

**Abe's dilemmas** by Brad Glosserman

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Japanese Prime Minister Abe Shinzo has a mission. As explained in his 2007 biography and pointedly reconfirmed in his February speech at CSIS, he wants to ensure that Japan remains in the first tier of nations and make it “a rules-promoter, a commons’ guardian, and an effective ally and partner to the US and other democracies.” It’s an ambitious vision, and one that all friends of Japan should welcome and help him realize. The world needs a Japan that is healthy, outward-oriented, and ready to assume responsibilities as a democracy and economic power.

Achieving these goals requires two things: political stability in Tokyo and an economic recovery in Japan (although in truth the former depends on the latter). Abe is on his way to both. The Liberal Democratic Party (LDP) swept December’s elections and looks set to repeat that performance in this summer’s Upper House vote. “Abenomics” with its “three arrows” of monetary easing, fiscal stimulus, and structural reform is already lifting Japan out of a two-decade slump. The yen has depreciated by 23 percent against the dollar, hitting a four and a half year low and spurring exports; the Nikkei 225 index has risen a blistering 74 percent in response; and Japan recorded 0.9 percent growth in the first quarter of 2013, outpacing every other developed economy and setting the pace for 3.5 percent growth this year.

So far, so good. Unfortunately, two powerful contradictions at the heart of Abe’s agenda could derail his program. They can be reconciled, but doing so requires courage, compromise, and a deft touch. While it isn’t yet clear if Abe can pull it off, he appears on the right track.

Start with economic recovery. The first two arrows in the Abenomics quiver seem to be working. Monetary easing and fiscal expansion are under way and the results are encouraging. But in the absence of structural reform that boosts productive potential, such as unleashing the power of women in the work force, promoting labor mobility and rooting out deeply entrenched interest groups, recovery will be short lived. Instead, current account deficits will swell as imports get more expensive and national debt will mount as yet more pump priming is diverted to favored constituencies.

Will Abe push for serious structural reform when doing so demands that he force change on interest groups that have long supported the LDP? The decision to join the Trans-Pacific Partnership (TPP) is one sign that Abe will tackle shibboleths that have held the economy back. He has appointed two committees to study reform, but their membership is divided between the old guard and entrepreneurs: their conclusions are by no means assured. What worries me most is reconciling changes required to modernize the economy with Abe’s vision of a “beautiful country.” Who will prevail when economic renovation clashes with conservative notions of social norms and structure? For example, Abe’s call to understand agriculture’s role in keeping Japan’s “social fabric well knit” raises the bar for reform that

would transform that sector. Similarly, the idealized image of women and their “proper” role in society has undermined efforts to tap their potential. This is the first dilemma: a conflict between economic reform and conservative ideas of social order.

The second dilemma is at the heart of Abe’s foreign policy and it is created by the clash between his vision of a strong, assertive Japan and regional sensibilities. Abe wants to create a more confident Japan that will protect its national interests, be a better partner of the US, and contribute more to regional security. To that end, he seeks to build national pride and purpose.

Abe and his supporters insist that the (foreign) media image of him is a caricature, and that Japan has no monopoly on nationalism. They are right. The prime minister is a conservative, with nationalist instincts but he is no fire-breather. Emotion-driven nationalism is more common in Korea and China; there are no violent demonstrations nor random acts of violence against citizens of those two countries in Japan. Both countries also claim the moral high ground and do their best to keep Japan on the defensive. Abe is right to note their hypocrisy: they are pretty good at interfering in Japan’s internal affairs when it suits them.

But Abe and those who endorse his foreign policy must also recognize that Japan’s ability to assume a higher regional profile depends on the acquiescence of its neighbors. If they are hostile to Japan’s rise, then Japan will (by definition) be isolated and unable to accomplish its aims. Japan’s strategists -- and the prime minister’s advisors -- know this. They acknowledge the need to work with allies and partners, which requires trust and confidence. Japan should not and cannot abandon its national interests, but it cannot be indifferent to neighboring countries’ concerns either.

So, will Abe rein in his nationalist instincts (and those of his political allies) in the name of a greater good? It can be done: former Prime Minister Nakasone understood the need to balance those two imperatives. But success requires a firmer hand on subordinates and a tighter grip than the prime minister has exercised thus far.

Prime Minister Abe must decide in this case, as in that of structural reform, what his priority is. Those decisions will likely determine whether Japan sustains its status as a “first-tier” country. It is a reminder, too, as Abe pushes Japan to become “a beautiful country,” that beauty remains in the eye of the beholder.

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