

After the July Election: Where Is Koizumi Heading?

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Winners and Losers. Who won the July Upper House election? Some claim the Liberal Democratic Party (LDP) won since it stayed in power. Others assert that it was the Democratic Party of Japan (DPJ) since it gained many seats. Conventional wisdom gives victory to the coalition government as it maintained a stable majority in the Upper House as well as the Lower House.

The Upper House term of office is six years, with half of the seats elected every three years. In the July election, the largest opposition party, the DPJ, won 50 seats, plus 5 independents close to the DPJ and supported by the opposition, while the LDP tally was just 49 seats. However, when these figures are combined with the seats won in the 2001 election, the LDP and its coalition partner, Komeito, hold 139 out of a total of 252 Upper House seats, a stable majority by any standard. Despite all the media noise, Mr. Koizumi's continuation as prime minister is assured.

The election results, however, showed a structural decline of the LDP's political power. Not many feel that the LDP emerged victorious. The Koizumi cabinet will enjoy two more years in office without any scheduled elections. That means that Koizumi's ambitious economic reform agenda will not be disturbed much by either weakened LDP vested interests or the ambitious DPJ, which share a similar reformist agenda with Koizumi. In the final analysis, eventual winners are Prime Minister Koizumi, the DPJ, and the Komeito, which has a deciding vote and has become more influential in the coalition. Losers, in this sense, are the LDP and the Social Democrats and Communists, whose loss was devastating. (Social Democrat and Communist seat totals in the Upper House are now 5 and 9, respectively.)

Decline of Koizumi's Charisma in the Media. Three years ago, the Koizumi cabinet's approval rating was at a historic high of 90 percent, thanks to the prime minister's charisma and his disregard of the traditional LDP intra-party factional struggle. Albeit reluctantly, most LDP politicians supported Koizumi as LDP leader despite their opposition to some aspects of his reformist agenda—primarily to ride the prime minister's popularity in order to victory in their own elections. No one disputes Koizumi's credit for winning 66 seats and a dramatic victory for the LDP in the 2001 Upper House election.

The story was dramatically different in this past election, reflecting the decline of Koizumi's popularity. In 2001, the "victory rate" for candidates helped directly by the prime minister was 86.4 percent. In this past election, only 53.6 percent of the candidates who had Koizumi's support won (15 out of 28). The support of Koizumi's rival, DPJ leader Katsuya Okada, resulted in 27 winners out of 34 candidates (79.4 percent).

What happened to Koizumi's charisma? A media-savvy politician, he had impressed the public with his catchy sound bites, and the mass media, starved for high-profile stars, contributed to the amplification of Koizumi's simplified messages. This did not wear well with the fickle public for long, which soon bored of hearing the same message. This time the media took a different course, jamming the airwaves with negative commentary on the prime minister. His crisp words invited public rage. There have been questions about his social security pension contributions in the past. During the Diet session, his response was, "*Jinsei iro iro, Kaisha mo iro iro,*" translating roughly to "as all lives vary, so do companies." Allegedly, Koizumi's contribution was being paid by a corporate political supporter, although he was not a working employee. Akin to a popular song, his phrase

caught on and eventually gave the opposition a great opportunity to attack Koizumi's apparent lack of sense of responsibility for the national pension reform plan.

Tactical Error: National Pension Reform. Before his careless words, the Koizumi cabinet made a series of unpopular decisions, which aroused public anger on national pension reform. The following is some background on electorate anger toward Koizumi.

The electorate was unhappy that the new pension bill would raise the individual burden without clear guarantees regarding the future stability of the national pension system. Failing to sense such frustration, the coalition cut off debate and rammed bills through both houses of the Diet. To add to the frustration, the Social Insurance Agency's explanation was contradictory. First, the agency stated that payout for those eligible would be more than 50 percent of preretirement salary. After the bill was passed in the Lower House, however, it changed the numbers so the 75- to 84-year-old recipients would receive 45.1 percent of preretirement salary, with 85-year-old plus recipients receiving 40.5 percent. Adding insult to injury, the agency corrected the birth rate in 2003 from 1.32 to 1.29, which was the initial basis for the future pension calculation during the election. The Social Insurance Agency was already in trouble because of a scandal involving the former director-general. Koizumi's appointment of a new director-general from the private sector during the campaign did not help much. This may be one of the major reasons for the poor performance of the LDP in the Upper House election.

