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December 14, 2009

Putting Postal Privatization on Hold

By Tomita, Kiyoyuki

The government adopted a basic policy on postal reform at a cabinet meeting on October 20, 2009. Under the basic policy, the current configuration of four postal companies—including those for mail delivery, banking, insurance, and the network of post offices—operating under a holding company will come under review, and the management structure will be reorganized.

The basic policy also calls for the submission of a postal reform bill to the next regular session of the National Diet to fundamentally revamp current operations.

Before submitting the reform bill, the government submitted a separate bill to freeze the sale of Japan Post shares during the current extraordinary Diet session, and the bill was passed on December 4.

The privatization of postal services was launched in 2007 with the establishment of a holding company (Japan Post Holdings) along with Japan Post Network, Japan Post Service, Japan Post Bank, and Japan Post Insurance. The current reforms come just two years following the start of privatization.

Why Privatize?

The start of privatization was expected to lead to a diverse range of new services for users. Examples of new businesses that were actually launched include an alliance between the postal group and a convenience store chain and the provision of housing loans by the Japan Post Bank.

It is unclear, though, whether the initial principles of privatization are being adequately pursued, that is, (1) providing quality and diverse services at low rates; (2) utilizing people's savings for economic revitalization and in helping restore fiscal

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soundness; and (3) giving management greater freedom and thereby boosting profitability.

In reexamining the privatization efforts made thus far, it is necessary to first review the goals of privatization and analyze whether the measures taken have been in step with those goals. Such a review should serve as the basis for subsequent discussions on postal reform.

Beginnings

Postal privatization was cited as the top priority of the administration of Junichiro Koizumi, who became prime minister in 2001. Talk of privatization began earlier, though, during discussions of an administrative reform council set up by Prime Minister Ryutaro Hashimoto.

The council proposed that three postal services be privatized by first isolating them from the then Posts and Telecommunications Ministry. When the central bureaucracy was reorganized in January 2001, however, the three services were relaunched intact as the Postal Services Agency, which later became the Japan Post public corporation. This was accompanied by (1) the liberalization of the letter market to allow entry of private carriers and (2) the abolition of entrusting postal funds to the Ministry of Finance's Trust Fund Bureau.

The Koizumi administration utilized the discussions of the Council on Economy and Fiscal Policy to enact a postal privatization bill in 2005. The bill contained elements, though, that were not part of the proposals made during the initial days of the Koizumi's tenure.

Expansion to Four Postal Services

For example, postal privatization was initially targeted at the three services of mail delivery, banking, and insurance. Since then, the nationwide network of post offices was added as a fourth service in the light of the importance of keeping branch offices in operation.

This raised the question, though, of whether the network of branch offices could, by themselves, remain solvent as a private company. Of the approximately 24,000 post offices in the country at the time, 94% were operating in the red.

In the light of the financial difficulties a privatized network of post offices were expected to face and in consideration of the importance of maintaining a physical network of offices throughout the country, the government and ruling parties agreed to set up a "Regional-Social Contribution Fund" of 1 trillion yen (expandable to 2 trillion yen). As such, doubts have surfaced as to whether the network of post offices should have been privatized at all.

Level Playing Field

The privatization of postal services necessitated the leveling of the playing field to ensure fair competition with existing private companies. Both the banking and insurance services possessed much greater financial assets than their private counterparts, but no attempt was made to break up these services into regional companies, as was the case when NTT and the Japanese National Railways were privatized.

The decision of whether or not to break up the postal, banking, and insurance companies was left to the discretion of the new management team; thus far, there seems to be no attempt to further break them up into regional companies.

In spite of the call for a level playing field, then, the postal banking and insurance companies have been allowed to maintain their huge assets, giving them an advantage over other private institutions. Many have raised questions over this state of affairs.

Why Undertake Reforms?

The basic policy on postal reform mentioned above, though, does not provide a clear blueprint of what needs to be undone and what postal services should offer following the reforms.

The bill on freezing sales of Japan Post shares to be submitted to the extraordinary Diet session stipulates that the Japanese government shall continue to own at least a third

of these shares even after 2017. The question that arises, therefore, is whether postal delivery and the network of post offices really needed to be turned into stock companies. Also requiring further debate is the relationship between the post offices and banking-insurance services.

The primary source of revenue for branch offices is the fees charged for banking and insurance transactions. There is concern whether such schemes—along with the "Regional-Social Contribution Fund" of up to 2 trillion yen, to be financed with profits from the banking and insurances services—will not damage the corporate value of the banking and insurance companies in the Japan Post group.

Using Postal Deposits

Greater thought must be given to dividing the banking and insurance services into regional companies as a means of leveling the playing field with existing private financial firms.

This should be considered as part of the debate on decentralization, focusing on how the network of branch offices can help channel funds efficiently into the community and how the banking-insurance companies can support the network of branches.

As for how the financial assets of the postal deposits are managed, currently some 80% are used to purchase government bonds. This is a business model that is clearly at odds with those of other private banks. (Regional banks, on average, spend around 10% of their assets on government bonds.) Is there really a need for the postal bank to compete head-on with private banks, such as by actively moving into the lending business or seeking higher returns with higher-risk instruments?

The national economy could be much better served by developing a mechanism to utilize the banking assets for policy areas requiring large investments (via government-affiliated or private banks), rather than channeling the deposits to home mortgages and corporate loans.

Such a consideration would also be necessary in the light of the fact that an abrupt change in the use of postal assets could have a disruptive impact on the government bond market.

October 30, 2009

Rebuilding Japanese Politics by Establishing Self-governance in Political Parties: A Challenge for the New Administration

By Kato, Hideki

One of the motivations of those who voted for a change of government at the recent general election was a desire for the new administration to rebuild politics. The quality of Japanese politics has visibly deteriorated in recent times. The new administration is strongly aware of this and has declared its determination to break bureaucratic leadership of policymaking and unite the ruling parties and the cabinet as it runs the government.

Moreover, while issues like "hereditary politicians," politics and money, manifestoes, and electoral turnout may appear unrelated at first glance, they are all connected. The thread that connects all of these issues is the self-governance of political parties. This is similar to how corporate governance is a prerequisite for companies wishing to improve their performance.

To rebuild politics, therefore, instead of dealing with each of the various problems separately, we must establish self-governance in political parties. This will enhance the competence and discipline of politicians and lead to the rebuilding of politics.

Before discussing specific proposals for reform, I would like to pinpoint how the various issues mentioned above are connected and where the crux of the matter lies by reviewing the workings of the parliamentary cabinet system, the political system employed in Japan. In addition, I will consider the methods of government being pursued by the new administration, including such questions as what problems they are intended to resolve and whether these methods will be sufficient.

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I. The Parliamentary Cabinet System and the Current Situation in Japan

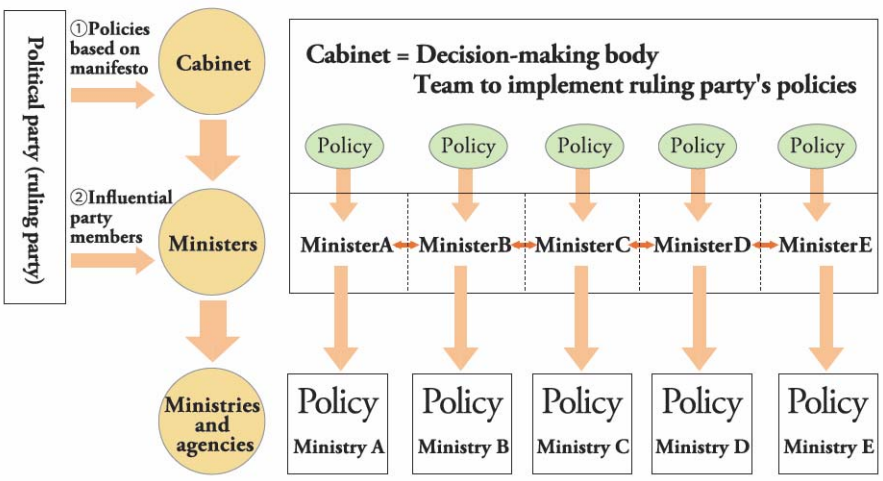
Starting Point: Party Manifestoes or Bureaucratic Mandates?

A parliamentary cabinet system is generally understood to consist of a process whereby political parties publish manifestos, the party (or coalition of parties) that wins an election and has a majority in the parliament assembles a cabinet, and ministers appointed to take charge of the policies advocated in the ruling party's manifesto implement those policies, using bureaucrats as staff. This is the true meaning of "political leadership." But in Japan, both parties and voters have tended to pay little heed to manifestoes, even though they are essential to the first step of the process, and little effort has been put into producing them. The subsequent steps in the process of "political leadership" have not been established.

The factors behind this situation include the fact that for many years the public did not need to make major political choices and the multimember constituency system that Japan employed until the 1990s. At the root, however, are problems arising from the manner in which the parliamentary cabinet system has been practiced in Japan.

As shown in chart 1, in an ideal parliamentary cabinet system, first, the ruling party has policies based on its manifesto (1), and a cabinet comprising influential members of the ruling party is formed to implement those policies (2). Based on cabinet discussions of basic principles for managing state affairs and the order of priority of individual policies, cabinet ministers implement the policies, using the bureaucrats in their respective ministries as staff. As the cabinet considers policies from the perspective of

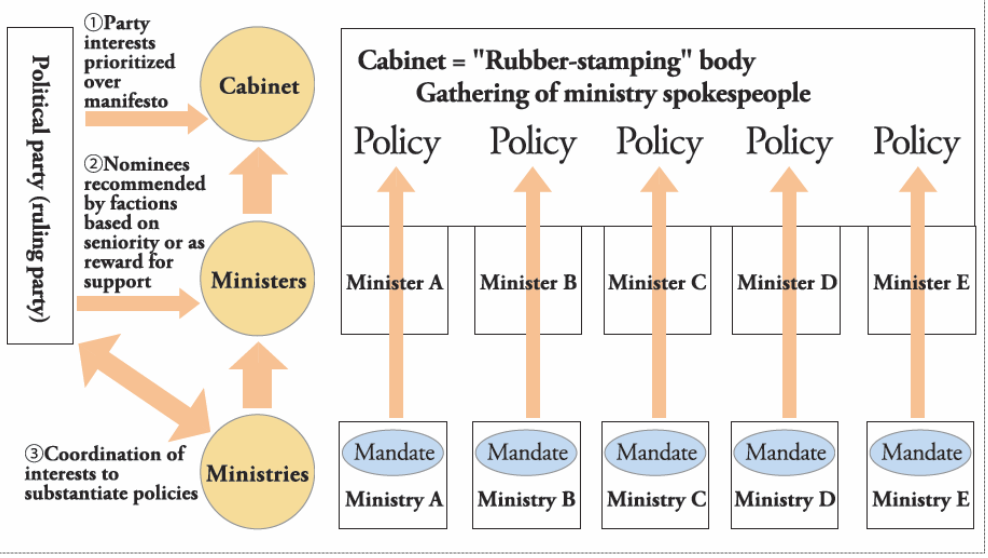
Chart 1. The Ideal: Seamless Policymaking Under Cabinet Primacy



the overall management of state affairs, this mechanism holds the interests of individual ministries in check and enables bureaucratic sectionalism and regulatory redundancy to be eliminated.

The reality of the system as it has been practiced so far in Japan, however, greatly differs from the above, as shown in chart 2. In this setup, ministries come first, and bureaucrats take charge of everything from policy formulation to implementation in areas that are within the mandates of their respective ministries. Ministers are effectively figureheads who simply "sit" on top of that structure (as shown by the fact that, at their inaugural press conferences, the vast majority of ministers read out texts prepared by bureaucrats). Most ministers, moreover, have taken to promoting the existing policies of their ministries and speaking for the ministries' interests and positions as soon as they are appointed, no matter what views they may have espoused when they were ordinary Diet members. As a result, the ministerial coordination and cabinet leadership expected in a true parliamentary cabinet system take a backseat. The priority given to past practices and bureaucratic sectionalism makes it difficult for the government to effect drastic policy shifts or to respond swiftly to changing social conditions.

Chart 2. The Reality: Sectionalized Policymaking Led by Bureaucrats



Let us touch on the subject of acts of establishment, which are the fundamental laws stipulating the aims and tasks of each ministry and agency, including the abovementioned mandates.

The powers of ministries and agencies, such as approval, guidance, and oversight, are exercised based on individual laws. Despite the fact that acts of establishment do not stipulate the powers of ministries and agencies[1], in reality each ministry and agency asserts its powers on the basis of its mandate, resulting in interagency turf wars and sectionalism. Furthermore, while in other countries government organs often adapt themselves flexibly to the policies of each administration, in Japan the acts of establishment serve to obstruct the merger, abolition, and reorganization of government bodies.

Dual Structure of Cabinet and Ruling Party

Another factor that weakens the power of the cabinet and prevents the parliamentary cabinet system from functioning properly in Japan is the dual power structure consisting of the ruling party and cabinet.

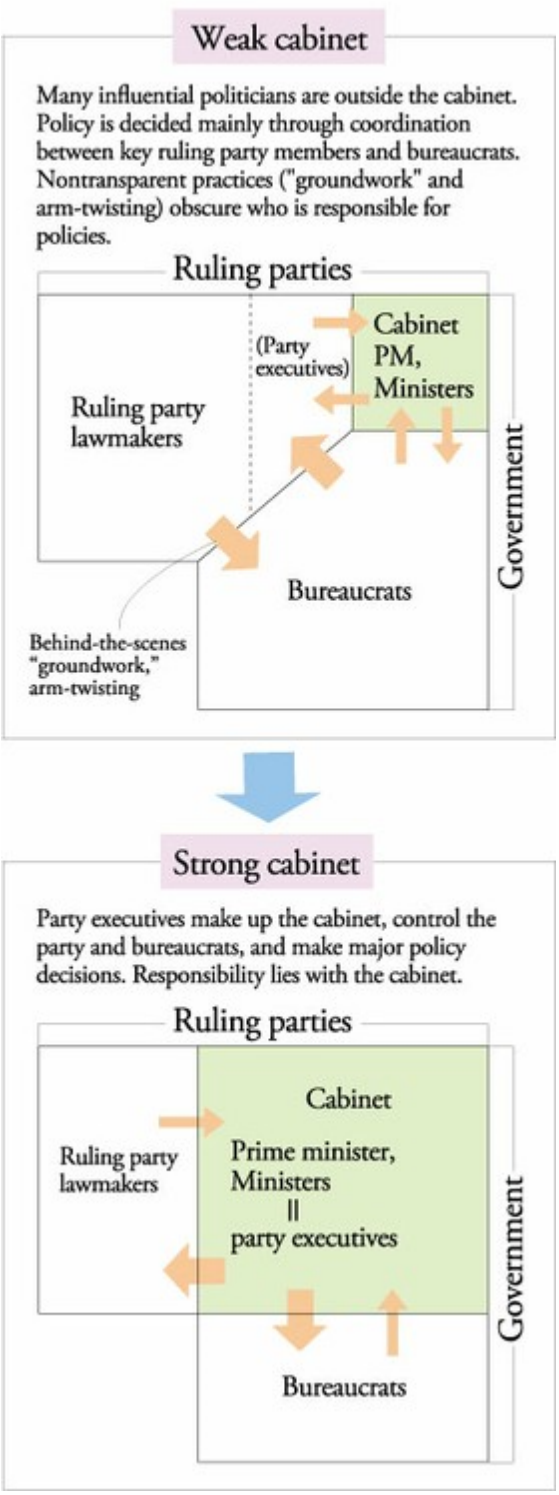
In an ideal parliamentary cabinet system, the cabinet is a team that executes the policies of the ruling party, like the "strong cabinet" in chart 3. Power within the ruling party is concentrated in the cabinet because those entering the cabinet are the party's prime movers, and ruling party lawmakers who are not in the cabinet ordinarily do not defy the cabinet's policy decisions, much less revoke them. Under the Liberal Democratic Party administrations of the past few decades, however, it became the norm for ruling party members outside the cabinet to wield more power than the cabinet, as shown by the "weak cabinet" in chart 3. As a result, many policy decisions were effectively made through repeated contact (behind-the-scenes "groundwork," negotiation, and arm-twisting) between ruling party politicians (such as the LDP's three top executives, "tribal" lawmakers with close ties to specific industries, and members of the party's policy divisions) and bureaucrats, in total disregard of the cabinet. This deviates greatly from the principles of the parliamentary cabinet system and obscures who is responsible for making government policy.

Consequently, the policies of the government have often contradicted those of the ruling party. The privatization of the postal services by the administration of Prime Minister Junichiro Koizumi is a typical example, as are the more recent statements by then

[1] Until the consolidation of central government ministries and agencies under the reforms launched in 2001 by Ryutaro Hashimoto, acts of establishment did stipulate the powers of each ministry, but these were deleted following a proposal by Japan Initiative.

Minister of Agriculture, Forestry, and Fisheries Shigeru Ishiba that he did not agree as the leader of the Ministry of Agriculture, Forestry, and Fisheries with maintaining the policy of rice acreage reduction but that he was not in charge of the LDP's agricultural policies when it came to the question of how to handle this issue in the party manifesto.

Chart 3. Power Structure Between Ruling Party and Cabinet



Under an ideal parliamentary cabinet system, ministers would never utter words like these. The simultaneous existence of the government's Tax Commission and the LDP's Research Commission on the Tax System epitomized the chronic nature of the dual power structure.

The decision-making process within the dual power structure, which has become almost institutionalized over the decades, can be summarized as follows. In the case of the LDP, the party has its own policy coordination section called the Policy Research Council, which checks the bills and other policy proposals put forward by the government (ie. the cabinet). Government bills cleared by the Policy Research Council are approved by the party's General Council before being submitted to the Diet. This is called "prior screening" by the ruling party, a practice that is virtually unheard of in other major countries. It is not unusual for government bills to be drastically modified or even rejected in this process. The rejection by politicians outside the cabinet of policy proposals that representatives of the same party drafted in order to implement the party's manifesto amounts to rejection of the parliamentary cabinet system itself. At the same time, in the sense that it

entrenched the feeling that any proposal approved by the ruling party had effectively been approved by the Diet, it was also one of the factors that reduced the Diet to a mere shell.

While all parties have a broadly similar structure, in the LDP's case the chairman of the General Council, the chairman of the Policy Research Council, and the secretary-general constitute a troika of top party officials who wield tremendous power over party affairs. Under LDP administrations, this troika had more power and a louder voice in many respects than the cabinet ministers who were the policy chiefs of the government. The three executives controlled policy decisions despite having no legal rights or responsibilities regarding government policymaking. As a result, when a government policy proposal conflicted with the ruling party's position, instead of the minister rallying the party around the government's proposal (or a report from a committee that would form the basis of a government proposal), the party's wishes were often given precedence.

Below we present reform proposals for rebuilding Japanese politics, bearing in mind the anomalous way in which Japan's parliamentary cabinet system has operated in the past, as described above.

II. Reform Proposals[2]

Improving Parties' Ability to Make and Implement Policy

1. Strengthen the role of manifestoes and policymaking to remedy current inadequacies in the ability to propose policies and a national vision.

If we are to make Japan's parliamentary cabinet system function properly, we must first create a situation in which everything revolves around policy. This would turn elections into policy-based choices and enable us to start the process of remaking the system shown in Chart 2 into that shown in Chart 1.

First, let us consider what should be done to improve the policies that parties include in their manifestoes and increase the extent to which these policies are realized.

[2] These proposals have been published by the independent, not-for-profit think tank Japan Initiative, of which the author is the representative.

At present, everything revolves around the bureaucracy, and bureaucrats are firmly in control of the information and expertise needed to make policy. Changing this situation is an important issue, and one point that requires special attention is the treatment of opposition parties. Although they share this information to some extent with the ruling party in behind-the-scenes policymaking "groundwork," civil servants have no incentive to share information with opposition parties, with the result that the opposition cannot access adequate data on which to base their policy proposals. The prospect of this information being disclosed to the opposition may be alarming for the ruling party because it would destroy a long-held privilege, but for the voters who choose whether the ruling or opposition party will form the next government it is important for every party to put forward a good manifesto. Needless to say, a healthy democracy needs a powerful opposition.

There are a number of examples in other countries of mechanisms for disclosing information to political parties. In the Netherlands, a politically neutral body called the Netherlands Bureau for Economic Policy Analysis (CPB) discloses its economic and fiscal forecasts for the next several years to all political parties prior to an election, and each party produces its manifesto based on these data. The CPB also analyzes the costs of implementing the policies proposed in the manifestoes and other factors and points out any inconsistencies.

In Australia, meanwhile, there is a system by which, before an election, the leaders of the ruling and opposition parties submit requests to the Treasury to calculate the costs of their manifestoes and analyze the effects of each of their policies on fiscal revenue and expenditure. Mechanisms like this provide important evidence by which voters can judge whether parties have based their policies on solid information. Naturally the parties, for their part, must produce practical, evidence-based policies this kind of analysis, and this makes for more credible manifestoes.

