ Likely seats gain

120  180

Approval Rating for LDP—22%

➤ Come back to “the party of power”

➤ (For Tanigaki) Survival as Party President

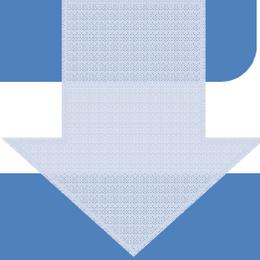
Intraparty Challenge

Strategy of Ozawa

- Oppose the tax bill
- Leave DPJ
 - Splinter Group of 20~30 Diet members
- Focus on Hashimoto, Mayor of Osaka
 - Election Cooperation with Hashimoto's new party and Your Party
- Create a new power base

Impacts of Ozawa's Acquittal

Ozawa sharpens his attack on Noda Cabinet and Tax hike legislation.



That pushes Noda further toward LDP for their support.

Framework of New Competition?

Camp of “Responsible” Parties

DPJ

LDP

New Komeito

VS.

Camp of “Populists” Parties

Ozawa Splinter Group

Hashimoto New Party

Your Party

Matrix of Major Policies

	Tax Hike	Nukes Restart	TPP	FRF
Responsible	Yes	(Mixed) DPJ-Yes LDP-Yes K-Conditional	(Mixed) DPJ-Yes LDP-No Komei-No	Yes DPJ-Yes LDP-Yes Komei-Yes
Populists	No	(Mixed) Ozawa-? Hashi-No YP-Conditional	(Mixed) Ozawa-No Hashi-Yes YP-Yes	No Ozawa-Unclear Hashi-No YP-No

Potential Impact on J-US Relations

- During Political Realignment
 - lack of or reduced decision capability during the process
- After Realignment
 - Alliance—consensus on “deepening”
 - Significance of Noda’s US visit
 - Hashimoto—”J-US-AUS”
 - Populists—swing w/ public opinion?
 - Econ/Trade—No consensus
 - Inter/Intra Party Divide?

Preview of Noda-Obama

➤ Major Agendas

(1) Base Realignment (2 plus 2 Joint Statement)

(2) TPP

(3) Hague Convention

(4) Beef

Thank you