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Japan Chair Forum

The Role of Politics in a Changing Japan

May 18, 1999

Speaker: **Rep. Koichi Kato** (Liberal Democratic Party of Japan)

Moderator: **William T. Breer** (CSIS)

Summary

On May 18, 1999, prominent Lower House member Koichi Kato delivered a speech at CSIS entitled "The Role of Politics in a Changing Japan." Kato, a leading candidate to be the next prime minister, stressed the shift away from leadership by bureaucrats and the "politics of promise" to the new generation of young politicians and the "politics of choice." He also spoke of Japan's policy towards China and the United States. During the question and answer session Rep. Kato spoke of the economic stimulus package and developments in Japanese domestic politics.

In his opening remarks, Kato spoke of the changing nature of Japanese politics and Japan's relationship with the U.S. and China. Japanese politics, the mood of the people, and strategic interests have shifted to where political savvy and clearly defined policies are rewarded.

Japan's "iron triangle" of bureaucracy, mainstream politics, and industry no longer works in sync to deliver prosperity with ease. Before, the rapidly expanding Japanese economy would provide jobs, increase real income, and offer security for the future. Now politicians find they must make trade-offs and carefully allocate resources. To meet this new need a new breed of politicians is coming to the fore. These new leaders understand the policies they debate and are replacing the bureaucrats in the policy making process.

Another change is the rise of coalition politics. Although the LDP remains the dominant party, it needs to cooperate and compromise with smaller parties, like the Komeito and the Democratic Party, who now hold more seats in the parliament. The LDP must now be more sensitive to the desires of other parties instead of brushing them off. The minority parties, in turn, must formulate more realistic, cohesive policy since there is now a real possibility of passage. As in the case of the Defense Guidelines, the parties worked together to come to an agreeable consensus on Japan's military role.

Despite the progress Japanese politicians are making in acquiring policy expertise and formulating legislation, parties lack leadership and clear stances. Rep. Kato attributes much of the election of Shintaro Ishihara as governor of Tokyo to the clarity of his message rather than to the message itself. Touching upon economic policy, Kato acknowledged that Prime Minister Obuchi's plans are in the right direction, but more needs to be done particularly with pensions and investments.

In foreign policy, Japan seeks to ensure stability and cooperation in the Asia Pacific. To do this Japan looks to form partnerships with the U.S. and China. The strongest leg of this triangular relationship is the U.S.-Japan one. As free market democracies, the U.S. and Japan have similar philosophies of governance. Also, the two countries have a strategic alliance to maintain peace in northeast Asia.

By China being a major trading partner, the relationship the U.S. has between China is friendlier than the one the U.S. had with the Soviet Union, but there remain contentious issues such as human rights and TMD. Japan shares cultural history with China but there are questions about China's role in the future and how that will affect Japan's position in Asia.

Kato concluded his opening remarks with a call for a stronger relationship between the U.S., Japan, and China to maintain stability in Asia and suggested consultative mechanisms on the official level such as G7 summits.

The first question regarded the communist success in recent elections. Kato explained that the Japanese people do not think of communists as anti-democratic or threatening as in the United States. The communists were able to increase in LDP areas because, like Governor Ishihara, they had a clear message and they appeared to be sincere. Looking for political leadership, voters found the conviction appealing. This should prove a lesson to the LDP to formulate clearer policies and to provide leadership in economic and political policies. Kato noted that the communists are well-organized and good at spreading their message, but that much of their success may be ephemeral, only lasting as long as the charismatic Kenji Miyamoto is the party's leader.

The next question was about Kato's foreign policy platform regarding the U.S.-Japan security alliance and his call for equidistant relations between the U.S., Japan, and China. Kato said the reason his faction dropped the section calling for a review of the U.S.-Japan security alliance was because the issue is too complex to be summed up in a short two-line statement. He still maintains that the security treaty should be reconsidered but feels that this position warrants more than two lines. Kato wants to discuss the basic aspects of the alliance and review the defense guidelines with respect to the essential items instead of only reviewing details as was done in April.

Kato is supportive of the U.S. presence in Asia and thinks that it is vital for Asian stability at least for the next 15 years. Even though other Asian countries, like China and Malaysia do not want the U.S. in their region, Kato believes that Asia needs a strong player like the U.S. until inter-Asian cooperation is strong enough to stand on its own.

On the policy of equidistant, Kato explained that China and the United States are both important to Japan. China is important because of its location in Asia, and the U.S. is important for its strategic alliance. If Japan's relations with China were more mature, then perhaps Japan would not need to rely on the U.S. as much.

In response to a question about the Prime Minister's competitiveness commission, Kato explained that earlier business leaders had argued for an expansionary fiscal policy to stimulate the economy, but because of uneasiness about the future, the plan would not be effective.

Instead of spending their increased disposable income, people would be inclined to save for an uncertain future — in other words, the government multiplier was small.

This insecurity stems from two anxieties: employment anxiety and pension anxiety. The Tokyo Big Bang shows that even those employees working for the largest, well-established firms can lose their jobs. The second anxiety, pension anxiety, comes from the media repeating for the past 3 years that the pension system is not adequate to provide for the future. Kato believes that the stimulus package alone will not prime the pump. The Prime Minister should reassure people that the pension system will indeed provide for them when they retire.

Regarding the LDP presidential elections, Kato stated that the party should have elections according to schedule, namely this coming September. The elections should first and foremost take into account in what direction the Japanese people want to be lead. The next thing to be considered should be at what pace the reforms initiated by former Prime Minister Hashimoto should resume. And although the economic reforms are an important issue, the policy, not the actual percentage growth as of September, should be the focus.

In response to a question as to whether there was a danger of Japanese politics becoming reliant on sound bites instead of critical debates, Kato said that Japanese politicians are susceptible to opinion poll politics. But voters are responsible and educated enough to vote for the legislation necessary for the country even when it may be personally injurious, as was apparent when the LDP won in 1996 with a tax increase in its platform.

Regarding the supply side approach to deal with unemployment, Kato said changing lifetime employment, seniority wage system, and distribution of labor as well as creating new jobs are ways to decrease unemployment, but the keystone of the reforms is the restoration of investor confidence. Instead of investing capital in new ventures in Japan, financial institutions invest in land, debt, or companies in other countries. Instead of relying on the government to magically solve the nation's problems, firms should take the initiative of investing in Japanese enterprises and thereby create new jobs.