Around 32 billion yen per year is disbursed from Japan's national treasury in the form of subsidies for political parties, with the money distributed according to the number of seats and proportion of the vote won by each party in the most recent election. In short, the ruling party receives the most money.

If, however, we divide the funds required for parties to conduct their activities into daily

operating expenses and policymaking expenses, then we can say that the former type of spending increases in proportion to the number of lawmakers that belong to the party, while the latter is necessary to all parties to some extent, regardless of whether they are in the ruling or opposition camp. Funds for use in policymaking should therefore not be allocated in direct proportion to the number of lawmakers in the party. South Korea also has a system of subsidies for political parties, for example, but half of the total sum available is distributed in equal portions to all parties, while only the remaining half is allocated in proportion to each party's number of seats and proportion of the vote. Similarly, under the Policy Development Grants Scheme in Britain, half of the total funding is distributed equally to the parties, while the other half is allocated in line with each party's absolute share of the vote.

To promote the establishment of a system in which the reins of government change hands in a sound manner through choices made by voters on the basis of party manifestoes, we should rethink the practice of allocating subsidies to political parties in simple proportion to their numbers of seats and shares of the vote and modify the system so that some of the funds are allocated equally to parties meeting certain criteria.

In addition to the above task, measures need to be taken to facilitate the comparison and wide and early distribution of manifestoes and to have the ruling party regularly announce its progress in implementing its manifesto.

2. Enhance the relationship between the ruling parties and the cabinet to rectify the lack of cabinet leadership

Next, let us turn to the issue of the governing party's ability to execute policies and of clarifying its responsibility in this regard.

As we have seen, while there are advantages to a party's having an internal forum for policy debate, such a forum invalidates the party's manifesto and the parliamentary cabinet system if it negates the cabinet's own policymaking. It is impossible to bring about responsible politics when it is unclear who is deciding policy and where responsibility lies. Once it is established in both name and deed that ultimate responsibility for government policy lies with the cabinet and individual ministers, the ruling party will need to build a system for conveying its internal discussions and

resolutions to the cabinet.

Another problem relating to cabinet leadership is the brevity of recent prime ministers' terms of office. There have been repeated changes of leadership at the head of the ruling party for the sake of factional control or for party reasons with no direct relation to policy, even though the leader bears the responsibility of having been chosen in an election as a candidate for prime minister. Such chopping and changing is debilitating for a system of national government. There is an urgent need to forge a system in which the leader of the ruling party (i.e. the prime minister) selected in a general election can securely retain his or her position and get on with the business of running the country until the next general election.

By eliminating committees of the party research council that were dependent on the various ministries, the new DPJ administration eliminated the dual power structure that had long been in place and gave the cabinet full control of the policymaking process. This was to prevent the emergence of special-interest "tribal" legislators strongly affiliated with specific ministries.

Instead, policy meetings for each ministry—hosted by the senior vice-minister and attended by parliamentary secretaries, members of related Diet committees, and other ruling-party legislators wishing to participate—were established as forums to hear the views of noncabinet ruling-party Diet members. At these meetings, policy proposals are explained to rank-and-file members by the senior vice-minister and parliamentary secretary, and views are exchanged. Those views are conveyed at meetings of the political- appointee councils, after which the ministers refer the policy decisions made to the government. Under this arrangement, the senior-vice-minister-level appointees serve as a link between cabinet ministers and rank-and-file members.

In addition to eliminating the functions of the party research council, to prevent the emergence of "tribal" legislators and achieve smooth policymaking, the DPJ has proposed the banning, in principle, of lawmaker-initiated legislation.[3]

Establishing Self-governance in Political Parties

[3] Excluding bills dealing with particularly political issues, such as those relating to elections and the political activities of Diet members.

As stated earlier, to improve governance at the national level, the parties charged with running the country must establish their own self-governance and demonstrate to the people that they have done so. To this end, improvements must be made, at the very least, in the following areas.

3. Strengthen the powers and responsibilities of party organizations to secure transparency in policy and personnel decisions

In the case of a company, the internal institutions that must be established (shareholders' meeting, directors, board of directors, president, auditors, etc.) are stipulated by the Companies Act, which also sets out the significance and powers of each institution and the methods for selecting and deselecting members, convening meetings, and passing resolutions. The reason for stipulating these in law is that companies (especially listed companies) are highly public bodies.

There are, by contrast, no legal regulations on the internal institutions of parties. Everything is left to each party's own rules, despite the fact that political parties are organizations of an extremely public nature—using nearly 32 billion yen of taxpayers' money (political party subsidies), receiving over 80 billion yen of nontaxable income every year, and exercising tremendous influence over the nation's policymaking process. Alongside a guarantee of the freedom of political association, either a broad framework for rules on how parties operate should be stipulated in law, or parties should be compelled to stipulate these rules in their own regulations.

Table 1. Branches of Political Parties

Liberal Democratic Party	7,726
Democratic Party of Japan	552
New Komeito	440
Social Democratic Party	292
People's New Party	89
New Party Nippon	4

It is also necessary to clarify the relationship between parties' headquarters and branches and their respective roles and responsibilities.

Party branches, as their name suggests, are a party's regional organizations; as such,

they should by rights be subject to the governance of the party headquarters. At present, however, these branches have been appropriated for private use by the Diet members that belong to them and by local assembly members around the country, who use them as receptacles for political donations. This is why the LDP has more than 7,700 branches across Japan. To make a corporate parallel, the mission of a company's regional branches is to implement the head office's guidelines and instructions—not, needless to say, to serve the interests of each branch's locally based manager.

To improve this situation, we must first bring to an end the role of party branches as receptacles for political donations by prohibiting Diet members from serving concurrently as branch directors and limiting the number of branches parties may establish per administrative unit. Once these steps have been taken, I believe that parties should stipulate in their rules the functions to be performed by their branches (candidate selection and activities to increase communication with voters).

4. Scrutinizing candidate selection methods to remedy the prevalence of "hereditary politicians"

Candidates seeking election to the Diet include local assembly members, bureaucrats, politicians' secretaries, those selected by parties through public solicitation, and so-called hereditary politicians[4], who now make up the largest group (a third of LDP members of the House of Representatives prior to the recent general election fell into this category). Whatever route a person takes to candidacy, however, voters have little idea of what qualities parties seek in their candidates or of the criteria and process by which they are selected. Standing as a candidate in an election, meanwhile, tends to be regarded as an extraordinary thing to do by society at large, and many company workers who choose to stand are forced to quit their jobs; this barrier prevents talented, motivated people from entering politics.

The reason why hereditary politicians are so controversial is that the electoral resources they inherit from previous generations of their families—the *jiban* (constituency; literally "terrain"), *kanban* (name recognition; "billboard"), and *kaban* (fundraising apparatus; "briefcase")—give them a tremendous advantage when fighting an election.

[4] This term refers to Diet members who have a blood relative within three degrees of consanguinity or a relative by marriage within two degrees of affinity with experience of serving in the Diet and have taken over this relative's name recognition, supporters' association, and other political assets (as defined in "What Is a 'Hereditary Politician'?" p. 14, *Yomiuri Shimbun*, May 15, 2009).

Yet the constituency and fundraising apparatus issues could be improved if parties put in place their own rules. Rather than restricting the "evil" of hereditary practices, we need to establish a system that eliminates the inequality between hereditary and nonhereditary politicians.

Under the single-seat constituency system, Diet members' everyday activities are often intimately connected with their constituencies; this means that local campaigning tends to take precedence over politics and policy, with the result that politics itself is undermined. And as lawmakers find it hard to let go of the constituencies they have "nurtured" with such devotion, hereditary practices tend to become more and more entrenched.

Turning to the issue of political finance, the fact that political fund management organizations can be passed, as is, from generation to generation puts new candidates at a tremendous disadvantage in the increasingly costly field of election campaigning.

I believe we should put in place a system in which all motivated individuals are equally able to stand as candidates and parties can secure able candidates regardless of their career backgrounds.

The DPJ has been calling for the abandonment of hereditary politics since before the recent general election, and for the 2009 general election applied a party rule of not endorsing family members running consecutively from the same electoral district when they are the spouse or within three degrees of kinship of an outgoing Diet member.

To rectify the inequities in funding between hereditary and nonhereditary candidates, moreover, the DPJ has indicated it will bar spouses and relatives within three degrees of kinship from (1) taking over leadership of a political organization and (2) receiving individually or on behalf of political organizations the political funds of their family member's political organizations as donations.

"Hereditary Politicians" in Other Countries

Britain	Of the 23 cabinet ministers in the current Labour Party government, one is a hereditary politician. The advantages of hereditary status are relatively small, because most members of the House of Commons were parachuted in from outside to stand for election in their constituencies. The number of hereditary peers in the upper house, the House of Lords, was slashed from 750 to less than 100 in reforms implemented in 1999.
United States	The proportion of hereditary lawmakers in both the Senate and the House of Representatives is around 5%. As fundraising is so important, name recognition gives hereditary candidates a big advantage.
South Korea	Candidates are selected by party members in each electoral district, so there is no advantage to hereditary status unless the candidate's parent is extremely powerful.

5. Eliminate political funding scandals by tightening funding regulations

Every time a scandal involving money and politics occurs, discussion turns to restricting individual fundraising channels, such as corporate donations. Scandals continue to arise, though, because it is not possible to eliminate every method for evading the law, such as indirect donations. This is why thorough disclosure of information on political funding is essential. That political parties should issue reports on their overall income and expenditure goes without saying, but they also bear partial responsibility for funding scandals involving their Diet members.

At present, the sheer number of fundraising groups and the lack of consistency in how they operate makes it almost impossible to discover the whole truth about the flow of money. To improve this situation, Diet members should be restricted to one fund management organization for receiving political funds. In addition, party branches should cease to function as receptacles for donations to individual Diet members and should actively disclose information to voters and devote themselves to their original purposes, such as the selection of candidates.

While the DPJ is calling for greater transparency in political funds through revisions to the Political Funds Control Law, there are as yet no concrete prospects for realization. The DPJ's "Index 2009" policy platform contains recommendations for an extension in

the period of retention of receipts and reports. These minor revisions are necessary, but unless bold and sweeping reforms are made, there will be no fundamental improvement in the current situation.

6. Enhance accountability to voters to eliminate political opacity

We voters provide the basis for political parties' activities through the action of voting, through political party subsidies funded by our taxes, and through more than 80 billion yen of nontaxable income in the form of donations and party dues. Just as a company has responsibilities to its shareholders, its employees, and to consumers and society as a whole, political parties have responsibilities to their members, to the lawmakers that belong to them, and, above all, to the electorate as a whole.

Parties therefore have an inherent duty not to hold the kind of party conventions seen today but to keep voters regularly informed in the greatest possible detail of their specific policies and activities and of how they use the money they receive.

I believe that the biggest task entrusted by voters to the new administration at the recent general election was to take the first step in rebuilding Japanese politics through the establishment of a new law on political parties and revisions to existing ones so as to consolidate parties' policymaking ability and self-governance. Taking proper action to rebuild politics will establish the foundations for running a country facing a mountain of problems.

While the DPJ has yet to host a general assembly of voters, its awareness of the need for greater accountability to voters and information disclosure can be gleaned from the Government Revitalization Unit's efforts to cut wasteful budget expenses in full public view.

Japan Initiative
Proposal for the Establishment of a Political Party Act
Aug-09

International Comparison of Laws Regarding Political Parties

	Japan	Britain	Germany	United States	South Korea
General principles	—	—	Basic Law (Constitution) (Includes stipulations that political parties assume public duties, that their internal order must conform to democratic principles, and that unconstitutional parties are to be prohibited)	—	Constitution (Includes stipulations regarding the freedom of establishment of political parties, a guarantee of the multiparty system, the democratic operation of political parties, and decrees on party dissolution by the Constitutional Court)
Political party subsidies, political funding, elections, etc.	• Political Party Subsidies Act • Political Funds Control Act • Public Offices Election Act	• Political Parties, Elections, and Referendums Act 2000 •Representation of the People Act	• Federal Electoral Law • Political Parties Act (Comprehensively defines rules regarding political parties)	・Federal Election Campaign Act ・Bipartisan Campaign Reform Act ・Presidential Election Campaign Fund Act	・Political Fund Act ・Public Official Election Act ・Political Parties Act (Comprehensively defines rules regarding political parties)
Governance (Organizational operation, information disclosure, etc.)	— Japan is the only country without governance-related regulations	Regulated by common		State laws (Individual Congress members are effectively political units in themselves, and the role of political parties significantly differs from those in Japan and European countries. The greatest mission of parties is to fairly conduct primary elections, in which party candidates are selected for subsequent general elections. Provisions on this matter are set out in state laws.)	

November 13, 2009

A Shaky Start for Hatoyama's *Yuai* Diplomacy

By Takahata, Akio

Barely two months after Yukio Hatoyama's Democratic Party of Japan swept into power on a wave of voter disenchantment with the long-ruling Liberal Democratic Party, the new government already finds itself in a very sticky position on a number of foreign policy and security issues.

Paramount among these are the relocation of Futenma Marine Corps Air Station in Okinawa, lynchpin of the planned realignment of US forces in Japan; Japan's contribution to the US-led war on terror in Afghanistan and Pakistan; and Prime Minister Hatoyama's proposal for an East Asian Community, a pillar of his so-called diplomacy of *yuai* (fraternity). As each of these bears directly on the core issues of the Japan-US alliance, any misstep on Tokyo's part could jeopardize the security relationship that has served both countries for almost 50 years.

Realignment of US Forces

Relocation of the Marine Corps Air Station Futenma in Ginowan, Okinawa Prefecture, is the central component of a plan for restructuring the US forces in Japan in keeping with the "US-Japan Roadmap for Realignment Implementation,"[1] adopted by both governments in May 2006. Under the plan, the United States agreed to return the air base to Japan by 2014, after building a replacement facility inside Camp Schwab in the city of Nago in northern Okinawa. At the same time, approximately 8,000 US troops and 9,000 family members from the Third Marine Division are to be transferred to Guam, with Japan paying $6.1 billion, or 60%, of the cost of infrastructure upgrades on the island. As explained by the government of Prime Minister Junichiro Koizumi, the aim of the agreement was to "reduce the burden on the people of Okinawa" while "maintaining the deterrent capability" of the Japan-US alliance.

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[1] For more detail on the United States-Japan Roadmap for Realignment Implementation, see the website of Ministry of Foreign Affairs of Japan at http://www.mofa.go.jp/region/n-america/us/security/scc/doc0605.html—Ed.

The DPJ leaders have taken the position that the agreement should be scrapped, and Hatoyama himself has called for the Futenma Air Station to be moved "out of the prefecture, if not out of Japan." In the coalition agreement with the New People's Party and the Social Democratic Party after the election, this hard-line stance was softened somewhat, committing the government merely to "move in the direction of reexamining the realignment plan." Nonetheless, it was generally understood that the new administration was oriented to moving Futenma Air Station out of Okinawa Prefecture.

By late September, however, the government seemed to be wavering. At the end of the month, Minister of Defense Toshimi Kitazawa acknowledged that it was hard to ignore the years of negotiation that had gone into the existing agreement. In a statement on October 7, Prime Minister Hatoyama also equivocated, saying, "What we initially said in the manifesto is a promise, and I don't think we should lightly change it, but I won't rule out the possibility that the time factor could bring about some change." The following day, however, he denied any intention of accepting the existing realignment plan. By this point it was apparent that the government would take no firm position before US President Obama's visit in mid-November. Moreover, with pivotal local elections looming next year, above all the Nago mayoral race in January and the Okinawa Prefecture gubernatorial election in November, Hatoyama seems unlikely to make any decision at least before the citizens of Nago express their views at the ballot box.

The Futenma issue goes all the way back to 1996, when Okinawa's disproportionate share (75%) of US bases in Japan emerged as a bone of contention between Tokyo and Washington amid popular uproar over an incident the previous year, in which an Okinawan girl was raped by US servicemen. Following the recommendation of a joint Japan-US Special Action Committee on Okinawa, or SACO, [2] the United States agreed to the reversion of Futenma Air Station. Yet 13 years later, the base has yet to revert to Japan, and local sentiment among Okinawan leaders and citizens has been shifting in complex ways. Among US officials, there is a sense that "Washington has agreed to relocate, so what's holding things up at the Japanese end?" If the Japanese government continues to shilly-shally, the prospects for Futenma's reversion can only recede further, and if this opportunity is wasted, there is no telling how long local residents will have to wait before their prayers are answered.

[2] For more detail on the SACO Final Report, see the website of Ministry of Foreign Affairs of Japan at http://www.mofa.go.jp/mofaj/area/usa/sfa/pdfs/rem_saco_en.pdf—Ed.

Under the current realignment plan, the transfer of US Marine personnel to Guam and the relocation of Futenma are two integral components of a single "coherent package." US President Barack Obama sent Secretary of State Hillary Clinton to Japan in February 2009, when the LDP was still in power, and the two governments signed off on the Guam International Agreement, which stipulates the particulars of the transfer. Perhaps some in the Hatoyama cabinet are thinking that Japan can have its cake and eat it too by proceeding with the transfer of US personnel to Guam but renegotiating the Futenma relocation. But the Obama administration has made it clear that it will not tolerate this kind of cherry picking. This is one reason it has ruled out any renegotiation of the agreement, as stressed by Secretary of Defense Robert Gates during his visit to Japan in October.

More importantly, the realignment of US forces in Japan is integral to the worldwide reorganization of US forces initiated under the administration of George W. Bush to respond to the new global military and security needs of the 21st century. Although both Washington and Tokyo have kept silent on the particulars of this reorganization out of diplomatic considerations, responding to the rise of Chinese military power and the North Korean nuclear threat is clearly among its strategic aims. Any delay in implementing the plan could seriously compromise not only Japan's defense but the Pentagon's strategy in the Asia-Pacific region as a whole. Nor can we ignore the danger that such moves could damage joint operational efforts between the US military and the Japanese Self-Defense Forces, the very foundation of the alliance.

Japan's Role in Afghanistan

The dilemma facing Hatoyama, in short, is whether the party platform on which he came to power should take precedence over the Japan-US alliance. The same question applies to Japan's contribution to the anti-terrorist effort in Afghanistan.

Immediately after the terrorist attacks of September 11, 2001, the LDP government pushed through the Anti-Terrorism Special Measures Law, aimed at clearing the way for Japan to support the United States, Britain, and other allies in their counter-terrorism operations in Afghanistan. Since then Japan's Marine Self-Defense Forces have been providing such support in the form of refueling operations in the Indian Ocean. In 2007, however, the DPJ raised questions in the Diet regarding the

alleged diversion of Japanese fuel for American warships to US operations in Iraq and demanded that the refueling mission be suspended immediately.

Since before the August general election, DPJ leaders have been besieged with appeals from the United States, Britain, and Pakistan to continue the refueling mission even after the current law expires in January 2010, and their response has revealed a striking lack of consistency. In the month since the Hatoyama cabinet's inauguration, top government officials have made the following statements:

> "We are not considering a simple extension." (Prime Minister Hatoyama)
> "We are not categorically saying No." (Minister for Foreign Affairs Katsuya Okada)
> "We will withdraw without any fuss, just following the law." (Defense Minister Kitazawa)
> "We should revise the legal framework and continue refueling operations if possible." (Parliamentary Vice Defense Minister Akihisa Nagashima)
> "This cabinet should go with the decision not to extend." (Mizuho Fukushima, minister of state for consumer affairs and SDP president)

Now it appears the government intends to let the mission die a procedural death when time runs out to extend the Anti-Terrorism Law in the current extraordinary session of the Diet. A maneuver that skirts any rational explanation for such an important policy change is unlikely to go down well with the international community.

The MSDF's refueling mission was intended to provide supplementary marine logistic support for Operation Enduring Freedom, a multinational effort aimed at controlling global terrorism. Whereas ground logistic support carries high risks in a place like Afghanistan, where troop casualties have soared among both American forces and the ISAF (International Security Assistance Force), offshore refueling is seen as a way to provide much-appreciated support to our allies with minimal risk of death or injury to SDF personnel. Given the Obama administration's emphasis on stabilizing the situation in Afghanistan and Pakistan, there is bound to be heightened pressure on Japan to contribute to the effort in other ways if the refueling mission is terminated.

Foreign Minister Okada, who visited Afghanistan and Pakistan himself in October, and Defense Minister Kitazawa are discussing new options for providing civilian aid, such as job training or agricultural assistance, to the Afghan people. But with terrorist and Taliban activity spreading in Afghanistan, no one seems able to answer the crucial

question of who will protect Japanese aid workers on the ground, and a feasible solution has yet to emerge.

The Amorphous East Asian Community

As spelled out in the DPJ platform, the two basic components of Prime Minister Hatoyama's diplomacy of *yuai*, or fraternity, are "building a close and equal Japan-US relationship" and "strengthening Japan's foreign relations in Asia." The centerpiece of the latter component is Hatoyama's proposal for an East Asian Community.