Troubled Rural Economies. The biggest problem for the LDP is structural rather than media tactics or policy conduct. Support from rural groups, such as farmers, construction workers, and postal employees, has been eroding fast. For such traditional supporters, Koizumi's reformist stance is perceived as hostile and destructive.

Economic hardship in rural areas is deeper than in urban areas where the economy appears to be improving. Traditional LDP supporters are realizing that rural economic trouble is not attributable to cyclical recession but that the root lies in its structure. Many rural economies, heavily dependent on public spending, see no future for recovery with Koizumi's tightfisted policies. In addition, medium- and small-sized companies continue to suffer from a shortage of loans, which is caused by tight bank lending policies stemming from the rapid write-offs of nonperforming loans. A young LDP local politician noted in a rural newspaper in Fukushima prefecture (where DPJ candidates received more votes than LDP):

In this election, the traditional LDP supporters refused to support us. They are frustrated with the LDP's stance, which does not promote policies targeting rural economies or small business. I am wondering where the LDP is heading. I feel we are paying the price—the price of our reliance on Koizumi's popularity alone, rather than our policy efforts." (*Fukushima Minpo*, July 13, 2004)

LDP and Komeito: Cooperation Balance Sheet. The LDP has yet another structural problem. Komeito—which is fully supported by the Buddhist organization *Sokagakkai*, known for its effective and passionately religious election campaign—has been a key coalition partner of the LDP since 1999. First, this was merely a coalition to secure a majority, but gradually the LDP's reliance on Komeito for campaign support grew, especially with the close race with the DPJ in the Upper House election. Many election analysts have observed that the LDP would have lost more seats without cooperating with Komeito. This relationship is a double-edged sword, however. Due to *Sokagakkai's* aggressive religious activities and campaign style, many Japanese are allergic toward Komeito gaining power. Close cooperation with Komeito may guarantee the LDP a chunk of votes, but it may lose anti-Komeito supporters. In this election, the rival DPJ successfully partnered with a moderate Buddhist organization, *Rissho Koseikai*, which had traditionally been an LDP supporter. This Upper House election created two DPJ seats with support from *Rissho Koseikai*.

Foreign Policy. Although the news was full of images and op-eds relating to the North Korean nuclear and abductee issues and the activity of Japan's Self-Defense Forces in Iraq, their effects were not considered as a high priority among the voters. According to an *Asahi Shimbun* and Tokyo University poll taken before the election on the top priority policy agenda, only 10 percent answered "Iraq" and few answered "North Korea." An overwhelming 47 percent of the respondents cited the national pension issue, followed by 24 percent for the economy and employment; 12 percent chose Iraq, and only a few selected North Korea. The widely publicized family reunion of a Japanese abductee with her American deserter husband and two daughters during the

election campaign did not help the LDP much. Although the DPJ took a position against sending troops to Iraq, its basic stance sounds more realistic. Left-wing parties' uncompromising stance against the use of force and constitutional amendment of Article 9 did not help prevent their drastic defeat in the election.

Trouble in LDP Helps Koizumi's Survival as Party Leader. The LDP's political structure is in deep trouble, and ironically, this guarantees Koizumi's survival as its party leader. The LDP can no longer rely on its traditional supporters, and there is no one in the LDP who can appeal to the floating voters—those who have held the deciding votes for the past decade.

The bottom line is that the Koizumi cabinet survived the Upper House election, and it will have two more years until the LDP leader's term expires. No one can challenge Koizumi as LDP leader, even though the cabinet approval rate sank to 36 percent in the *Asahi Shimbun* July 19 poll, the lowest since he took office. Koizumi's internal LDP rival, the Hashimoto faction, has its own serious troubles stemming from a million dollar contribution from the Japan Dental Association. The incident may help Koizumi's policy agenda by weakening the largest LDP faction, although there is the potential of the LDP itself being damaged.

Considering his psyche, Junichiro Koizumi may not care much about the LDP's political crisis. He is an individualist by nature, and his support base has been in urban areas. Successful or not, he will pursue his own reformist agenda until the end of his tenure. As Koizumi's reform is realized, the LDP's traditional support will be eroded. Mr. Koizumi seems to be keeping one promise he made to the voters three years ago: he is destroying the LDP.

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