Under the Koizumi administration, Japan's relations with China and South Korea took a turn for the worse in 2005, causing serious concern in Washington among other places. The US government, far from frowning on Japanese efforts to strengthen and stabilize relations with Beijing and Seoul, welcomes such initiatives. But to build a regional framework that excludes the United States is another thing altogether. The greatest concern now is that the Hatoyama administration, by leaving the details of its proposed East Asian Community excessively vague, is fueling suspicion and alarm that the outcome will be a framework that excludes Washington from Asian affairs.

At a press conference held on September 16, just after he took office, Hatoyama said, "We have no intention of excluding the United States. To the contrary, we should begin by building an East Asian Community, which should evolve into an Asia-Pacific community." It was a mystifying statement though, inasmuch as the Asia-Pacific region already has such frameworks as APEC (Asia Pacific Economic Cooperation).

On a September 21 bilateral summit meeting with Chinese leader Hu Jintao, while in New York for the United Nations General Assembly, Hatoyama said that he wanted the two countries to "overcome their differences," "establish a relationship of trust," and "build an East Asian Community." Yet in Japan-US summit talks two days later, Hatoyama apparently made no move to provide President Obama with any explanation whatsoever of his East Asian Community concept .

Then again, in his address to the General Assembly on September 24, he broached the idea once more, saying, "I look forward to an East Asian Community taking shape as an extension of the accumulated cooperation built up step by step among partners who have the capacity to work together, starting with fields in which we can

cooperate—Free Trade Agreements, finance, currency, energy, environment, disaster relief and more." This discrepancy fueled suspicions among some US observers that Hatoyama was deliberately avoiding sharing the idea with Washington. (No doubt some were predisposed to such suspicions after reading the essay—picked up the US media shortly before Japan's general election—in which Hatoyama discusses his East Asian Community concept while at the same time criticizing the United States.)

Speaking with Hatoyama at the Prime Minister's Residence on October 6, Singapore Prime Minister Lee Hsien Loong frankly expressed his concern lest any East Asian framework exclude the United States, stressing that regionalism must be open to other countries, especially the United States, and Hatoyama is said to have agreed. Yet on October 7, speaking before the Foreign Correspondents' Club of Japan in Tokyo, Foreign Minister Okada excluded the US from his vision, proposing as members Japan, China, South Korea, ASEAN, India, Australia and New Zealand, and noted that "Japan has its national interests, and the US has its own." How can the prime minister and the foreign minister be at such cross-purposes, contradicting each other on America's role in the administration's signature foreign-policy initiative?

Then again, the prime minister seemed to contradict his own assurances to President Obama regarding Japan's continued commitment to the bilateral alliance. In statements he made at the trilateral summit meeting with Chinese Premier Wen Jiabao and South Korean President Lee Myung-bak in Beijing on October 10, Hatoyama again pushed his East Asian Community. "Until now, we have tended to be too reliant on the United States," he said. "The Japan-U.S. alliance remains important, but as a member of Asia, I would like to develop policies that focus more on Asia." While the three leaders agreed to study the East Asian Community concept in their joint statement following the summit, Hatoyama's initiative remains disturbingly vague, both in its substance and purpose and in terms of the role envisioned for the United States and China.

Some observers believe that Hatoyama is contemplating something comparable to the European Union. But neither the EU nor its predecessor, the European Community, was constituted from countries with sharply divergent political, social, and value systems; indeed, history offers no precedent for such a community. To the contrary, membership in the EU is rightly restricted to states capable of sharing the same systems, rules, and values. How would Hatoyama's East Asian Community accommodate China, which differs radically from Japan, the United States, and other

democracies when it comes to the rules of economics and trade, freedom of speech and the press, business ethics, and intellectual property rights, to say nothing of human rights? Surely the world deserves a clear explanation on this score, along with an unequivocal statement as to whether Hatoyama intends to seek US involvement or shut Washington out.

Trials of a Catch-all Party

Another problematic aspect of the DPJ's foreign policy platform is the pledge to seek revision of the Japan-US Status of Forces Agreement (SOFA)[3] and reexamine the role of US military bases in Japan. But reworking the agreement would be an extremely complex task, since any substantive change would require adjustments in other American security arrangements, including the US–South Korea alliance and the North Atlantic Treaty Organization. Washington has no interest in putting the agreement back onto the table, particularly since doing so might give Tokyo a chance to retract its generous host nation support for the US forces stationed in Japan.

In connection with the DPJ's pledge to "work toward a nuclear-free Northeast Asia," Foreign Minister Okada and others believe that the United States should declare a "no-first-use" nuclear weapons policy. They also suggest that Japan step out from under the US "umbrella" of so-called extended nuclear deterrence, citing Japan's three non-nuclear principles and President Obama's appeal for a world without nuclear weapons. One analyst said to be on Hatoyama's team of policy advisors recently dismissed the nuclear umbrella concept as a relic of the cold war, and used the metaphor of an "equilateral triangle" in advocating a foreign policy aimed at balancing the mutual influence of Japan, the US, and China. Should these ideas wind up on the official Japan-US diplomatic agenda, they are bound to strain the bilateral alliance even further.

The DPJ is something of a catch-all party, encompassing a wide ideological spectrum from liberal to conservative. This, together with the necessity of accommodating the SDP and the People's New Party as coalition partners, led many to predict early on that the new administration would have its work cut out crafting a unified and consistent foreign policy to steer the nation through uncertain times.

[3] For more detail on the SOFA, see the website of Ministry of Foreign Affairs of Japan at http://www.mofa.go.jp/mofaj/area/usa/sfa/pdfs/fulltext.pdf—Ed.

Looking back on the Hatoyama administration's first 50 days, one can only hope that it finds its footing soon.

September 07, 2009

Historic Victory, Ticklish Transition

By Izumi, Hiroshi

The "watershed election" of August 30 lived up to its billing, as the Democratic Party of Japan—aided by electoral reforms implemented 15 years earlier—swept the Liberal Democrats from power in an unprecedented reversal. Unprecedented also are the challenges facing the relatively young and inexperienced party as it navigates a perilous transition and attempts to bring the bureaucracy to heel.

With "regime change" fever sweeping Japan in the weeks leading up to August 30, the outcome of the 45th general election was decisive. The Democratic Party of Japan secured 308 out of 480 seats in the powerful House of Representatives, leaving the once-invulnerable Liberal Democratic Party with only 119. The results represented a complete reversal of fortune from the outcome four years earlier, when the LDP secured 296 seats and the DPJ a mere 113.

It was a vivid reminder, to politicians and ordinary citizens alike, of the voters' power to change the political landscape overnight under the current system of single-seat constituencies.[1] The LDP was ousted from the number one position in the lower house for the first time since the party's formation in 1955, as its strength in that chamber dropped to an unheard-of level—104 seats fewer than its previous low, following the 1993 election. Meanwhile, the DPJ, founded just 13 years ago in 1996, scored a decisive victory in the fifth general election it has ever contested, seizing power with a rock-solid majority. Never before since the end of World War II has a Japanese party made the transition from opposition to ruling party single-handedly. Never before have the

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[1] Until 1997, all members of the House of Representatives were elected from local multi-seat constituencies known as "medium-sized districts," typically having three to five seats. Since 1997, elections for the House of Representatives (or general elections) have been held under a parallel voting system, with 300 of the 480 seats filled from local single-seat districts, and the remaining 180 filled from large multiseat bloc districts using a method called proportional representation. In a general election each voter casts two ballots, one selecting a candidate in the local single-seat district race and another selecting a party in the regional proportional-representation race. Candidates are permitted to run in both races.

Japanese people in effect chosen a new prime minister at the ballot box[2]. For Japan, the general election of August 2009 fully lived up to its billing as a historic watershed.

Turning Out to Make History

The urban districts in particular witnessed a veritable "windstorm," as one LDP official put it. In the last general election, the DPJ had won only 1 and lost 24 of the single-seat constituencies in Metropolitan Tokyo; this time, it took 21 districts and lost only 4. In nearby Kanagawa Prefecture, where the DPJ had previously lost all 18 districts, it won 14 and lost only 4.

Voter turnout, at 69.28% (a total of 70.58 million ballots cast in the single-seat district races) was the highest since the advent of single-seat districts. In 2005, Prime Minister Junichiro Koizumi galvanized voters by calling a snap election to stage a showdown on his postal privatization plan. In 2009, the prospect of a historic change of government galvanized them even more.

In the single-seat constituencies, the DPJ captured 33.47 million votes nationwide, or 47% of the total, while the LDP received 27.30 million, or 38%. These ratios are almost a mirror image of the 2005 election results, when the LDP won 47% of the vote and the DPJ 36%. The DPJ also neatly turned the tables in the number of seats picked up from local districts, jumping from 52 in the 2005 election to 221 this time around, while the LDP dropped from 219 to 64.

In the proportional-representation races as well, the DPJ captured 29.84 million votes, or 42% of the total, for 87 seats, while the LDP won 18.81million, or 26%, for 55 seats. Compare these results with 2005, when the LDP won 77 seats and the DPJ only 61. The breakdown of the proportional-representation vote closely mirrored the results of the latest opinion polls. Election-day reports predicting at least a 300-seat DPJ win on the basis of exit polls proved equally reliable.

In many ways the numbers drive home the uncertainties of politics under the "winner take all" single-seat-district system. The DPJ won overwhelmingly, gaining 189 more

[2] The prime minister is appointed by Diet resolution from among the ranks of Diet members. In practice, this means that the post goes to the leader of the party that controls the largest number of seats in the House of Representatives, or, in the case of a coalition, to the leader of one of the parties making up the coalition.

seats from the local districts than the LDP, even though the vote margin separating the two parties (slightly more than 6 million votes) amounted to less than 10% of all the votes cast in those races—a margin comparable to that of the previous election. This means that another shift in the political climate between now and the next election could turn the tables once again.

The Diet's Changing Face

Never has a general election wrought so dramatic a shift in the makeup of the lower house, and the change goes beyond party affiliation. When the lower house next convenes, a full 33% of its seats will be filled by first-term politicians, the highest percentage voted in since 1949. Within the DPJ alone, 46% of the newly elected lower house members are first-termers, making them the single largest bloc in the party. The contrast with the LDP, with only 5 first-termers, could not be more striking.

Women won 54 seats in the election, the largest number ever. Of those winners, 40 (more than 70%) were DPJ candidates, many of them drafted as "LDP assassins" by DPJ party heavyweight and chief election strategist Ichiro Ozawa. Thus far, Japanese women have played a meager role in national politics compared with their counterparts in most Western countries, but the percentage of female politicians in the House of Representatives could rise dramatically if other parties follow the DPJ's lead in the next general election.

The DPJ's victory has also given the House of Representatives a younger look. The average age of DPJ members is 49.4 years, the lowest of any major party. An overwhelming majority of the party's lower house members (75%) will first-, second-, or third-term politicians. But the youthfulness that helped power the DPJ's election victory could prove a drawback when it comes to running the country. While the LDP still has over 70 veterans who have served at least four full terms in the lower house, the new ruling party has only 51. Although merit and competence cannot be gauged by longevity alone, experience and know-how will be a must for the DPJ in the Diet it attempts to pursue its legislative agenda in the face of a seasoned opposition led by the LDP. The DPJ's relative youth and inexperience also raise questions about its ability to wrest power from the bureaucracy and put the people's elected representatives back in charge of government as promised. The DPJ has announced its intention to station 100 politicians throughout the administrative apparatus, but one wonders whether the

party has 100 members with the savvy to see through bureaucratic smoke and mirrors and keep the civil servants in line. That the DPJ has relatively few of the *zoku giin* (politicians with ties to specific government agencies and vested interests) who long dominated the LDP also means that it has relatively few legislators with a high level of expertise in each administrative area. Finding the resources to assert control over confident, knowledgeable bureaucrats in every corner of the government could prove an impossible task.

Transition—Navigating Uncharted Waters

Under the circumstances, it is particularly important that the incoming prime minister choose the right people for his cabinet. DPJ President Yukio Hatoyama has spoken of tapping "not just specialists in a particular area but people who can take the long view in discussing government policy in Japan." Here too, however, the party's resources are limited. Until 2004, party leadership alternated between Kan Naoto (now acting president) and Hatoyama. Katsuya Okada took the helm in 2004, followed by Seiji Maehara in 2005. Maehara was quickly succeeded by Ichiro Ozawa, whose Liberal Party had merged with the DPJ in 2003. Then, in May this year, Hatoyama returned to the top spot once more. All in all, the DPJ has a core of less than 10 heavy hitters who can speak for the party.

This may explain why, one day before voters went to the polls, Hatoyama announced a plan to set up a "transition team" the day after the election by immediately deciding on a few key party and cabinet posts. Doubtless Hatoyama and Secretary-General Okada wanted to map out the best way to deploy the party's political heavyweights and ensure the timely and smooth appointment of vice-ministers, parliamentary secretaries, and other officials. But politicians are extremely sensitive to appointment matters. The conventional wisdom under the LDP was that a prime minister made more enemies and weakened his government each time he reshuffled the cabinet. In the event, the DPJ leadership quickly abandoned the plan, concerned that such a transition team could cause confusion and division in the party by giving rise to talk of conflicting transition plans in the two weeks prior to the cabinet's official launch. Most observers believe the force behind that decision was Ozawa, chief architect of the DPJ's landslide victory.

Another reason Hatoyama had to abandon the idea of forming a bare-bones cabinet at the outset was the necessity of building a coalition with the Social Democratic Party and

the People's New Party. Despite its impressive win, the DPJ lacks a majority in the House of Councillors, and in the House of Representatives it lacks the two-thirds majority (320 seats) needed to override the upper house in legislative matters. Without the cooperation of the SDP and the PNP, the DPJ would be unable to control the House of Councillors, and its agenda could fall prey to parliamentary gridlock. SDP President Mizuho Fukushima and newly selected PNP leader Shizuka Kamei have both made it clear that they are willing to enter into coalition talks on the understanding that they will play some role in the new cabinet. Such crucial negotiations could easily founder if the important cabinet posts were all decided in advance.

With these considerations in mind, Hatoyama quickly backtracked after the election. "Personnel decisions have to be made all at the same time," he said on August 31. "I will make those decisions as soon as I am selected prime minister." He added that he would exercise his authority as party president and decide by himself, relying on no one else's judgment. Top party officials have echoed his assertion, foreswearing any attempt to influence Hatoyama's appointments.

Still, choosing a cabinet is quite different from appointing officers to lead an opposition party. One false step at the outset can throw the entire process into disarray. Hatoyama will need resolve and strong leadership to make his own judgments amid the clamor of party factions and coalition members demanding their piece of the action. Back in 2001, Prime Minister Junichiro Koizumi electrified the public by choosing mavericks and relative outsiders for his first cabinet—including Makiko Tanaka as foreign minister—in bold defiance of the party bosses. Does the subdued, mild-mannered Hatoyama have it in him to do the same? The formation of a cabinet will be an early test of Hatoyama's mettle, and the outcome could tell us much about whether he has what it takes to lead the nation.

July 24, 2009

A Watershed Election and Its Policy Implications

By Watanabe, Tsuneo

Prime Minister Aso's decision to dissolve the lower house and call a general election in the face of rock-bottom public approval ratings has all but ensured an imminent end to the LDP's longtime monopoly on power. What impact will the advent of a new government have on Japan's foreign, security, and economic policies?

Japan is weeks away from a general election that is widely expected to usher in a new era in Japanese politics. In the Tokyo Metropolitan Assembly elections held on July 12, the ruling Liberal Democratic Party suffered a historic defeat at the hands of the opposition Democratic Party of Japan, which is beginning to look unstoppable. A day later, LDP President and Prime Minister Taro Aso responded to the setback by announcing his intention to dissolve the House of Representatives on July 21 and hold a general election on August 30. Although some intra-party dickering over the timing of the election is expected, Aso's schedule seems likely to prevail. And when the dust has settled, the LDP and its coalition partner, New Komeito will in all likelihood have lost their majority in the lower house, opening the way for a new regime centered on the DPJ.

Significance of the August Election

Such a change in government would make the coming general election a watershed in the history of Japanese democracy. The LDP has monopolized control of the government (either alone or as part of a coalition) ever since it was formed from a merger of conservative forces in 1955, except for an interlude of less than a year in 1993–94, when power passed briefly to a coalition of anti-LDP forces led first by Morihiro Hosokawa and then by Tsutomu Hata.

Watanabe, Tsuneo Director for Foreign & Security Policy Research, Senior Fellow of the Tokyo Foundation;. Became a dentist after graduating from the Tohoku University School of Dentistry. Attended the New School for Social Research, where he received his MA in political science. In 1996, became a visiting research scholar at the Center for Strategic & International Studies (CSIS), going on to become a research associate fellow and, as of March 2003, a senior fellow. In 2005, returned to Japan. After serving as a senior research fellow at the Mitsui Global Strategic Studies Institute in Tokyo, assumed his current position.

A democracy that continues for more than a half-century without a full-fledged shift in power is quite a historical anomaly. Political scientists have studied postwar Japan's single-party rule extensively, and most agree that it was made possible by two key circumstances: Japan's extended period of strong economic growth and the stable international structure imposed by the Cold War framework.

Simply put, from 1955 until 1992, Japanese voters had only two real options to choose from. On the one hand, there was the LDP, which bore the standard of democracy and economic liberalism. On the other hand, there was the Japan Socialist Party and its allies, who promoted a vastly different ideology. Faced with such a choice, Japanese voters behaved as one might expect. While they sometimes cast protest votes for the JSP when dissatisfied with LDP policy or conduct, they never went so far as to put the daily management of government in the hands of a party that did not fully support Japan's democratic free-market system.

After the first non-LDP government in decades rose to power in 1993, practical alternatives to the LDP—that is, other parties committed to democracy and the free market—finally emerged in the form of the (now defunct) New Frontier Party and today's DPJ. At that stage, however, a new party could not hope to inspire the same level of confidence as the LDP, which, for all its failings, had presided over economic growth, political stability, and a relatively equitable distribution of income for almost four decades.

In recent years, however, the dynamic has shifted. First, a changing environment has removed the basic conditions that once guaranteed the loyalty of the LDP's key constituencies: rapid economic growth and the relatively uniform distribution of wealth. Second, the public has been witness time and again to the kinds of problems that occur when a single party stays in power too long: "system fatigue" characterized by corruption, overdependence on the bureaucracy, and bureaucratic inefficiency.

Pathology of a Party in Decline

Among the most serious problems to which this system fatigue has given rise are those connected with the National Pension System. Most Japanese voters today are deeply troubled about the health of the pension system and doubt that they will ever receive the benefits owing to them. This crisis came about not only as a result of challenges

stemming from the slowdown in economic growth—problems that policy makers in the era of fast growth and ever-increasing revenues failed to take into account—but also because of egregious mismanagement by a government bureaucracy suffering from advanced system fatigue.

Meanwhile, the party has been hit hard by the structural decline of once-powerful industry and professional organizations representing the LDP's core constituencies, including farmers, physicians, the construction industry, and stakeholders in the postal system. The erosion of this base meant that the LDP needed to go beyond these organizations and constituencies and seek broad popular support if it was to stand up to the pragmatically oriented opposition forces that emerged in the 1990s. The master of this strategy was Junichiro Koizumi, who took office as president of the LDP in 2001. By slashing public works spending, reducing central government subsidies to outlying prefectures, and pursuing a program of market-oriented regulatory reform with postal privatization as its centerpiece, the Koizumi cabinet garnered widespread support from urban voters outside the traditional LDP base and became a popular phenomenon.

Despite the Koizumi reforms, however, the LDP missed the opportunity to replace its old organizational support apparatus with a new popular base and reinvent itself as a party. It enjoyed a brief surge in popular support by riding on the coattails of a charismatic leader, but once Koizumi stepped down, the deep structural gap between the old LDP and the demands of a new age became more glaring than ever.

Particularly problematic is the LDP's traditional reliance on local campaign organizations known as *koenkai* (support groups), grassroots groups virtually independent of party authority whose purpose is solely to secure support and funds for individual politicians. When faced with the task of finding a successor for an outgoing Diet member, a local *koenkai*, preoccupied with its own organizational cohesion and continuity, will often seek out the son of a current LDP lawmaker as the kind of candidate most likely to satisfy everyone in the group, instead of searching for someone with new skills suited to a changing environment. This has contributed to the rapid proliferation of hereditary lawmakers among LDP Diet members.[1]

[1] For more on the subject, see Sota Kato's article "Hereditary Lawmakers in an Era of Politically Led Policymaking."

We need not look far to see the consequences of this trend. Koizumi stepped down as prime minister in September 2006, at the height of his popularity. First Shinzo Abe and then Yasuo Fukuda succeeded him as party president, each taking his turn as prime minister without the "baptism" of a general election. Both failed to lead effectively, lost the public's support, and vacated the post after barely a year in office. Now the Aso cabinet, with its abysmal approval ratings, is following in their footsteps.

One thing all three of these unpopular prime ministers have in common is a father or grandfather who served as prime minister and had considerable clout within the LDP. Abe, Fukuda, and Aso all basically inherited their Diet seats and thus had relatively little work to do in terms of cultivating a constituency. This has led a number of analysts to speculate that their weak leadership is the product of a system that allowed them to achieve political success without ever facing serious competition. The LDP's system fatigue has revealed itself not only in its crumbling organizational support but also in its failure to develop effective new leaders.

As the LDP's system fatigue has grown ever more apparent, voters have begun looking to the competition of a genuine two-party system as a way to raise the level of politics and government in Japan. This, rather than any real display of competence, has put the untested DPJ in an excellent position to take the helm for the first time since its formation in 1998. But assuming the DPJ wins, what course can it be expected to chart for the nation?

Policy Prospects

In an election that promises to bring about a historic change of government, the key campaign issue is going to be whether there should be a change of government. In other words, specific policy issues are unlikely to play a major role in lower house races around the country. The DPJ, having never actually held the reins of government, has no record to run on, and its actual ability to govern is an unknown quantity. Its election strategy, therefore, will be to stress the failures and the general decline of the LDP and focus on the promise of the "change of government" in which so many hopes now reside.

For, in fact, voters have high expectations of the DPJ, untested though it may be. In a word, they are hoping it will sever the unholy alliance between the LDP and the bureaucracy and bring back efficient government. The DPJ has homed in on these very

points, repeatedly pointing out the systemic decay in the LDP and the bureaucracy and pledging to control the bureaucrats so as to put policy decisions in the hands of the political party the people have chosen to lead them. It has even gone so far as to announce a plan to place about 100 political appointees inside the administrative apparatus.

But if the unknowns surrounding the DPJ have led to inflated expectations among voters, they have also led some to fret over the party's practical ability to manage the government, particularly where foreign relations and security policy are concerned. Some observers in Japan and abroad have voiced concerns that the new government could destabilize Japan's close friendship and alliance with the United States, a relationship that has thus far been a signal success from Japan's viewpoint.

Indeed, the DPJ's record in this arena is not altogether encouraging. For example, it tried to block moves by the LDP–New Komeito coalition to extend the Marine Self Defense Force's refueling mission in the Indian ocean, which provides logistic support for the US anti-terrorism campaign in Afghanistan. Its 2008 policy platform calls for building a more "equal relationship" with the United States and suggests that it would seek to revise the Japan-US Status of Forces Agreement. With regard to the transfer of facilities at Futenma Air Station in Okinawa—something the two governments have spent years negotiating—the DPJ is calling for a solution different from that already agreed on by Tokyo and Washington. By throwing a last-minute wrench in the works, the new government threatens to provoke the ire of the Obama administration.

The policy direction of a DPJ administration vis-à-vis the Japan-US alliance is difficult to predict in part because the party encompasses both realists in the LDP mold who support the alliance and politicians of a more liberal bent, not to mention former members of the Social Democratic Party (formerly the JSP). Moreover, even if the DPJ takes control of the House of Representatives, it may well be obliged to forge a coalition with the SDP in order to control the House of Councillors, where it lacks a majority—another source of anxiety for some government officials and allies.

There are also some grounds for optimism in the realm of diplomacy. Among the LDP there has long been a minority contingent inclined toward a conservative or nationalistic brand of historical revisionism, which has been the cause of periodic

flare-ups with China and South Korea. Since DPJ has few members of this bent, we may see a decline in these diplomatic disputes over the "rewriting of history."

In terms of economic policy, it is unclear whether the DPJ will pursue deregulation and other reforms more vigorously or retreat in the opposite direction. Initially, the DPJ's base consisted mostly of urban pro-reform voters, but after Koizumi came to power, the party worked hard under Ichiro Ozawa's leadership to rally the support of rural voters opposed to economic reform. This strategy secured the DPJ a solid support base, but it also made the party's economic orientation difficult to define.

My own opinion is that, in the areas of diplomacy and security policy, concerns about the DPJ negative impact are overstated. Once the party is in the position of running the government, it will be forced to respond to circumstances realistically. As for voters, their real concern is domestic issues. Questioned on this issue during a symposium in Japan not long ago, Richard Armitage, deputy secretary of state under George W. Bush and a vigorous booster of the Japan-US alliance, pointed out that campaign rhetoric and actual policy are two entirely different things. In fact, in its soon-to-be released manifesto for the coming election, the DPJ is already moving toward a more pragmatic policy stance by deleting the clause calling for termination of the Marine Self-Defense Force's refueling mission in the Indian Ocean. All in all, the new administration is far more likely to maintain the status quo when it comes to foreign policy and security than to set out in a new direction. Although maintaining the status quo could also be problematic, it would surely be preferable to a negative change in course.

As noted previously, the DPJ lacks a majority in the upper house, and will thus be forced to form a coalition even if it wins a majority in the lower house in the general election. The most likely coalition partners are the SDP and the tiny People's New Party, consisting of former LDP members who fled the party after opposing Koizumi's postal privatization plan. However, if the election turns into a rout, some LDP lawmakers may be concerned enough to defect and form their own party. In that case, the LDP spinoff would become a prime candidate for coalition partner, since the conservative wing of the DPJ has more in common with the LDP than with the SDP when it comes to policy.

Given the DPJ's lack of experience as a ruling party and the absence of a strong party consensus on the major policy issues, the orientation of its government policies will be largely determined by the makeup of the coalition it builds. Thus, while no one would

deny the significance of the upcoming election and the new government that is expected to emerge in its aftermath, we should be wary of assuming that the change will immediately usher in a clear-cut shift in Japanese policy.

July 24, 2009

The DPJ Platform on Climate-Change—A Reality Check

By Sawa, Akihiro

With a critical election looming and an international climate-change conference just over the horizon, the opposition Democratic Party of Japan has embraced an emissions-reduction target far more ambitious than that announced by the current administration. Does the DPJ's green platform represent responsible leadership or reckless political grandstanding?

International negotiations are intensifying in advanced of the United Nations Climate Change Conference (COP 15), to be held in Copenhagen in December this year. On June 10, Prime Minister Taro Aso, leader of the Liberal Democratic Party, announced Japan's new midterm national targets, promising to reduce greenhouse gas emissions 15% from the 2005 level by 2020.

Aso's announcement followed the April release of a report by the government's advisory panel on climate-change policy. The panel based its conclusions on six months of study and deliberation, including objective analysis of various mitigation policies and measures and the economic costs incurred in the process of reducing greenhouse gas reductions, all carried out with the help of sophisticated economic models and environmental simulations. In its report the panel outlined six options, ranging from ongoing implementation of current emissions-reduction measures, for a 4% reduction from the 2005 level (option 1), to a comprehensive package of policies and measures, including strict regulation, leading to an estimated 30% reduction compared with 2005 (option 6). Numerically, the target Aso announced in June falls roughly midway between those two extremes. In terms of policy mix, it represents the maximum reduction (14% from the 2005 level) attainable through government subsidies and incentives alone, without recourse to compulsory regulation, plus an additional 1% reduction to be realized through the "bold political decision" to pursue policies to expand the use of solar power. The plan announced by Prime Minister Aso has naturally been incorporated into the LDP platform for the coming general election.

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The Democratic Party of Japan has responded in its own platform with a midterm emissions reduction target of 25% from the 1990 level, or 30% below 2005—a goal rejected by the current government as unrealistic. (The DPJ has also proposed a long-term reduction target of more than 60%, as compared with the LDP's goal of halving emissions by 2050. However, since no politician today can assume responsibility for outcomes 40 years hence, the long-term target has been omitted from this assessment.) Why such a discrepancy between the two parties, and how has each justified its position?

Rejecting the Middle Ground

In Japan, as in other countries, the advocates of economic realism and the champions of the environment have sharply differing views on the appropriate midterm target for reduction of greenhouse gas emissions. The economic realists make the point that in the process of weathering two oil crises Japanese industry has already developed the most energy-efficient technologies and products in the world, and thus has reached the point where further reductions will involve a high marginal reduction cost. Barring the development of truly ground-breaking technology, this means that large cuts cannot be achieved without depressing the economy and lowering people's living standards over the short term. From an international perspective, they point out that the Kyoto Protocol has imposed a disproportionately heavy burden on Japan, inasmuch as the United States has refused to participate, developing countries are exempt from reduction commitments, and the European Union is able to achieve its target relatively easily, thanks to factors independent of environmental policy, such as Germany's unification and Britain's conversion from coal to other fuels. Convinced that accepting a similar framework moving forward would put Japan at a severe competitive disadvantage, they emphasize the importance of ensuring fairness, as seen from the standpoint of marginal reduction cost.

The environmental camp, meanwhile, argues that Japan must demonstrate leadership in the arena of environmental diplomacy by adopting a more ambitious reduction target than other countries. It also maintains that such an ambitious target, far from depressing the economy, will stimulate it by encouraging technological development and innovation. The environmentalists point to the "green economy" strategy of US President Barack Obama, a change of course that they welcome enthusiastically after

the previous eight years. They agree that participation by the developing countries is desirable but maintain that it is more important for the industrial powers—Japan in particular—to lead the way, thus encouraging active involvement by China and other developing countries.

The economic realists are represented by such industry groups as Nippon Keidanren, and at the government level by the Ministry of Economy, Trade, and Industry. Speaking for the environmentalists are a variety of environmental nongovernmental organizations and the Ministry of the Environment. (Within the business realm, the finance industry supports the adoption of a cap-and-trade system, anticipating profits from an emissions-trading market.) The realist camp advocated the first and least ambitious of the panel's options (4% reduction from 2005), while the environmentalists supported option 5 or 6 (a 20%–30% reduction from 2005).

Prime Minister Aso and the LDP settled on a position midway between those two extremes. The DPJ's position, by contrast, corresponds to option 6, the most ambitious of the group (30% from 2005). The economic camp has voiced concerns that a DPJ victory would open the way for policies that could further depress the economy and increase the public burden. The environmental camp, by contrast, has waxed enthusiastic in its support of the DPJ.

The Untold Story

Unfortunately, the DPJ's position on climate change is not merely ambitious but fatally flawed, on three separate counts.

The first flaw is that it offers no indication whatever of the economic burden its policies would impose on the nation. There is an regrettable tendency, not only within the DPJ but around the world, to ignore the cold hard truth that environmental protection involves a tradeoff in terms of economic growth and living standards. In the EU in particular, environmental protection is all too frequently treated as a sacred cow. But here in Japan, which is victim not only to a devastating recession but also to growing wealth gap stemming from the free-market reforms of Prime Minister Junichiro Koizumi, the public has become alert to the potential costs and consequences of new policies, including the impact on income distribution. Thus, few voters are indifferent to the economic impact of a cap-and-trade system or a feed-in tariff system that would

oblige electric utilities to buy all electricity from renewable energy sources at a fixed, incentive price. Prime Minister Aso made it clear that his plan's cost to the average household would amount to 76,000 yen annually. The DPJ's proposal, by contrast, skirts any mention of cost.

In some circumstances it might be argued that the DPJ was handicapped by insufficient information, lacking the ruling LDP's extensive resources for policy analysis. But where the midterm emissions-reduction targets are concerned, virtually all relevant quantitative data was made public during the lengthy process of deliberation, along with the deliberations themselves. Voters therefore have the right to expect that any competing proposal will be backed by solid facts and figures.

The second flaw in the DPJ's climate-change position is that it envisions the adoption of both emissions trading and an environmental tax, despite the fact that the two options are mutually exclusive from the standpoint of effective policy. No nation in the world has adopted or even considered adopting both options simultaneously as a strategy for fighting climate change. The DPJ platform never addresses this policy-mix issue with an explanation as to why both measures are necessary. Nor, for that matter, does it attempt to explain the inconsistency between its policies to counter global warming and its promise to eliminate tolls on expressways and reduce gasoline taxes, measures that would lead to an increase in greenhouse gas emissions.

The Meaning of Leadership

The third flaw in the DPJ platform is the assumption that Japan can "take a leadership role internationally" (in the words of Secretary General Katsuya Okada) by adopting the midterm target of reducing emissions 25% from the 1990 level. Doubtless other nations of the world would marvel at the spectacle of Japan, already a world leader in energy efficiency, undertaking to reduce emissions by another 25% at an estimated reduction cost of 80,000 yen/t-CO2. "Japan is in a league by itself," they would exclaim. "We could never do that; it would be economic suicide." In this way Japan might enjoy a moment in the spotlight, if this is the DPJ's idea of leadership. But others might disagree with that definition.

With the EU pledging a 20% midterm reduction in emissions (30% if other countries will go along), the DPJ apparently decided that Japan must do the Europeans one

better. Setting a target with the sole intent of avoiding the superficial appearance of having been numerically bested is the kind of simple-minded political posturing that scarcely bears comment. If it were an issue of numbers alone, not even a 25% target would satisfy countries like China, which is seeking a 40% reduction by the industrial world, and India, which is calling for an 80% cut. If some in the international community regard Aso's target as insufficiently ambitious, part of the reason is the government's failure to convey the high cost of the measures Japan is preparing to take. The DPJ's seeming effort to impress the world simply by raising Japan's number to 25 bespeaks a failure to grasp the larger issue, inviting the suspicion that the party has no strategy whatsoever for international climate-change negotiations. Incidentally, the DPJ's argument that a more ambitious midterm target will actually stimulate the Japanese economy by spurring innovation leads one to wonder why developing countries have adamantly rejected emissions-reduction commitments on the grounds that they would hamstring their efforts to rise from poverty. One somehow doubts that the DPJ's logic would be sufficient to persuade China and other developing countries to sign onto the next international climate-change framework. Today the true test of leadership in the fight against climate change is not one's audacity in playing the numbers game but one's ability to formulate and advance a viable concept for an overall framework to succeed the Kyoto Protocol.

Of course, to some degree every party platform bows to the necessity for brevity and the need to make its policies politically appealing. But this does not excuse the DPJ's apparent failure to make use of the data and models now available to anyone who wishes to analyze the costs and benefits of measures to stem climate change. It would be rash and foolish for DPJ—should it take control of the government—to summarily revise the target Prime Minister Aso has announced domestically and internationally, simply because it has written that into its platform. We can only hope it will have the wisdom to submit the issue to the nation for thorough reexamination and debate.

August 7, 2009

Elections and Alternatives for Pension Reform

By Tanaka, Hideaki

One of the most rapidly aging nations in the world, Japan expects 40% of its population to be 65 or older in 2050. The younger working population is shrinking, meanwhile, and the sustainability of the pension systems they support is in doubt. A recent rise in the number of temporary workers has boosted the ranks of non-contributors to pension schemes, and record-keeping failures have come to light, leading to broad public distrust and unease. Pension system reform will be a key point in the upcoming election.

Introduction

Public pension systems around the world can be broadly categorized into two types: the social insurance model and the universal model. Examples of countries employing the first model, in which people receive benefits or services in proportion to individual contributions made to an insurance scheme, include the United States, Germany, and France. The second model, in which benefits or services are received according to years of residency rather than contributions made, has been adopted by such countries as Canada, Australia, and the Netherlands.

The critical difference is the linkage between contributions made and benefits received. In the former countries, individuals cannot receive pension benefits if they do not contribute through the payment of insurance premiums. Public assistance programs, which assess an individual's income and assets, are available for low-income earners and others who for one reason or another have not been able to pay insurance premiums. In the latter countries, there is no clear linkage between contributions made and benefits received, and anyone who has lived in a country for a certain period (generally 40 years) can receive pension benefits. The system is, therefore, funded entirely by general tax. Moreover, excluding certain income-security measures such as housing assistance, income security in old age is provided for through the pension system, not

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public assistance. Although there is no direct linkage between contributions and benefits, it does not mean that a person receives pension benefits for free. This is because people normally pay income tax while working in their younger years, as well as paying sales tax. Their contribution through general tax is not directly connected to pension benefits. The choice of system, whether social insurance or universal, is based on the philosophy of what citizens think is fair and rational.

While Japan's public pension system is in principle based on the social insurance model, the government calls it a universal system. This is theoretically contradictory because, while it has been noted that pension systems around the world are split between two models, Japan's public pension system has characteristics of both. As will become apparent below, the fundamental problem with Japan's pension system lies therein. Trust in the public pension system has eroded greatly in recent years as problems have arisen in relation to both contributions and benefits. On the contributions side, the number of people who cannot pay premiums has increased rapidly due to such factors as a rise in non-permanent employment. With regard to benefits, the amount received by some citizens was reduced as a result of the government's inaccurate records of premiums paid. It is said that the total number of such cases, referred to as "unattended pension claims," is 50 million. These problems show the social insurance system in Japan has broken down.

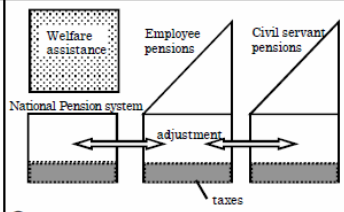
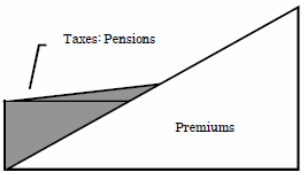
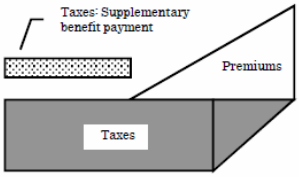
The Structure of Japan's Pension System

Generally speaking, or according to official government documents, Japan's public pension system is a two-tiered system, comprising a Basic Pension plan as the first tier, and pension plans for company employees and civil servants as the second tier. (There are also corporate pensions, which constitute a third tier.) In the first tier, all citizens pay and receive a fixed amount, while in the second-tier pension plans for company employees and civil servants, the insured person pays premiums and receives earnings-related benefits. But this explanation does not accurately reflect Japan's pension systems. In reality, pension programs are divided by occupation. The National Pension is provided for self-employed and non-permanent employees, while occupational pension plans are provided for company employees and civil servants (see chart). Although the Basic Pension plan was introduced in 1985 through the amendment of relevant laws, it was not established as an independent pension scheme, but rather as a financial bail-out system, because the National Pension system was

going bankrupt. Occupational pension plans consisted of flat benefits and earnings-related benefits, while the National Pension system was originally flat benefits. After the pension reform in 1985, the Basic Pension provided the same flat benefits for both pension schemes. In principle, Japanese citizens are required to join one of three pension plans. The fixed-benefit portion (the portion equivalent to the Basic Pension), however, is paid out of funds to which each pension plan contributes. Simply put, employees of companies are financially supporting such people as the self-employed. The complexity of this system has given rise to a number of problems.

Firstly, there is the problem of unfair distribution of burden for payment of insurance premiums. Individuals belonging to the National Pension plan (designated by law as "Type I insured") pay a fixed monthly premium of approximately 15,000 yen, regardless of income. Insurance premiums for company employees and civil servants (designated as "Type II insured") are flat-rate, namely contributions proportionate to the employee's monthly salary, amounting to approximately 15% of the monthly salary (paid one-half by employees and one-half by employers). In short, the flat-rate contributions by employees and employers cover both flat benefits and earnings-related benefits. In other words, pension premiums for flat benefits are unknown, although they are estimated to be about 4 percentage points of the total 15% insurance premium. Moreover, the spouse of a company employee who is a full-time homemaker (designated as "Type III insured") pays nothing.

Proposals for Consolidating Japan's Pension System

System	Fragmented social insurance model Japan's present system	Single-tiered universal pension model Swedish model	Two-tiered universal pension model Canadian model
Structure	 ●National Pension system: premiums (about 15,000 yen per month regardless of income level), 1/2 of benefits financed by taxes ○Public assistance: financed by taxes, based on means test ●Employee and civil servant pensions: premiums (about 15% of earnings, shared equally with employers and employees), 1/2 of fixed-amount benefits financed by taxes, self-employed not covered	 ●Minimum guaranteed pension: financed by taxes, full amount paid to those with 40 years' residence whose income is below the threshold, loose income test ●Earnings-related pension: premiums (fixed rate of earnings), compulsory participation by self-employed	 ●Basic pension: financed by taxes, full amount paid to those with 40 years' residence; benefits reduced for high-income earners via tax return (claw-back) ○Supplementary benefit: financed by taxes, based on income test ●Earnings-related pension: premiums (fixed rate of earnings), participation by self-employed optional

The Ministry of Health, Labor, and Welfare has called the Basic Pension plan a social insurance system, but with the exception of the "Type I insured" (self-employed and part-time workers), pension premiums for flat benefits for employees are unknown. In short, the Japanese social insurance system cannot even identify the insurance premiums paid. This undermines the fiscal governance of the social insurance system, which should link benefits to burdens. Moreover, despite the introduction of a scheme to reduce premiums for low-income earners, the Basic Pension system at present makes those who earn 3 million yen a year pay the same premiums as those earning 100 million yen. This is a seriously regressive system. It is hard to describe this as a public system in which the people all take part to support each other based on their ability.

Secondly, aside from the fact that the National Pension plan differs completely from the pension plans for employed individuals in terms of distribution of contribution burden and treatment of spouses, a number of inconsistencies have arisen as a result of applying the financing adjustment only to the fixed-amount benefit portion of the system. A classic example is the problem presented by situation of the "Type I insured" housewife, who must pay into the system, versus the "Type III insured" housewife, who pays no premiums because her spouse (Type II insured) pays for her, but still receives the same benefits. Moreover, approximately 40% of the 21 million people who fall into the category of "Type I insured" cannot pay a monthly flat premium of about 15,000 yen. The decrease of contributors in the National Pension scheme is likely to increase the burden of employees who belong to occupational pension schemes. According to my calculations, company employees may pay roughly 20% higher premiums on average compared to the proportion of burden shared by all insured persons. The pension record problem is also the result of increasingly cumbersome and complicated procedures that are required if people change occupation.

Thirdly, the maximum amount of benefits per month under the Basic Pension system is 66,002 yen (in fiscal 2007), which is less than the 80,820 yen basic individual welfare benefit (in the 23 wards of Tokyo for senior citizens) from public assistance programs requiring means-testing. The actual average amount of benefits received under the Basic Pension is 47,000 yen (for National Pension plan contributors). While the purpose of each is different, 40 years' worth of pension contributions still come up short in terms of welfare benefits. As such, there is little or no incentive for low-income earners to pay insurance premiums. On the other hand, since one half of the Basic Pension benefits are paid from general tax (from fiscal 2009), pension benefits for such high-income earners

as corporate executives are also supported by general tax. Is this really an efficient use of tax revenue during a time of severe fiscal constraints?

In short, our country's Basic Pension is a "virtual system" different from those of other countries. It is not clear whether it is an insurance system or a safety net. In countries like Canada and Australia, the basic pension system is identified as the latter; it is a universal model in which benefits are based on length of residency, wherein all citizens can receive the same benefits in principle. Naturally, it is financed by general tax. On the other hand, in countries such as the United States and Germany, the public pension system is based on the principle of social insurance, wherein public assistance, not a universal pension, plays a key role in covering deficiencies in pension benefits.

While half of the total benefits for the Basic Pension are financed by general tax from fiscal year 2009, the problems will not be solved if the current structure of pension systems remains as is. Whether it is in the form of insurance premiums or taxes, the burden on the public is the same. How to finance a pension scheme is determined according to the philosophy of the system. The MHLW says that the social-insurance-style universal pension is the basis of the Japan's pension system, but this is theoretically contradictory. MHLW surveys even reveal that more than 1 million senior citizens aged 60 or older do not receive pension benefits. Why is it that there are so many without benefits when Japan supposedly has a universal pension system? Furthermore, given the recent dramatic increase in the number of people who work temporarily, the increase of non-contributors to pension schemes is likely to cause an increase in the number of non-recipients. It is common knowledge that the social insurance model cannot provide universal benefits; thus, the current Japanese social insurance model cannot solve the serious problems discussed in this paper.

Proposals for Pension Reform

What needs to be done to solve the problems facing Japan's pension systems? First of all, the answer must address the issue of how to ensure income security in old age. Pension systems should mitigate the risk of such factors as extended life span, first by providing income smoothing that maintains a standard of living equivalent to that during an individual's working years and second by offering adequate security from the standpoint of society as a whole. The former is a principle of social insurance, and the latter is a principle of income redistribution. The question is how to design a system that combines

these two principles; this depends upon the philosophy of what is fair and rational. The balance of public and private pension systems is critical and it is necessary to create a consistent system that is attuned to both public assistance and the tax system.

The problem, then, is the function of the Basic Pension scheme, and the major issue is how to integrate the three separate pension systems. Although many in Japan, including both the ruling and opposition parties, recognize that there are serious problems with the public pension system, no consensus has been reached on providing a solution.

At present, the government has no proposal for reforming the system; however, a report released by the Ministry of Health, Labor, and Welfare's National Pension Council in November 2008 offer several proposals designed to assist individuals with low pensions and incomes. One of these is a premium remission; the reduced benefit this causes will be supplemented by taxes. Another proposal is a minimum-guaranteed pension system, whereby a certain amount (50,000 to 70,000 yen) is guaranteed even if paid premiums are not enough for the full pension; the difference in premium payments is covered by taxes. All these proposals assume that the structure of the present fragmented pension system is to be left unchanged and general tax revenues are needed.

The ruling Liberal Democratic Party's election manifesto includes a statement that the party will tackle the issue of people without pension coverage and low-income earners, but gives no concrete details on how it will reform the system. The basic idea is one of adding some remedies to the existing pension systems; in this sense the LDP approach appears similar to that recommended by the National Pension Council. Proposals advanced by two national daily newspapers, the *Yomiuri Shimbun* and *Asahi Shimbun*, also fall into this category.

The leading opposition party, the Democratic Party of Japan, has responded with the idea of adopting the Swedish pension system (see chart). Sweden's previous, two-tiered pension system combined a fixed universal benefit with an earnings-related supplement. However, confronted by the inefficiency of the first tier, which was financed by general tax revenues, as well as the recognition that the inequity of benefit payments among those of different generations was bound to expand, Sweden devised an innovative new system in the form of a notional defined contribution system. This combines a defined contribution plan financed on a pay-as-you-go basis with funded individual accounts,

establishing a more direct linkage between contributions and benefits. In order to maintain universal pension coverage, a minimum-guaranteed pension was also introduced for low-income beneficiaries, with eligibility for those with residency in Sweden. As pointed out in the first half of this paper, public pensions throughout the world are generally divided into two types; Sweden, though, has emerged as an exception to this rule. The pension system founded on the country's social insurance system, but it has also established a minimum-guaranteed pension financed entirely by tax revenues, realizing universal pension coverage for all citizens. Rather than simply creating a universal pension within its social insurance scheme, this system is better thought of as having successfully established two systems at once.

What the DPJ is proposing, based on the Swedish system, is the integration of Japan's three pension plans and the introduction of a minimum-guaranteed pension equivalent to 70,000 yen. In addition, they propose that the minimum-guaranteed pension be reduced for individuals in high-income group, for example, making more than 6 million yen per year, and eliminated completely for those taking in around 12 million yen a year or more. (This reduction appeared in the DPJ's original proposal, but was not mentioned in the party's election manifesto.) They also propose measures aimed at boosting the efficiency of pension administration, such as integrating the Social Insurance Agency and the National Tax Agency into a national revenue agency. Like the LDP's proposal, however, the one put forward by the DPJ fails to identify any specific financial resource to pay for these reforms.

The Japanese Communist Party, People's New Party, and Social Democratic Party are proposing a system that provides flat pension benefits of around 80,000 yen per month in addition to earnings-related occupational pensions. Funding for this would come from general tax: in short, it would shift Japan's Basic Pension to a taxation basis, guaranteeing all citizens a defined portion of the income they need after retirement. Some Japanese think tanks, as well as the nationally circulated daily Nihon Keizai Shimbun, have also proposed this tax-funded approach.

Reforms based on the Canadian pension system are frequently proposed as one way to provide all Japanese with a basic pension financed by general taxes (see chart). Canada employs a three-tiered pension system consisting of a basic pension financed by general tax revenues, an earnings-related contribution, and private and employer-sponsored savings plans. The basic pension provides benefits equivalent to less than 60,000 yen

per month to any individual who has resided in Canada for a certain amount of time. But because those without any earnings-related pension benefits cannot subsist on the basic pension benefits alone, a supplementary benefit, equivalent to Japan's system of welfare benefits, has been provided for the elderly with an income test. Based on income tax returns, the so-called recovery tax reduces basic pension benefits for individuals whose incomes exceed 6 million yen per year, and those earning 10 million yen or more receive essentially no basic pension benefits. Since those in middle and upper income brackets will not be able to maintain their previous incomes through tiers one and two alone, it is important that they actively contribute to one of the third-tier schemes.

Though both the Swedish and Canadian pension schemes provide universal coverage, the mechanism by which they do so is different. Under the former, all residents enter into the same pension scheme regardless of occupation and contribute on an earnings-related basis (with the self-employed paying twice as much as salaried workers). The latter system provides a basic pension for all residents, with two higher tiers segregated by profession. Though both produce essentially the same result, as public pension systems they differ with respect to the scope of government responsibility.

The pension reform plans currently discussed and proposed by the political parties' manifestos can be classified in three basic models. These are the model advanced by the LDP, MHLW, *Yomiuri Shimbun*, and *Asahi Shimbun* to incorporate some measures aimed at those in low-income brackets based on the present system (proposal A), the opposition DPJ's version based on the Swedish model (proposal B), and that advanced by the other three parties and the *Nihon Keizai Shimbun* based on the Canadian model (proposal C). Following is a basic review of their respective pros and cons.

Pension Reform Pros and Cons

One of the advantages of proposal A is that it can be implemented without a fundamental restructuring of the current pension system. The other two proposals would entail some transitional problems, such as a lengthy transition period (for example, 40 years). While proposal A also requires financial outlays, the risks associated with reform are minimal.

On the other hand, reform would not enough to fix the current problems with the Basic

Pension system. In particular, in the event that a minimum-guaranteed pension is introduced, features such as reductions and exemptions of insurance premiums and adjustments in benefits in accordance with individual incomes will need to be incorporated, causing the system to grow even more complex. More income checks would be needed within the pension system, incurring larger administrative costs. The proportion of funding from general tax revenues would be increased, thereby diluting one of the defining characteristics of the social insurance system, and the already blurred division between the social insurance and tax systems would continue as before.

In contrast, proposals B and C are universal pension systems in a true sense. Though it would take time for Japan to transition to such a system, both are suited to thoroughly resolving the various problems with the present system. By far the biggest advantage to these models is that they would make the presently vague and complex pension system easy to comprehend.

Both these models have some drawbacks. The biggest problem with proposal B is whether, with the integration of separate pension plans, insurance premiums can be levied effectively using the same standard for both company employees and the self-employed. Even if income for the self-employed can be determined precisely, differences between the nature of business income and employment income pose problems in terms of fairness.

The difficulties that many countries are now experiencing in maintaining their pension systems also raise the question of whether it is wise to integrate previously separate pension plans into one large, earnings-related system. The Swedish system is based on the principle that all people will be able to find jobs that allow them to receive earnings-related benefits, thanks to that country's aggressive employment measures; indeed, wages for women are on average 80% those of men. If Japan failed to take similarly aggressive measures to ensure that all its residents are generating incomes, there would eventually be an increase in the number of elderly individuals needing the minimum-guaranteed pension benefit. This is a distinct possibility in light of the recent increase in non-permanent employment. In Sweden, on the other hand, the number of individuals receiving this benefit is anticipated to fall as residents earn higher incomes. Meanwhile, proposal C eliminates the need to combine separate occupational systems.

At present general tax revenues cover half the Basic Pension; therefore, financing

difficulties aside, there are no particular structural barriers to increasing this proportion to 100%.

One problem with adopting proposal C is how to handle the portion of insurance premiums borne by employers. Introducing such a system to Japan would mean separating pensions into a flat-amount portion and an earnings-related component. Since the former would be covered by taxes, the corresponding premiums borne by workers and employers would be unnecessary. If this reduction were not somehow returned to insured individuals, the increase in taxes to cover the flat amount would simply end up a net increase in the people's burden. This problem could be avoided by adding the premiums borne by employers to a basic component of employees' wages, and thereby something to be returned to those employees at a later date; depending on the relations between workers and employers, however, this may not go over well. It is also conceivable that, as is the case in some countries, the proportion carried by employers could be kept the same and the policy of splitting premiums equally between employers and employees be abandoned; but this may prove an unpopular idea among employers. On the other hand, since premiums—which have thus far been exempted from taxation—would no longer be levied as fixed amounts, taxable income would rise, constituting a source of additional revenue.

Theoretically speaking, proposals B and C are both of high quality. In terms of feasibility for Japan, the latter seems easier than the former, as it requires restructuring only the first tier, but the former addresses the first and second tiers and should strengthen the social insurance system. Regardless of whether proposal B or C is adopted, the problem of financing remains a sizeable one. Proposal A would require fewer direct additional resources than proposals B and C, but as long as the minimum-guaranteed income would need to be addressed via the welfare safety net, proposal A is not necessarily cheaper than proposals B and C, as it would be supplemented by a public assistance program based on means testing.

Conclusion

Each of these pension reform proposals has its own advantages and disadvantages, and it is necessary to compare figures and other data for each and conduct serious and objective debate on which is most appropriate. The most important aspect of this debate will be answering the basic question of how old-age income security is ensured. As

mentioned before, the country faces a choice between a social insurance system and universal pension coverage (or tax-funded system). If Japan opts for a social insurance system and abandons universal pension coverage, those with low incomes will be need to be dealt with through public assistance. Universal pensions, on the other hand, would be funded by taxes. Neither option represents a free lunch. Citizens and residents will have to shoulder the burden in some way or another in order to provide individuals with a dignified retirement, whether this burden takes the form of premiums, taxes, or pay-as-you-go or funded pension schemes. Thought will need to be given to designing a more effective pension system in accord with social and economic changes. One of the difficulties of pension reform, moreover, is that it is impossible to discuss starting over with a completely new system.

There has been a great deal of emotional debate surrounding pension reforms, such as whether to increase taxes, and not enough in the way of objective and detailed analyses. Both the ruling and opposition parties should present the public with concrete proposals for pension reform that include proposed sources of financing.

August 27, 2009

Economic Policy Challenges for the Next Administration

By Kobayashi, Keiichiro

The Japanese economy owes its growth over the past five years to dependence on external demand; fundamental structural reforms have not been implemented on a sufficient scale. Now, however, with external demand (exports to the West) predicted to remain sluggish for some time, the need to reform the structure of the Japanese economy is greater than ever before.

The Impact of the Global Financial Crisis on Japan

Japan has experienced the steepest fall in production of any developed country since the global financial crisis struck in the autumn of 2008. The reason for this is that the crisis triggered a sharp contraction in overall demand, including for imported goods, in the United States and Europe, causing Japan's exports to the West to plummet. The impact has been especially severe in Japan because the Japanese economy has become increasingly export-dependent over the past five years. Japan has been recording trade surpluses since the 1970s. Expanding domestic demand became a priority for economic policymakers in the 1980s, but the long slump that followed the collapse of the economic bubble in the early 1990s meant that the economy entered the new millennium with this goal still unfulfilled. The economy finally emerged from its long downturn by recording growth between 2003 and 2007, but domestic demand remained weak, and the growth was sustained almost entirely by exports to destinations like the United States and China. The economy became increasingly export-dependent during this period, with the result that it suffered extensive damage when the global financial crisis dealt a direct blow to Japanese exports to the West (including those via China).

At the same time, Japanese financial institutions sustained relatively little direct damage from the problem of subprime-loan-related securitized products and other such

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nonperforming assets. (As Japanese financial institutions were still busy in the early 2000s disposing of their nonperforming loans from the bubble era, they did not have the funds to make major investments in financial products involving subprime loans. This had the fortunate consequence that they came through this period without taking on further nonperforming assets.) Also, because of their progress in adjusting their balance sheets in the late 1990s and 2000s, Japanese corporations and banks had quite healthy balance sheets in August 2008, shortly before the collapse of Lehmann Brothers.

To put it in exaggerated terms, Japan is basically unaffected by the nonperforming assets currently burdening Western countries, and the country's financial system faces few problems. One could say that the damage to Japan's economy stems entirely from the contraction in overall demand caused by the decline in exports to Europe and the United States. The fact that Japan's financial system is less damaged than those of Western economies is an advantage and means that the conditions are ripe for the Japanese economy to grow more swiftly than Western economies. If Japan can cope adeptly with the shortfall in external demand, its economy may return to growth in a relatively short time.

The Challenges Facing the Japanese Economy

The biggest economic challenge currently facing Japan is to deal with the slump in external demand, and there is no option but to compensate for this loss by increasing public demand—that is, demand from the governmental sector. This means that, for the time being, Japan will have to maintain an expansionary fiscal policy of public works and tax cuts and a loose monetary policy. However, the decline in external demand for Japanese products is unlikely to be a short-term phenomenon.

Resolving the problem of nonperforming assets in the United States will probably be a lengthy process, while the instability in Europe's financial system is also expected to persist for some time. The slowdown in domestic demand in Western economies is therefore set to last. As a result, Japan will probably experience a structural, long-term decline in its exports to the West. This is a major issue for the Japanese economy over the next decade. As for how this challenge should be met, in the next few years it will be important for Japan to develop demand in regions other than the West, such as emerging countries in Asia and elsewhere. After that, in the longer term of around 10 years, we should pursue the potential for a growth pattern fueled by self-sustaining

domestic demand by developing domestic-demand-type industries. These challenges involve the questions of how to change Japan's long-term economic and industrial structure and how to achieve growth. In other words, the issue is how to increase the efficiency of the economy.

Meanwhile, the immediate issues that have become the biggest points of contention in the election campaign are the widening of income disparities among workers—at the core of which is the problem of discrimination in working conditions between regular and nonregular workers—and reforms to social security systems, such as the pensions system and public healthcare. These issues center on the question of what kinds of redistributive policies should be implemented to increase fairness in the economy.

Manifesto Comparison and the Next Administration's Economic Policy

On the issue of economic management in the immediate future, it is assumed that both the ruling Liberal Democratic Party and the opposition Democratic Party of Japan are committed to an expansionary macroeconomic policy of public spending. At the present time, there is no alternative for combating the recession. The DPJ, however, claims that it will free up fiscal resources for its redistributive policies by reducing wasteful spending; it is therefore possible, albeit highly unlikely, that macroeconomic management under a DPJ administration could take on the characteristics of fiscal austerity.

In their manifestoes, both parties emphasize redistributive policies involving the pork-barrel-like use of fiscal resources. Yet when it comes to the issues of how to change Japan's industrial structure to prepare it for the future and how to achieve economic growth, the parties are vague. If one had to differentiate them, one might say that the DPJ—in advocating measures like a ban on nonregular employment—favors boosting redistribution even at the expense of economic efficiency, while the LDP—in advocating continued deregulation rather than stronger regulation, coupled with an expansion of the safety net to cope with the negative effects—shows a slight preference for efficiency. Since both the LDP and the DPJ take a negative view of the structural reform path followed by the administration of former Prime Minister Junichiro Koizumi (2001-6), however, neither the ruling nor the main opposition party seem very committed to encouraging growth by enhancing the efficiency of the economy through reforms.

The Japanese economy owes its growth over the past five years to dependence on external demand; fundamental structural reforms have not been implemented on a sufficient scale. Now, however, with external demand (exports to the West) predicted to remain sluggish for some time, the need to reform the structure of the Japanese economy is greater than ever before. Boosting redistributive policies to alleviate income disparities is important, but if the measures have the effect of strengthening regulations and hindering change in the economic structure, they will hamper the economy's long-term development and lead to a deterioration in people's standard of living. In essence, such measures would serve as an incubator for inefficiency and might cause long-term decline in the Japanese economy. The current stances of the LDP and DPJ, which emphasize redistribution and appear to endorse the curbing of competition, only serve to heighten such fears and anxiety.

The biggest challenge for the new administration, in addition to the immediate issue of increasing fairness by bolstering the safety net, will surely be to devise a strategy for sustained economic growth by setting out in concrete terms a roadmap for mid- and long-term changes to the structure of the economy.

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Addressing the Problems in the Japanese Healthcare System

By Ii, Masako

Japan has a healthcare system characterized by universal health insurance coverage, as all Japanese citizens belong to one of the country's health insurance systems. The author analyzes problems of the current system, outlines the healthcare platforms of the major political parties, and points out important tasks to which all parties should be committed.

Japan's healthcare system is fundamentally a system of universal health insurance coverage. Japanese citizens belong to either the national health insurance, workplace-based health insurance, or government-managed health insurance system. It is a free-access system with no gatekeepers that allows people to be examined and treated at the medical institutions of their choice, regardless of their symptoms. This has led to the problem of excessive demand from patients who visit doctors too often. The frequency of doctor visits per patient in Japan far outstrips the average for Organization for Economic Cooperation and Development countries. Another characteristic of the Japanese healthcare system is the high number of hospital beds per capita; to maintain the utilization rate of all these beds, hospital stays are also longer than the OECD average.

The aging of Japan's population is causing severe problems for the country's public finances. The health insurance system, in particular, is structured such that fiscal resources are transferred from workplace-based insurance (whose members tend to be younger and have higher incomes) to the national (many of whose members are elderly or unemployed) and government-managed insurance systems.

The remuneration system is fundamentally a fee-for-service system, but a comprehensive payment system is gradually being introduced in acute hospitals. The payments doctors receive for medical services are the same nationwide, with rates set by the central government.

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There is a general impression that the remuneration system and other complex regulations and systems in Japanese healthcare tie the hands of medical practitioners. Yet ad hoc responses to regulatory reform moves have led to imbalances. These include a system in which doctors are free to present themselves as specialists in any field, regardless of experience, causing excessive competition and patient confusion, and the setting of inappropriate fees for medical services, which provides excessive incentive for hospitals to purchase expensive medical equipment, thereby contributing to the ballooning of healthcare costs.

It is therefore important to distinguish clearly between areas where regulations are needed to ensure safety and security, and areas where freedom should be allowed to promote efficiency and creative innovation.

The healthcare platforms of the major political parties in Japan may be summarized as follows (as of July 22).

1) Liberal Democratic Party, New Komeito
- No mention of amount of fiscal expenditure
- Focus on support for pharmaceutical development

2) Democratic Party of Japan
- Priority on securing fiscal expenditure
- Pledge to unify health insurance

3) Japanese Communist Party
- Priority on reducing amount patients pay for medical care (insurance premiums, charges at point of service)
- Emphasis on improving operation of the national health insurance system

4) Social Democratic Party
- Opposition to increases in patient's share of costs and control of total medical expenditure
- References to preventive medicine and disparities between public and private hospitals

5) People's New Party

- Priority on securing fiscal expenditure
- Emphasis on investment in medical facilities

One point on which all parties agree is the area of community healthcare, particularly ensuring the availability of acute and perinatal medical services and tackling the shortage of doctors.

In my view, however, there are two important issues that the parties should have raised with the people in their manifestoes but that are not even mentioned: first, the relationship between the national and local governments, and second, medical statistics.

Reforming the local finance system to give local governments responsibility for the apparatus of healthcare provision

Local governments play significant roles in the fields of healthcare and social welfare, and they need to be flexible in developing policies that respond to the desires of local citizens. Today, however, there are tangible and intangible restraints on both the powers and fiscal resources of local governments. In particular, a pattern has become established in which local governments and the national government each try to push responsibility for maintaining the apparatus of healthcare provision onto the other.

One of the main reasons this kind of structure has taken root is the local government finance system. Within the general subsidies that make up local governments' general revenue source, the practice by which the national government requires local governments to pay for particular items using Local Allocation Tax Grants is being abused. This presents three problems.

1) The purposes for which local governments may use their general revenue are effectively limited by the national government.

2) The respective responsibilities of the national and local governments in fiscal expenditure and policy implementation are unclear.

3) There is a lack of correspondence between the systems (subsidies and Local Allocation Tax Grants) and functions (revenue guarantees and fiscal adjustment)

with regard to fiscal transfers.

Therefore, we need to clarify the responsibility of the national government to guarantee, as grants, the fiscal resources that local governments need for policies that the national government in essence requires them to implement (and its accountability to the people for this spending), and the accountability of local governments to residents for the general revenues that they receive as local allocation taxes and can spend at their discretion.

Obtaining statistical data for use in developing appropriate healthcare policies

It is important that healthcare policy is based on a solid understanding of the current reality. However, it is hard to claim that healthcare policies to date have been formulated and implemented on the basis of solid, readily acceptable evidence. What happens, in effect, is that interest groups communicate their individual demands to politicians and bureaucrats behind closed doors, and reasons are then conceived to justify the resultant policies.

For example, each year the Ministry of Health, Labor, and Welfare publishes the nation's estimated healthcare expenditure, but since the range of items included in this expenditure is limited to the costs of treating injuries and illnesses, the figure is essentially an estimate only of the healthcare expenses covered by public insurance. The costs associated with normal pregnancies and births; health checkups, vaccinations, and other procedures aimed at maintaining and promoting health; and prosthetics for people missing limbs, eyes, or other body parts are not included in the calculation. The same goes for the costs borne by patients for items not fully covered by health insurance, such as room fees during hospitalization and dental fees. While the estimate may be adequate as an explanation of the range of activities under the jurisdiction of the MHLW, it is wholly inadequate for gaining a clear understanding of the use of healthcare services by Japanese citizens. If the costs of a normal pregnancy and delivery are high, they may contribute to the low birthrate, and the importance of health checkups and vaccinations for the purpose of maintaining and promoting health is likely to be of great interest to the public.

To get beyond the current situation it is vital for the national government to take responsibility in conducting statistical studies and publicly disclosing the resulting data.

Unless the government shows strong leadership, however, little progress will be made in obtaining and utilizing such statistical data. Specifically, estimating healthcare costs not covered by insurance and Japan's "real" total healthcare expenditure, including the capital costs of local-government-run hospitals and transfers from the general account, will illuminate the problems in the Japanese healthcare system in an understandable, readily acceptable form. If we are serious about putting politicians, rather than bureaucrats, in charge of the healthcare system, then gaining an accurate understanding of healthcare expenditure is an important task to which all parties should be committed from the perspective of establishing a basis for discussions of healthcare policies.

August 27, 2009

The Civil Service System and Governance

By Tanaka, Hideaki

All of Japan's political parties have pledged to prohibit amakudari—the practice of retired bureaucrats' "parachuting" into lucrative jobs in sectors they formerly regulated—in their manifestos for the upcoming election. Although there is some divergence in the details of the parties' proposals for civil service reform, there are no major differences. Here the author reviews the current state of Japan's civil service system and discusses the wider issue of governance.

Introduction

None of Japan's political parties have put forward a concrete plan to overhaul the civil service system. Only the opposition Democratic Party of Japan touches on the need for political leadership and governance, including the role and status of civil servants, in its manifesto for the forthcoming House of Representatives election. Japan's civil service system is based on the merit principle, all the way up to the top position of administrative vice minister, and is closed in nature. Civil servants are recruited through competitive exams, after which they are trained within government organs over the long term. Although midcareer recruitment has increased in recent years, such cases are treated as exceptional. Conversely, it is uncommon in Japan for senior officers to be appointed politically as in the United States or for candidates for individual posts to be recruited openly as in Britain and Australia. Civil service systems may be categorized in several ways, but here I compare those of major countries by the two axes of whether senior civil servants are appointed politically or on merit and whether the systems are open or closed (see chart). The Japanese system falls in the lower left quadrant of the chart. Merit-based appointment of civil servants began relatively early in Japan even by comparison to Western countries, with recruitment by competitive exam dating back to 1887, during the Meiji period. To modernize the state, Japan needed to abolish the spoils system and assemble a cadre of outstanding personnel. It

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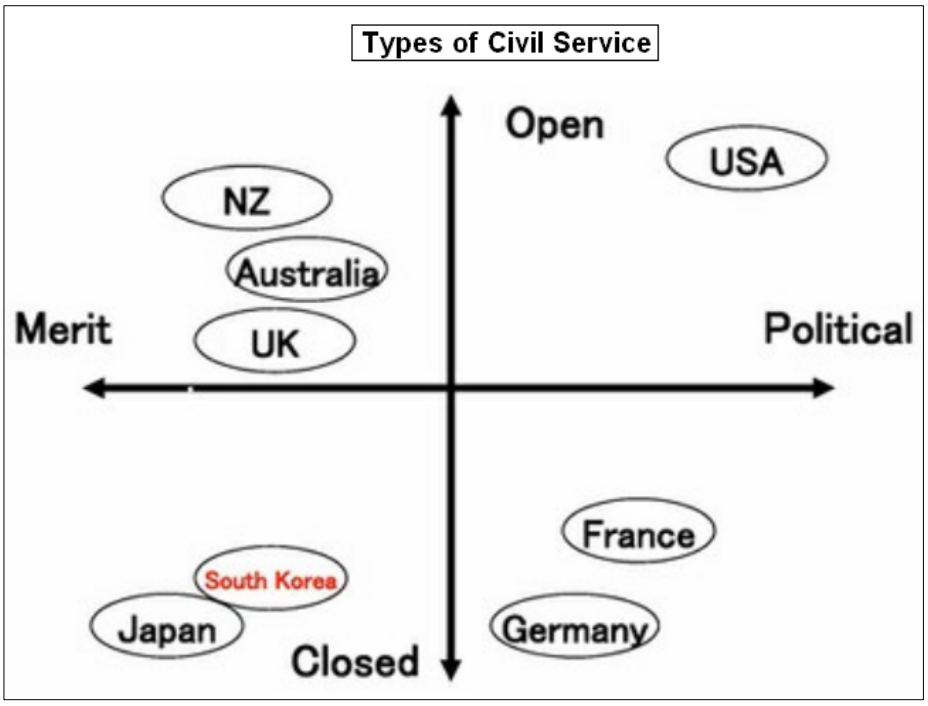
should be noted, however, that in its early years the civil service mechanism strongly reflected the traditional class system.



The civil service system that was developed in the Meiji era came to an end with the conclusion of World War II. The National Public Service Act, which defines the current national civil service system, was legislated under the US Occupation. Its fundamental purpose was to democratize Japan's system of politics and public administration, as well as to introduce a modern personnel system to the government sector. Despite having been devastated by the war, the Japanese economy subsequently achieved growth eclipsing that of leading Western countries, a performance many have described as miraculous. It has often been said that this growth was led by the country's exceptionally talented bureaucrats.

The Problem with Kasumigaseki

It is true that bureaucrats contributed in no small way to Japan's socioeconomic development after World War II. But once the era of rapid growth ended, the rigidity of administrative organs and other issues became evident, and the bureaucracy became a target of criticism. The reason for this was that, although the United States had attempted to effect a fundamental overhaul of the Japanese civil service system, in the

end the reforms had been inadequate because there had been no choice but to rely on existing civil service personnel to get postwar Japan swiftly back on track.

As praise of Japanese civil servants turned to criticism, a range of issues were brought to light. The National Personnel Authority, Japan's central personnel administration agency, notes the following problems of the current civil service system.

1. Scandals involving senior civil servants (erosion of civil service ethics)
2. Mistrust of the administrative capacity of civil servants (administrative failure)
3. Sectionalism (closed nature of civil service apparatus and fixation on defending interests of ministries)
4. Career system (development of a sense of privilege)
5. Retirement management (strong criticism of amakudari, the practice of retired bureaucrats' "parachuting" into lucrative jobs in sectors they formerly regulated)
6. Close relations between politicians and bureaucrats (ambiguous demarcation)
7. Seniority system (emasculation of meritocracy and complacency borne of protected status)

These issues have frequently been taken up and debated in several government advisory bodies. But actual reforms of the civil service system have been limited to such piecemeal measures as the introduction of a system of fixed-term appointment; no fundamental reforms have been undertaken.

Neither the late former Prime Minister Ryutaro Hashimoto, who spearheaded reforms to central government ministries and agencies, nor former Prime Minister Junichiro Koizumi, who pursued postal privatization, were able to reform the civil service system. But the three administrations that succeeded the Koizumi regime have advanced down the path of reform, albeit with various twists and turns. Specifically, the Basic Act for National Civil-Service Reform, which charts the overall course of reform, was enacted by the Diet in June 2008. The bill was originally submitted by the government but underwent joint revisions based on consultations between the ruling Liberal Democratic Party and the Democratic Party of Japan, the leading opposition party, before being passed. In other words, the ruling and opposition groups reached agreement on the principles of reform. The Basic Act only lays down the fundamental principles and process of reform, and revisions to the National Public Service Act and other relevant laws are needed for concrete reforms to take place. To flesh out the Basic Act, therefore,

the government submitted to the Diet a bill to amend the National Public Service Act and other laws in March 2009. But the ruling and opposition parties were at odds over the amendment bill, and it was dropped when the House of Representatives was dissolved on July 21.

The Amendment Bill on Civil Service Reform

The amendment bill covers a wide range of areas, but the key points are: appointment and dismissal procedures of senior officials, the introduction of political staff for the prime minister and ministers, and the establishment of a cabinet personnel bureau.

Under the proposed civil service system, the appointment of senior officers at and above the rank of director-generals of ministerial departments (about 600 persons) would be treated as an exceptional system under the National Public Service Act. The amendment bill stated that those who pass eligibility screening conducted to examine their qualifications as senior officers would be registered on a list of senior officer candidates, that ministers would appoint senior officers from among those on this list, and that the minister must consult with the prime minister and chief cabinet secretary regarding such appointments. (The power to appoint and dismiss civil servants lies with ministers under current law, too.) In relation to consolidated management, the amendment bill includes exceptional provisions regarding training courses for senior officer candidates, open recruitment (external recruitment, inter-governmental recruitment, and inter-ministerial recruitment), and employees of the Board of Audit, National Personnel Authority, Public Prosecutors Office, and the National Police Agency.

There are two kinds of political staffs: one is to assist the prime minister; the other is to assist cabinet ministers. Both are treated as special civil service who can be appointed politically. The appointment and dismissal of these staffs would be carried out by the cabinet in response to proposals by the prime minister and the relevant minister. Moreover, these posts could be held concurrently by Diet members or on a part-time basis. Political appointees already exist in Japanese ministries and agencies, but their number is limited. Specific examples include ministers, vice-ministers, parliamentary secretaries, secretaries of the above, and the chief cabinet secretary, deputy chief cabinet secretaries, and assistant chief cabinet secretaries of the Cabinet Secretariat. The proposed political staffs would come under the direct control of the prime minister

and ministers, respectively, and would be expected to conduct such duties as political coordination.

The cabinet personnel bureau, the body that would actually take on the planning of the civil service system and consolidated management of senior posts by the cabinet, was the greatest source of disagreement within both the government and the ruling parties when the amendment bill was submitted to the Diet. The disagreements centered on whether the bureau should be headed by a civil servant or a politician. Under the submitted bill, the cabinet personnel bureau would take over, among other duties, personnel administration from the Personnel and Pension Bureau of the Ministry of Internal Affairs and Communications; organizational and capacity management from the same ministry's Administrative Management Bureau; overall personnel coordination from the Cabinet Affairs Office; and planning regarding capacity per rank, appointments, training, and examinations from the National Personnel Authority. The bill further stipulated that one of three deputy chief cabinet secretaries designated by the prime minister would serve as director-general of the bureau, meaning that he or she would have a dual role as secretary and director-general.

The main focus of the amendment bill is the appointment process for senior civil servants. Eligibility screening and compilation of candidate lists are particularly important, but the bill was far from explicit regarding these processes.

Let us suppose, for instance, that candidates who have passed the eligibility screening are listed in the tens or hundreds without enough thought being given to their qualifications for specific posts, and a minister is to appoint senior officers from this list. Under the new system, the minister must obtain the approval of the prime minister and chief cabinet secretary regarding senior personnel affairs. The prime minister and chief cabinet secretary have less personnel information than the minister, so the minister's views would be respected for the most part. It is thus likely that the personnel affairs department of the ministry in question would request the minister to get the approval of the prime minister and chief cabinet secretary for its favored candidate and that the minister would demand something in return from the ministry. This would likely trigger an increase in civil servants who personally seek to win the minister's favor. It is often called nepotism. Quid pro quo arrangements between politicians and civil servants will become more common than ever, and spoils campaigns will become rampant. The amendment bill falls short, moreover, in providing a mechanism to

monitor external recruitment. Ministers will be able to recruit personnel arbitrarily from industries with which they have close ties. In the final analysis, the bill would inadvertently strengthen ministers' power, undermining the leadership of the prime minister and the cabinet and fomenting sectionalism.

This proposed system is based on the belief that ministers should be invested with greater appointive power to ensure that politicians, rather than bureaucrats, are in control. The same can be said of the view that civil servants should be politically appointed to make them more responsive to ministers. But augmenting individual ministers' power of appointment runs counter to the logic of consolidated management of senior civil service posts by the cabinet. One of the factors that fostered sectionalism in the ministries and agencies is the current appointment process. The power to appoint civil servants rests with ministers under the National Public Service Act, but in practice they usually do no more than rubber-stamp personnel proposals compiled by the personnel affairs departments of the ministries. Sometimes, however, a minister takes matters into his or her own hands, one instance being the ruckus over the post of vice-minister of defense that occurred in 2007. Although the bureaucrats of Kasumigaseki have an unwritten rule that politicians must not be allowed to interfere in civil service personnel matters, the appointive power legally belongs to the ministers, enabling them to freely appoint civil servants if they so wish. It follows that, contrary to the pretense of the National Public Service Act, there is a high risk of Japanese civil servants being appointed politically or arbitrarily. If a minister tells an official, "I'm going to make you bureau director-general in the upcoming personnel changes, so I look forward to your help in the future," the official is certain to repay the debt one day.

The system of civil service appointments in Japan thus has an amphibious character, featuring as it does both political and merit-based appointment. Herein lies the root of the problem. As noted in the opening paragraph, senior officials in other countries are appointed either politically, as in the United States, or on merit, as in Britain. To prevent political appointments, Britain operates a system in which no senior officials, up through the rank of permanent secretary, are directly appointed by the minister. Instead, candidates are generally screened and nominated by a selection committee or the central personnel agency based on ability and performance standards, after which they are approved by the prime minister or relevant minister. Although political appointments cannot be fully prevented because the prime minister has the power to veto nominees, this indirect appointment process serves to limit that risk. This is made

possible by an agreement among the political parties, both ruling and opposition, to maintain political neutrality in the civil service. If, by contrast, the power to appoint senior officials is to be considered the prerogative of ministers, then senior civil service posts should be made special positions without any guarantee of status, to which candidates are politically appointed as in the United States. And ministers themselves—not ministerial personnel departments—should take responsibility for appointing and dismissing these officers.

Japan's civil service system is politically neutral and merit-based in name. But because there is little in the way of a mechanism like Britain's to guarantee it as such, in reality there is nothing to stop political appointments from being made. In fact, Japanese civil servants, far from being politically neutral, have become highly politicized, an important part of the work of senior officers being consensus building among ruling and opposition parties and other forms of political coordination. Civil servants have their own interests and will not always provide ministers with free and frank advice. Ministerial interests are given precedence as a result of closed, sectionalist personnel management. Such behavioral patterns weaken policymaking mechanisms, which call for rigorous analysis, and impede efficient organizational management. This has led to biases in future estimates regarding pensions and flaws in the pension records kept by the Social Insurance Agency and in procurement by the Ministry of Defense, to name but a few, but these problems are not limited to specific ministries and agencies. They are rooted in the politicization of civil servants and disregard for their specializations.

Governance of Government

The election manifesto of the Democratic Party of Japan, unlike those of other parties, asserts that the DPJ will review the relationship between politicians and bureaucrats and strengthen political leadership over the policymaking process. Specific proposals include placing over 100 ruling party lawmakers in government posts and having them take the lead in drafting and deciding policy; abolishing meetings of administrative vice ministers and transferring coordinative responsibilities to cabinet committees; and setting up a national strategy bureau reporting directly to the prime minister to formulate a national vision and a budget framework.

Underlying these proposals is the conviction that a British model of governance should be adopted. The overall direction is commendable in that the proposals are aimed at

realizing a “strong cabinet” by rectifying the current dual system in which the government and ruling parties at times propose separate policies with opposing views and by concentrating decision making in the hands of the cabinet, like in Britain. But it goes without saying that many differences exist between Britain and Japan. Political leadership is exercised differently by the prime minister and ministers, and the two countries’ civil service systems are also far from alike. Although the DPJ is calling for British-style governance, it had originally proposed what amounted to political appointment of senior civil servants. (This is not mentioned in the latest manifesto.) As explained earlier, political neutrality is the rule in Britain’s civil service, and no officials, all the way up to the permanent secretaries, are appointed politically. Only the political advisers to the prime minister and other ministers are appointed in this manner. British ministers basically do not have authority over personnel matters in the civil service, as it would be impossible to maintain political neutrality if civil servants were to be appointed and dismissed at will by government ministers. The fundamental role of civil servants is to provide unbiased, free and frank advice, analysis, and evaluation on the basis of their expertise.

What the amendment bill and party manifestos discussed earlier do not make clear is whether senior civil servants are to be appointed politically or on the basis of ability and performance. Under the amendment bill, senior posts would legally continue to be categorized as regular service positions, appointments to which are based on merit, but in reality there would continue to be room for political appointments. This is because a good number of ruling LDP members advocated political appointment of senior civil servants. Some members of the opposition parties have also echoed this view. Those who demand political appointment claim that their aim is to shift control of policy from bureaucrats to politicians.

In principle, the British model of political leadership involves civil servants using their specialist expertise to undertake analysis and evaluation, while the cabinet, consisting of the prime minister and ministers, makes policy choices and decisions. If civil servants are to be politically appointed, the system should be classified not with that of Britain but with those of France, Germany, and the United States. Civil servants in the latter countries engage in political coordination, serving as the alter egos and servants of politicians. The advantage of political appointment is that it enables the opinions and objectives of politicians to be easily reflected in government policy; its disadvantage is

that it leaves government policy prone to influence from the whims of politicians and, consequently, to short-termism.

In the final analysis, civil service reform boils down to the question “What is the role of civil servants?” In countries where political appointment is the norm, civil servants are expected to be responsive to politicians and to work in effect as the alter egos of politicians in undertaking political coordination and working to achieve political targets. In countries where appointments are merit-based, meanwhile, civil servants are expected to provide advice and make policy recommendations to politicians from a neutral and specialist standpoint. In other words, whether to emphasize responsiveness or expertise is where the road diverges. Such questions as what role civil servants should fulfill and how the government should be run, or how to define the relationship between politicians and civil servants, are directly linked to the success of the next administration. The LDP intends to maintain the dual system consisting of the government and ruling parties—though this is not clearly stated in its manifesto—whereas the DPJ aspires to integrate the two. This question has an important bearing on the future “shape” of Japan, and we need to closely watch which party takes the helm and how it exercises political leadership.

September 04, 2009

Japan's Anti-Poverty Policies in Need of Change after 50 Years of Stagnation

By Yuasa, Makoto

Ever since the high economic growth of the 1960s, Japan has inhabited the myth that all Japanese people belong to the middle class. However, Japanese-style employment, which is at the heart of this myth, has been transformed by the increase in nonregular employment and other factors, and a growing number of Japanese live in poverty. For the Democratic Party of Japan to have a genuine impact as a ruling party, it must achieve both symbolic and substantive shifts. Changing Japan's approach to poverty for the first time in 50 years offers one such opportunity.

The extraordinary economic growth achieved by Japan in the 1960s effectively buried the issue of poverty in this country, rendering it a problem solved. Japan was able to ride out the subsequent oil crisis of the early 1970s while sustaining relatively little damage compared to other countries. This prolonged period of economic good news gave rise to the illusion that all Japanese people belong to the middle class—a myth that we still inhabit.

At the heart of this myth lies Japanese-style employment, which is characterized by mass hiring of new graduates, lifetime employment, seniority-based promotion, and copious fringe benefits. Unique in the world, this system came to be regarded as the standard during the high-growth era. Workers not subject to these employment practices assumed that they would eventually become part of the Japanese-style system or, if that proved impossible, that their children would.

Generous employee benefits covered the living expenses of full-time (primarily male) employees and their entire families; spouses, children, and elderly parents lived on "family welfare" funded by these benefits. Gender roles became entrenched, with women responsible for childrearing and household matters.

Yuasa, Makoto Secretary-General of the Anti-Poverty Network.

Some problems did arise—intense competition among students to pass exams and eventually be hired by a good firm; long working hours that would be unthinkable in other countries, resulting in deaths from overwork; low wages and job insecurity for part-time workers—but these were dismissed as sacrifices that had to be made for the sake of Japan's economic progress. The message was that the main engines were running smoothly, so we should close our eyes to the few peripheral problems. Day laborers, fixed-term employees, and others who did not enjoy the benefits granted to regular employees, along with single-mother households not covered by "family welfare," invariably lived in poverty as the original "working poor," but this was not regarded as a major social problem.

During the so-called lost decade that followed the collapse of Japan's bubble economy at the beginning of the 1990s, businesses actively sought to replace regular with nonregular employees in an effort to affect a recovery in their performance by reducing personnel costs to generate higher profits (a "jobless recovery"). The neoliberal economic model embraced by the United States was adopted as the norm, and the Japanese-style employment system, symbolized by seniority-based compensation, was criticized as a "convoy system": by generously protecting even the slowest ships, it endangered the entire fleet.

The result has been a sharp increase in the number of people living outside the protection of company and family welfare and the formation of a socially marginalized underclass. As the scope of company and family welfare has shrunk, the population of the working poor has expanded to include not only day laborers and single-mother households but young people, single-father households, low-income households in general, the elderly, children, those with health issues . . . in other words, virtually everyone who is burdened with any type of disadvantage.

This situation, we are told, has come about because central government bureaucrats, local government employees, middle-aged and older male regular employees, and other members of the traditional mainstream have clung to their vested interests. For some time now it has been argued that any measures taken to resolve this situation must be based on deregulation for the purpose of enhancing competition.

An endless wave of privatization has transformed entities including Japanese National Railways, the postal services, and the Japan Highway Public Corporation, while there

has been a surge in the hiring of nonregular employees by local governments and a rapid decline in regular employees' wages and benefits. At present 30% of those employed by local governments are nonregular employees, 90% of whom earn less than 2 million yen per year. In some municipalities more than 50% of public servants are nonregular employees, and this does not even include workers of subcontractors.

Even among regular employees in general, there has been an increase in so-called peripheral full-timers—regular employees in name only who receive low wages and few benefits. Already, 30% of regular employees earn less than 3 million yen per year. Meanwhile, pay rises for the core employees who constitute the core ranks of private industry shrink with each passing year.

Two opposing arguments have been mounted in response to this state of affairs, one claiming that it was caused by excessive reforms and the other maintaining that it was caused by inadequate reforms. Considerable reforms have been implemented, and those who believe these reforms have improved efficiency, on the one hand, or impoverished people's lives, on the other, simply produce figures to substantiate their respective views of the outcome. There has been no coherent discussion of the issues at stake.

Those of us involved in providing support to the poor have not seen any decrease compared with the 1990s in the number of people seeking help because they cannot make ends meet from day to day; on the contrary, since the 2005 general election alone, their numbers have increased several times over. What we cannot judge is whether this has happened because reforms went too far or did not go far enough.

This question was not a major issue in the campaign for the general election held on August 30. While the election was said to constitute a genuine choice of administration, just what we were choosing when we chose an administration was not clear.

In its campaign the Democratic Party of Japan advocated of a change of administration, espoused deregulation, claiming it would transfer power from the public sector to the private sector, and also promised to help rebuild people's livelihoods. The link between these two aims is the elimination of waste; the idea is that livelihoods have been squeezed because of the bureaucracy's monopolistic control over interests. The DPJ claimed that once such control was wrested away from the bureaucracy, trillions of yen would become available and would be returned to society to help rebuild people's

livelihoods. It criticized the Liberal Democratic Party and its coalition partner, the New Komeito, as dependent on the bureaucracy.

The administration of former LDP Prime Minister Junichiro Koizumi swept into power by criticizing the compartmentalized bureaucracy and the special-interest legislators allied with it, and by pledging to "destroy the [old-style] LDP" if these "forces of resistance" blocked reform. Unlike the Koizumi administration's notion of "the private sector," which meant corporations, the DPJ's version seems to be more focused on civic activities and nonprofit organizations. This difference was symbolized in a debate among party leaders in the recently dissolved Diet, in which DPJ President Yukio Hatoyama confronted Prime Minister (and LDP President) Taro Aso with statistics such as the extraordinarily high number of suicides in Japan—over 30,000 per year for 11 consecutive years—and called for efforts to make Japan a country where "every individual can find his or her own place." On that occasion, at least, Hatoyama certainly seemed to be speaking in a way that reflected concern for people's livelihoods.

In the election campaign, however, rather than bringing the issue of poverty to the fore, the DPJ relegated it to the background. Nor did the party provide any details about just how it would establish a policymaking process incorporating civic activities and nonprofit organizations. There seemed to be a stalemate at the level of concrete, practical action, and there was even a sense that the DPJ was trying to gloss over this stalemate by stressing its image as the agent of a change of administration. If one reflects on the history and accumulated actions of bureaucratic government over the more than 60 years since the end of World War II and the more than 130 years since the Meiji Restoration, this lack of specific and practical policies can induce the worrying sensation that there is actually very little to distinguish the DPJ from the LDP.

Viewed in this context, the frequently repeated slogan of "change of administration" increasingly embodied the negative aspect of the DPJ—the party's limitations, as demonstrated by its inability to address concrete, practical concerns—rather than the positive aspect: the sense of anticipation it generated for a much-desired change. It was as if the outcome of the election hinged on a race against time: which would come first, election day or the expiration date on the "change of administration" slogan?

Those of us working to tackle poverty in Japan have tried to persuade the government to monitor the nation's poverty rate, to assess the soundness of people's livelihoods.

Past structural reforms implemented by the LDP succeeded in eliminating some vested interests, but the people did not reap any benefits. The lives of ordinary people continued to become more and more difficult, as the number of people struggling to stay afloat, weighed down by the demands of life and work, steadily increased. Considering what happened then, if the DPJ goes back to calling for a shift of power from the public to the private sector, the party will have to clearly demonstrate that this means redistributing resources to help people rebuild their lives.

To criticize policies based on the notion that all is well as long as the economy is expanding—trickle-down economics, in other words—from the perspective of those who have been sacrificed to this polite fiction, we need statistical information on the rebuilding of people's lives. Since 1965, however, the Japanese government has steadfastly refused to disclose the nation's poverty rate, notwithstanding the fact that the rate can be estimated from the results of various public surveys.

The Organization for Economic Cooperation and Development has stated that Japan's relative poverty rate is 14.9%, second only to that of the United States among the organization's member nations, but the Japanese government continues to ignore this. The government refuses even to provide the OECD with statistical data, leaving it to private organizations to perform this task.

This approach—turning a blind eye to displeasing statistics and concealing the suffering of individual citizens by relying strictly on the economic growth rate, which no longer has any relation to the way people actually live—deceives the citizens in whom the nation's sovereignty resides.

For the DPJ to be a genuine alternative as a ruling party, the party must try to achieve both symbolic and substantive shifts in the major areas where its own rationale differs from that of the LDP. A change in the approach to the poverty issue, the first in 50 years, could offer one such opportunity. If the DPJ is incapable of such an action, its tenure will be no more than a transitional phase before the next realignment of the political world, and it will be very difficult for the party to leave any record of achievement in government.

[Excursus]

In the August 30 general election, the Democratic Party of Japan won an unprecedented 308 of the 480 seats in the lower house to become the next ruling party. In postelection press conferences, DPJ President Yukio Hatoyama repeatedly stressed the need to "improve national vitality through direct support to households" and showed that his viewpoint on poverty issues has not been blurred.

Yet the economic situation remains severe, and it is all the more important for the DPJ to illustrate the state of the nation in relative terms and find an alternative barometer of successful administration to replace GDP and the unemployment rate. Otherwise, the DPJ will soon be blamed as the ruling party for the continuing economic recession and worsening unemployment rate.

Direct support for low-income households, a policy advocated by the DPJ, would boost consumption, improve people's livelihoods, and lead to the vitalization of Japanese society. However, the DPJ needs to implement the promised policy in a way that enables ordinary people to actually feel the improvement. Without such efforts, it will be extremely difficult for the party to govern, even with a decisive majority of 308 seats, because it will find that the more dynamic a policy change is, the greater the resistance it encounters. This prospect is evident from the devastating defeat of the Liberal Democratic Party, which occupied 296 seats before the recent election.

We hope that the incoming DPJ administration will take resolute political decisions to tackle the poverty issue.

September 17, 2009

The Policies Needed to Rebuild Japanese Agriculture

By Shogenji, Shinichi

Agricultural policy was one of the major points of contention in Japan's recent general election. The influence of rural voters had already been clearly demonstrated in the 2007 upper house election, which the Democratic Party of Japan won convincingly. Feeling the effects of the economic malaise, voters, including those of nonfarm households, in rural regions have a strong interest in agricultural policies.

In the arguments over various agricultural policies during the general election campaign, clear differences were evident between the Liberal Democratic Party and the Democratic Party of Japan in the following three areas: first, how to provide assistance to farmers; second, the future of rice production adjustment; and third, although not mentioned explicitly in their manifestoes, how to handle relations with the agricultural cooperatives. On all of these points, the positions of the two parties were almost diametrically opposed.

The DPJ has held the upper hand in the debate over assistance to farmers ever since it proposed the establishment of an "individual household income support system" during the House of Councillors election two years ago. Individual household income support is a system in which the government pays farm households the difference between production costs and the market price for their produce, on condition that they meet the production targets set for each individual farm. At the time of the 2007 upper house election, the proposal targeted land-based farmers cultivating such crops as rice, wheat, and soybeans, but the party's 2009 manifesto extended the proposed scheme to livestock farming and fishery.

Individual household income support is a policy developed by the DPJ to counter the LDP-led government's policies of providing assistance to full- and semi-full-time farmers and fostering farm management organizations practicing "community-based farming." It was a clever piece of agenda setting given the perilous state of provincial

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economies and growing doubts over the structural reforms implemented by Prime Minister Junichiro Koizumi's administration. In response to this, at the time of the upper house election the LDP held the line on the government's agricultural policies. The party came into the 2009 general election bearing the humiliating trauma of its crushing defeat, and the sense of crisis was particularly acute among candidates from rural areas.

In its general election manifesto, the LDP vowed to "offer the greatest possible support to farmers determined to work in agriculture" while at the same time making all motivated farmers eligible for assistance and abolishing acreage and age requirements. In other words, while giving the appearance of not simply scattering money around, the LDP did not mention any specific way of preventing this outcome. As a policy platform it was vague, and it was impossible to escape the impression that the LDP had been seriously swayed by the power of the DPJ's individual household income support proposal.

As for rice production adjustment policies, despite the fact that the government at one time switched to a formula with a relatively high degree of freedom, revisions spearheaded by the LDP in 2007 led to a switch back to a more group-oriented method. This is another area in which the effects of the LDP's traumatic defeat in the upper house election can be seen. The pattern of debate in the general election was later complicated by comments made at the end of 2008 by Minister of Agriculture, Forestry, and Fisheries Shigeru Ishiba, a member of the LDP, on the need for a fundamental revision of production adjustment policies, and the escalating split between Ishiba and LDP members with close ties to the farming industry, who wanted to maintain the existing production adjustment policies.

The party went into the general election with this rift unresolved, and in the end the LDP manifesto did not include any expressions indicating a continuation of existing production adjustment. Instead, it referred to addressing the dissatisfaction of farmers, such as by alleviating the sense of unfairness between farmers who participate in production adjustment and those who do not. Meanwhile, although the DPJ's stance was not as clear as it might have been, the party's proposals are regarded as indicative of a shift toward so-called elective production adjustment. That is to say, under the individual household income support system, farmers would be permitted to produce

more than their set rice production target, based on the premise that they would receive only the market price for their rice.

Turning to the subject of relations with agricultural cooperatives, it is well known that the LDP has long enjoyed strong support from these groups; so much so, in fact, that the relationship among the LDP, the government, and the agricultural cooperatives has been referred to as the "iron triangle." The recent general election saw a partial loosening of these ties, as evidenced by the shift among regional agricultural cooperatives away from endorsing a specific party, but that does not mean that the foundations of the relationship between the LDP and the agricultural cooperatives have crumbled. The distance that the DPJ maintains from the agricultural cooperatives, in stark contrast to the LDP, is one of the party's distinguishing features.

The question, then, is to what extent the DPJ will maintain this stance. Under pressure from coordinated criticism by the agricultural cooperatives and the LDP, the DPJ was forced to change the wording in its manifesto on a potential free-trade agreement with the United States from "concluding" to "promoting." This spoke to the low level of consensus within the DPJ on agricultural policies and exposed the party's weakness in the face of pressure backed by votes.

One concern regarding the DPJ's individual household income support system is that the compensation criteria for each product must be decided every year. How will the level of production costs that will serve as the baseline of the policy be calculated from statistical production costs estimated on the basis of various promises? Even this single point betrays the various vote-backed lobbying efforts to which the DPJ was subjected. We cannot forget that it is the system that fosters cozy relationships between pressure groups and politicians.

The biggest challenge Japan's agriculture sector now faces is to rebuild the nation's paddy farming. Many paddy farmers chose to divide their time between farming and other work during the postwar era of high economic growth, and gradually the ratio of nonfarming work increased. For the most part, expansion of paddy farming was limited to a few full-time farmers and corporations, except in such places as Hokkaido and Ogata Village in Akita Prefecture. The problem is that the aging of the postwar generation of mostly part-time paddy farmers has put the sustainability of paddy farming in real jeopardy. Never has there been a greater need for a level-headed

examination of the situation and for suitable remedies to be put in place. The task of rebuilding Japanese paddy farming cannot wait.

Now that the DPJ has won an overwhelming victory in the general election, will the individual household income support that was a pillar of the party's agricultural policy proposals become a bridge to the rebuilding of paddy farming? During the election campaign there was concern over how the DPJ would find the necessary fiscal resources and a torrent of criticism that the policy appeared to be a pork-barrel-style handout, but there was almost no detailed examination of the actual substance of the policy. The DPJ has also not explained individual household income support adequately since proposing it two years ago. It is hard to escape the conclusion that priority was given to garnering votes, at the expense of designing a robust system.

To start with, the very idea of setting targets for the production of crops such as wheat and soybeans by individual farmers and demanding that these targets be met appears unworkable. It is logical to set a maximum target for rice production, which is premised on having a surplus. Based on this, the idea of moving to a flexible system of elective production adjustment also makes sense. In the case of crops earmarked for increased production, such as wheat and soybeans, there would be minimum targets, but it is surely unrealistic to expect farmers to make management decisions according to those targets. There are many factors for farmers to consider when deciding what combination of crops to grow, including crop rotation, trials of new crops, weather conditions, changes in farmland rented, and buyers' circumstances. Another problem is that the introduction of production targets for crops like wheat and soybeans would place a huge burden on the municipalities that would administer such procedures as target setting, notification, and compliance monitoring.

The DPJ has criticized the government's policy focusing on full- and semi-full-time farmers and farm management organizations as abandoning small farmers, but it is inconceivable that the individual household income support system will be effective in sustaining aging part-time farmers. Evaluating the situation objectively, it is clear that many part-time small farmers have continued farming for reasons other than economic viability. Welfare policies that show respect for the elderly are important, but they should not be mixed together with agricultural policies. Of course, the DPJ is not rejecting support for farmers to increase the scale of their operations. The problem is that the substance of its policy is not clear. The party has been using the expression

"extra support for expansion" since including it in its 2007 manifesto, but to date it has provided no details on this policy.

In implementing its agricultural policies, it is also important for the DPJ to selectively continue the positive achievements of the policies followed so far. For example, as a result of the LDP government's policies, farm management organizations have spread into every prefecture of the country and production is becoming concentrated in the hands of full-time and semi-full-time farmers. Most wheat and soybean production, where the advantages of large machinery are especially significant, is now undertaken by full- and semi-full-time farmers or farm management organizations. For the sake of the farmers who have toiled long and hard in the fields, this progress must not be wiped out.

I am not taking sides with the criticism leveled at the DPJ's policies from a simple budgetary standpoint. I believe that the government should not refrain from making necessary fiscal investments in agriculture. However, such investment should only be made on condition that it is the most effective means to achieve policy goals, and it must produce a return for the public, who are also taxpayers and consumers. What is needed now, in this sense, is an investment-style injection of fiscal resources. If we are to overcome the failings of past agricultural policies while at the same time taking advantage of their positive achievements, it appears that we will need to break down the various elements that make up the DPJ's "individual household income support system," which is currently heavy on image and short on substance, pick and choose the best elements, and reassemble them into a more coherent and effective whole.

May 29, 2009

Hereditary Lawmakers in an Era of Politically Led Policymaking (1)

By Kato, Sota

Whether to restrict the handing down of Diet seats from generation to generation of the same family is likely to be a major issue in Japan's next general election. Here the author will outline the prominence of "hereditary politicians" and examine their policymaking ability.

The Prominence of Hereditary Lawmakers

The prevalence in the Diet, and especially in the ruling Liberal Democratic Party, of second- and third-generation politicians who inherited their *sanban*[1] (three key factors for being elected—namely, campaign organization, name recognition, and fundraising apparatus) from a parent or grandparent is under close scrutiny as one of the problems afflicting modern Japanese politics. This issue was previously taken up in the 1970s by the media and some scholars; the main reasons for its reemergence are as follows.

1. 11 of the 17 cabinet ministers in the current administration of Prime Minister Taro Aso (after the dismissal of Minister of Land, Infrastructure, Transport, and Tourism Nariaki Nakayama and the resignation of Minister of Finance Shoichi Nakagawa) are hereditary politicians, and two of the remaining six are children of former local politicians.
2. Most of Japan's recent prime ministers have been hereditary politicians, including six of the seven since Ryutaro Hashimoto took the post in 1996. Both the father and grandfather of the only exception, Yoshiro Mori, were former mayors.

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[1] The term *sanban* ("the three *ban*") refers to the *jiban* (literally "terrain"), *kanban* ("billboard"), and *kaban* ("briefcase") passed from generation to generation of the same political family.—Ed.

3. Japan's last three prime ministers—Shintaro Abe, Yasuo Fukuda, and Taro Aso—are all hereditary politicians descended from former prime ministers. The way in which Abe and Fukuda suddenly resigned, appearing to abandon their respective administrations when the going got tough, has further tainted the image of hereditary politicians.
4. Former Prime Minister Junichiro Koizumi, who fiercely criticized the dynastic practices of special postmasters (a powerful lobbying group that opposed his privatization of postal services) and the old-style elements in the LDP, has nominated his own son, Shinjiro, to stand for his Diet seat when he retires at the next election.

Definitions of what constitutes a hereditary politician vary, and I will not go into the details of that debate here. Suffice it to say, although the precise figures differ somewhat depending on which definition is used, something like 40% of current LDP Diet members fall into this category, and this is in fact a marked decrease on the figure prior to the 2005 House of Representatives election, when the election of numerous "Koizumi children"[2] swelled the ranks of nonhereditary lawmakers. The proportion is even higher among those holding senior positions in the LDP or the government. Although the proportion of hereditary politicians in the main opposition party, the Democratic Party of Japan, is much lower than that in the LDP, standing at around 20%, both the party's current president, Yukio Hatoyama, and his predecessor, Ichiro Ozawa, are hereditary lawmakers (although Hatoyama would be excluded by some definitions of the term, because he did not inherit his father's seat, or "terrain").

I would also like to highlight two interesting facts with relevance to the debate over dynastic politics.

1. The Tokyo bloc of seats allocated by proportional representation has produced by far the lowest proportion of hereditary lawmakers in the past several House of Representatives elections, and while there are some regional disparities, rural areas generally have higher proportions of such politicians than urban areas. At the same time, Japan has not had a prime minister from Tokyo, the country's largest concentration of voters, since Ichiro Hatoyama in the mid-1950s.

[2] The "Koizumi children" are rookie LDP politicians who were elected to the Diet for the first time in the September 2005 House of Representatives election. The nickname derives from the fact that their election was made possible largely due to Koizumi's popularity at the time and that they were staunch supporters of his reform drive.—Ed.

2. Hereditary candidates have an exceptionally high win ratio of some 70% to 80% in the past few lower house elections. This is much higher than the figure among other candidates. Even rookie hereditary candidates won 59% of the seats for which they stood at the 2005 election, a percentage more than 20 points higher than that for nonhereditary candidates.

Aside from the general prevalence of hereditary politicians, what stands out among recent trends is the high proportion of key government and LDP posts that they occupy. Second- and third-generation politicians are disproportionately represented among not only cabinet ministers but also the LDP's three top executives. Yet of the 21 prime ministers who served between the coming into effect of the current Constitution in May 1947 and the resignation of Prime Minister Tomiichi Murayama in January 1996, just three were hereditary politicians (Ichiro Hatoyama, Kiichi Miyazawa, and Tsutomu Hata).

The biggest reason for the unusually high proportion of hereditary politicians in senior government and LDP posts is the practice of allocating executive positions on the basis of the number of terms lawmakers have served, which was institutionalized within the LDP in the 1970s.[3] The result was that hereditary lawmakers, who tend to enter politics and accumulate terms while still young, were appointed to senior posts at relatively young ages, enabling them to raise their status within the party and to increase their name recognition among the public. This also gives them the advantage of being able to stress their youth when they become candidates for a cabinet post or the premiership. It is very difficult, meanwhile, for nonhereditary candidates to muster the "*sanban*" (campaign organization, name recognition, and fundraising apparatus) in their twenties or thirties and win a seat under the multiple-seat constituency system.

Dynastic politics can be analyzed and criticized from a variety of angles. For the moment, let us just say that the phenomenon clearly presents problems. High incidences of second- and third-generation personnel from the same families may be nothing unusual among unlisted private companies and in traditional arts. By rights, however, high rates of heredity should be rare among organizations of a public nature, such as listed companies and government institutions, let alone in the population from

[3] The institutionalization of the practice at this time may, in some ways, be related to the "ceiling" system of setting limits on government expenditure in each area before the budget is compiled. This in itself is an interesting subject for research.

which is drawn the core of two of Japan's three branches of government (the legislature and the executive).[4] Comparisons with other advanced democracies also show that Japan, and in particular the LDP, has a conspicuously high ratio of hereditary politicians. While such politicians exist to some extent in every country, only in Italy is their prevalence close to that seen in Japan (and even there the proportion of hereditary politicians is lower than in Japan). In the United States, for example, hereditary politicians make up only around 5% of all lawmakers.

The current situation is not healthy for Japanese society. Economic disparities have become a major social issue in recent years, and yet at the core of the legislative and executive branches of government, whose responsibility it is to produce policies to address these disparities, lies the very epitome of inequity—a world whose class divisions are fixed in place through blood ties.

Hereditary Politicians and Vested Interests

Since hereditary politicians inherit their supporters' associations from previous generations of their families, it is reasonable to assume that they are constrained by the same shackles and vested interests as existed in the time of their parents, grandparents, or even great-grandparents and that, therefore, they are liable to favor those vested interests in formulating their policies. It is not unusual for young hereditary lawmakers to reveal in private that they followed their parent or grandparent into politics not of their own volition but out of a sense of duty. Many feel they cannot refuse to take over their parent's Diet seat out of consideration for the people who supported their parents down the years. Especially in provincial regions, the supporters' associations of ruling party politicians have ties with a range of special interests, linking the destiny of many supporters inextricably to that of the lawmaker they support.

On the other hand, some might argue that first-generation Diet members who enter national politics after serving, for example, in a prefectural assembly in a provincial

[4] The incidence of heredity in the remaining branch, the judiciary, is extremely low. It is rare for lawyers, let alone Supreme Court judges or public prosecutors, to be succeeded by their children or grandchildren. This is because the difficult and highly competitive bar examination has served to prevent hereditary practices and to continually inject new blood into the judicial system. In the medical profession, by contrast, where the key qualification—the national examination for medical practitioners—has a high pass rate, the incidence of heredity among private medical practitioners is high. Following recent reforms to the judicial system, the pass rate for the bar examination has risen dramatically, and it is possible that this may increase hereditary tendencies among lawyers and other legal professionals.

region, are more susceptible to influence from local interests because they have to build their own supporters' associations and fundraising groups from scratch. Another possible view is that hereditary politicians' higher chances of winning elections relative to other candidates make them less likely to be swayed by the interests of their electoral districts.

As a real-life example of hereditary politicians' behavior, let us look at the July 2005 Diet votes on postal privatization,[5] which caused a rare split among ruling party members. Of the LDP rebels who either voted against the postal privatization bills, abstained, or were absent for the votes, 41.8% were hereditary lawmakers, which is not significantly different from their overall representation in the LDP ranks. Breaking down the figures, however, reveals some more interesting nuggets of data. Hereditary lawmakers accounted for just 32.4% of LDP Diet members who voted against the bills but a remarkable 64.3% of abstainers and absentees.

The many abstentions and absences can be seen as means for hereditary Diet members to balance their loyalty to the LDP—the party of their parents and grandparents—with the interests of the local voters who have supported their family's candidates down the generations. In the eyes of the public, though, these non-votes reinforce the impression that hereditary politicians are weak and indecisive, characteristics for which they have been widely criticized. One cannot, of course, assert definitively that those LDP politicians who opposed the postal privatization bills or abstained must have had strong links with local interests. Nevertheless, this data is interesting.

The Policymaking Prowess of Hereditary Politicians

Looking purely at their policymaking abilities, does the unusually high prevalence of hereditary politicians pose any problems? This issue has a significance that transcends emotional reactions, particularly given the vocal calls to swap the current, bureaucrat-led policymaking system for a system in which politicians are in charge.

[5] The bills relating to the privatization of Japan's postal services were submitted to the ordinary session of the Diet in 2005 as the centerpiece of then Prime Minister Koizumi's reform program. After some revisions, they were passed by the lower house, the House of Representatives, on July 5 by a margin of just five votes but were rejected by the upper house, the House of Councillors, on August 8. Despite strict instructions from the LDP's executive to toe the party line, many LDP members in both houses voted against the bills.—Ed.

A quick glance at the roster of LDP Diet members does not suggest that hereditary lawmakers lack policymaking ability. On the contrary, they constitute a sizable portion of the lawmakers known as "policy experts." This finding cannot be taken at face value, however.

People with a talent for policymaking can choose from a variety of attractive occupations other than politics. When these people consider the option of a career in politics, they calculate their expectations by multiplying the anticipated rewards by the likelihood of their actually becoming a lawmaker (probability of winning election, etc.). Needless to say, scions of political families have a much greater chance of winning Diet seats than ordinary people with no family connections, so prospective hereditary politicians have higher expectations for politics as a career option. For everyone else, by contrast, the low probability of winning a Diet seat equates to low expectations for a career in politics, and this harsh reality prompts those with genuine talent to pursue one of the many other career options open to them.

In other words, there is little likelihood that a talented young person who has received attractive job offers from various companies would willingly pass up those promising options to try to win a Diet seat in a district where he or she would be running against a very strong candidate and have scant prospect of victory (assuming he or she even managed to get on the ballot in the first place). If, on the other hand, that same young person had access to a district in which his or her father or grandfather had built up a political base and where election victory was virtually guaranteed, he or she might well opt to pursue a political career.[6]

As long as ordinary citizens continue to have less chance of winning election to public office than political heirs apparent, talented, in-demand people will be increasingly inclined to reject the option of a career in politics. The process of securing the official endorsement of a powerful political party constitutes a further major hurdle for nonhereditary candidates. Thus, compared to prospective political heirs, ordinary citizens are saddled with major disadvantages not only in their chances of election but even in their chances for candidacy (that is, for winning a major party's endorsement). The upshot of this is that, with the exception of bureaucrats, local politicians, and

[6] This is a highly simplified example. The extent to which any politician considers his or her profession rewarding varies greatly depending on the individual, and it is possible that intensified competition among candidates who are not heirs to Diet seats would also produce more capable politicians. In any case, though, creating a level playing field would surely yield more capable candidates.

others with special access to the field, the only members of the general public apt to run for the Diet are those who have no other promising career options and simply want to try their luck. By preventing talented nonhereditary politicians from entering the Diet, the very existence of hereditary politicians has the effect of ensuring their relative policymaking superiority.

An Analogy with Hereditary CEOs

It is difficult to measure lawmakers' policymaking ability objectively. There does exist, however, detailed empirical research—albeit in a different field—on the performance of companies controlled by hereditary presidents. This research shows that companies led by hereditary presidents perform worse and spend less on research and development than other businesses in the same industry.[7] According to research conducted by Professor Francisco Pérez-González of Stanford Graduate School of Business, when a descendant of the founder of a listed company is chosen as the CEO, the company's share price falls by 1%, whereas the appointment of an outsider causes a 2% rise.[8] The appointment of a hereditary CEO also tends to be followed by a substantial deterioration in return on equity (ROE) and other management indicators. As Professor Pérez-González notes, the appointment of company presidents and other personnel on the basis of familial connections compromises companies' performance by undermining healthy competition in the labor market.

In recent years Japan has witnessed a series of scandals involving the falsification of production and use-by dates by food manufacturers. These incidents have often been blamed on "free-market excess" or "overcompetition," but the list of companies involved reveals that most—including Fujiya, Kitcho, Ishiya (maker of Shiroi Koibito cookies), and Akafuku—have a long history of management by members of the same family. Previous product-safety scandals have also involved family-run firms, such as Snow Brand Milk Products, Nippon Meat Packers, and (outside the food industry) Paloma. The falsification of product-safety data by such companies is not a recent phenomenon. While hereditary CEOs' management ability (or lack thereof) is one reason why so many of these scandals occurred at family-run companies, a bigger factor may be that keeping the management of a company "in the family" undermines corporate governance. In

[7] See, for instance, Morck, R. K. (ed.). 2000. *Concentrated Capital Ownership*. Chicago: University of Chicago Press.

[8] Ibid.

other words, far from being the result of too much competition, these incidents occurred because restrictions on competition and personnel mobility within the companies prevented talented managers from being appointed to senior positions, blocking the mutual oversight that could have averted such malfeasance. Hereditary lawmakers who inherit their parents' and grandparents' campaign associations and fundraising apparatus must take great care not to replicate this phenomenon in the world of politics.

Achieving Pluralistic Values

As representatives of all the Japanese people, Diet members are expected, through the democratic process, to bring pluralistic values to the task of policymaking. As studies of normative criteria by Robert Dahl and other political scientists have shown, pluralism has value in and of itself in a democratic state. It can be mathematically demonstrated that, under certain conditions, when a group of people who share the same values and judgmental frameworks admits people with different values and judgmental frameworks, the judgment of the group as a whole improves.

The extraordinarily high proportion of hereditary politicians in the Diet is a serious problem in terms of ensuring pluralism in the formulation of public policy through the democratic process. Because any newcomer's ability to win a Diet seat is hampered by three major needs—campaign organization, name recognition, and fundraising apparatus—people of different backgrounds have limited access to the Diet. As has been noted elsewhere, this lack of diversity is reinforced by the fact that hereditary politicians tend to be raised in similar economic and household environments and attend the same universities.[9]

The voting rights guaranteed by Japan's Constitution include not only the right to choose a candidate but also the right to be chosen. To put it bluntly, no guarantee of the right to vote—however cast-iron—can produce democracy, let alone pluralism, if there is only one (recognized) candidate. If the three aforesaid needs are blocking the flow of pluralistic values into the democratic process in Japan, then Japan's democracy may be in serious trouble.

[9] To cite a simple example, Prime Minister Taro Aso's current cabinet includes more graduates of Keio University (six) than of any other university; all six are hereditary politicians

June 23, 2009

Hereditary Lawmakers in an Era of Politically Led Policymaking (2)

By Kato, Sota

The author has been pointing out for some time that there is a link between the prominence of hereditary lawmakers in Japan and the country's bureaucratically led policymaking process. Establishing a policymaking system that is truly politically led requires that we reconsider the issue of hereditary politicians..

Hereditary Politicians and Bureaucratically Led Policymaking

People have been calling for some time for a switch from the current bureaucrat-led policymaking system to a politically led system.[1] Among other reasons, advocates of such a switch argue that it is unacceptable for bureaucrats who have not been vetted through the democratic process to exercise de facto control over the nation and that bureaucrats' obsession with following precedent makes them incapable of coping with an era of change. While it is by no means certain that Japanese policymaking is really led by the bureaucracy (opinion among political scientists is divided), both of the above reasons are valid.

What is needed above all to establish political control over the formulation of policy is for the reins of political leadership to be held by individuals possessing a wealth of leadership prowess and insight, the ability to garner support from a broad range of voters, and a high level of policymaking ability. A parliamentary system gives politicians firm control of the administrative apparatus and is supposed to provide them

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[1] "Politically led" here means "led by the cabinet (the prime minister)," not "led by the ruling party" or "led by politicians." I shall not go into this question in detail.

with the minimum means needed to exercise this control appropriately while delegating authority to the bureaucratic organization. Any inadequacies in the legal system in this regard must of course be remedied, but the power to take such legal measures also lies in the hands of politicians.

As we have already seen, hereditary politicians now account for an extremely large proportion of Diet members, especially those in senior positions in the government and the ruling party. In the second half of this essay, I shall examine the implications of this situation for an era in which, it is hoped, politicians will take over from bureaucrats at the helm of the policymaking process.

The Question of Democratic Legitimacy

The biggest problem with bureaucratically led policymaking is that it effectively places the power to run the country in the hands of officials lacking democratic legitimacy. An era of politically led policymaking will require that democratically elected lawmakers lead the policymaking process while exercising governance over the bureaucratic apparatus through the cabinet and other means. It will be incumbent upon lawmakers who take posts in the government to represent the pluralistic values and interests that they absorb in the democratic process and to reflect these values in government policy.

On the other side of the debate, the principal argument wielded by those who refute criticism of dynastic politics is that hereditary lawmakers are democratically legitimate because they win their seats in elections. If voters truly did not want hereditary politicians, then they would not vote for them in elections; other people should mind their own business. This line of reasoning enables former Prime Minister Junichiro Koizumi, for example, who criticized the system whereby so-called special postmasters hand down their positions to their offspring, to defend his nomination of his own son as a candidate for his Diet seat by observing that Diet members, unlike special postmasters, are democratically elected.

In other words, the democratic legitimacy of Diet members is the biggest supporting argument both for politically led policymaking and for hereditary lawmakers. Yet the unusual prominence of hereditary lawmakers poses serious problems in terms of their democratic legitimacy, for it raises doubts as to whether the process by which they are elected is entirely democratic.

To be sure, Japan has an adequately democratic electoral system, and hereditary politicians can be said to undergo a rigorous democratic process in the sense that they win election by securing votes from the electorate. Nevertheless, the high win percentage of hereditary politicians in past elections makes it hard to deny that political heirs replete with campaign organizations, name recognition, and fundraising apparatus enjoy an enormous advantage in actual elections. Real democratic competition, with various candidates competing against one another on an equal footing, may be lacking.

As noted above, our constitutionally enshrined voting rights include not only the right to elect but also the right to be elected. In a nation where the right to be elected is inadequately protected, the right to elect is devoid of meaning. To cite an extreme example, the lone candidate in last year's presidential election in Zimbabwe—President Robert Mugabe—won by a landslide, with 85.5% of the vote. Even if the election had been conducted in a rigorously open manner, however, no one would consider Mugabe to have any democratic legitimacy.

It is virtually impossible for a candidate to win an election without the endorsement of a political party under the current single-seat constituency system. Those who do receive the endorsement of either the Liberal Democratic Party or the Democratic Party of Japan, on the other hand, are highly likely to win. An undemocratic endorsement process consisting of a (family) background check conducted behind (the party's) closed doors could hardly be said to uphold every citizen's right to run for office. The DPJ, of course, has made frequent use of an open system for recruiting candidates ever since the party was established, and the LDP has also been using an open system lately, but a closer inspection reveals that many of these "open" races are fixed.

With such constraints on the right to be elected, the right to elect is exercised only in a highly restricted manner after the field has been reduced to the two candidates who have a realistic chance of being elected. Even voters who are opposed to hereditary politics often end up voting for the son or daughter of a former lawmaker when the party they support offers no alternative.

Let us look at a simplified example. Suppose that an election is fought mainly over the issue of whether to introduce a consumption tax. A single-seat constituency system

usually produces a two-party setup,[2] so let us say that candidate X of party A is a nonhereditary Diet member who favors the introduction of the tax, while candidate Y of party B is a hereditary candidate who opposes the tax. Voters who oppose the consumption tax and wish to make their voices heard on the election's key issue will have no choice but to vote for the hereditary candidate Y, even if they disapprove of hereditary politics.

Thus, the ostensible democratic principle that the people elect their own representatives has, under the current electoral and party systems, largely become a fiction. Under the single-seat constituency system most voters are simply presented with a choice between two candidates selected from within the two major political parties. The internal machinations of political parties—organizations never mentioned in the Constitution—are exerting an extraordinarily powerful influence. People will continue to have major reservations about the democratic legitimacy of hereditary politicians as long as it is so easy for the offspring of past and present lawmakers to gain the endorsement of a major political party.

Democratic legitimacy is of decisive importance both for the principle of political leadership and for hereditary politicians. To dispel these reservations, it is important that parties put in place open and democratic processes for selecting candidates. Every effort must be made to level the playing field for political candidates, so as to ensure fair and intense democratic competition.

The Relationship between Hereditary Politicians and the Bureaucracy

Bureaucrats, like lawmakers, have an important role in the policymaking process. The idea of passing the leadership of this process from bureaucrats to lawmakers (particularly the cabinet) is at the heart of the debate over shifting from bureaucratically led to politically led policymaking. In conceiving a path to political leadership, and in considering the policymaking ability of the hereditary lawmakers

[2] To be precise, Duverger's law, the applicability of which to real elections has been firmly demonstrated, simply predicts that elections in single-seat constituencies will be fought between two leading candidates. It does not predict that this necessarily results in a two-party system. The confrontations at the 2005 lower house election between rebel lawmakers stripped of the LDP's endorsement for opposing postal privatization and the LDP-endorsed "assassins" nominated to defeat them clearly show this trend in action.

who currently dominate Japanese politics, we must always include consideration of the issue of how to reform the division of roles between politicians and bureaucrats.

Bureaucrats, as I have noted already, are not selected through a democratic process. The people do not possess the right to elect bureaucrats. If one interprets the right to be elected as "the right to become a bureaucrat," however, it is possible to conclude that the door to a bureaucratic career is open to a broader range of people than the door to a career as a lawmaker.

Anyone who graduates from university and passes the national public service examination can become a bureaucrat. Indeed, the resumes of senior officials at ministries and agencies reveal that, although the exam-centric recruitment process favors graduates from certain universities, in terms of the household environments in which they were raised bureaucrats are a more diverse group than cabinet ministers and ruling-party executives, in whose ranks hereditary politicians figure so prominently. There are very few hereditary bureaucrats, the only exception being the Ministry of Foreign Affairs, which used to hold its own special examinations. Some ministries and agencies even have internal rules prohibiting the hiring of employees' offspring.

In *Kakyo* (*China's Examination Hell: The Civil Service Examinations of Imperial China*) (1963, Chuo Koron), Ichisada Miyazaki notes that the introduction by the Sui emperor in sixth-century China of "imperial examinations" for selecting bureaucrats was prompted by the monopoly that aristocrats had established on bureaucratic posts, which gave them such influence that the emperor was unable to exercise real power. The emperor surmised that, to combat the aristocracy and place control over policy planning in the hands of what would today be called the cabinet, it was necessary to recruit as government officials talented personnel from a wide range of social backgrounds. In this sense, Japan's current policymaking system can even be seen as a finely balanced mechanism in which the cabinet and the ruling party, dominated by hereditary politicians, and the bureaucrats, selected by examination from a broader pool of candidates, complement each other.

In the era of bureaucratic leadership, the policymaking role of Diet members consisted simply of reading out memos written by bureaucrats. In the era of political leadership, however, lawmakers will need the ability to formulate policy by, conversely, making full use of bureaucrats. As research of hereditary CEOs shows, if we are to increase the

ranks of lawmakers suited to the era of political leadership, it is not enough to choose lawmakers from the limited pool of current politicians' offspring. We need a mechanism in which outstanding lawmakers are chosen through fierce, multi-faceted competition from a much wider pool even than that from which bureaucrats are drawn.

To promote political leadership in policymaking haphazardly without giving proper consideration to this reality, or to abolish the system by which a wide range of people are able to become bureaucrats, would likely produce a situation similar to that prior to the introduction of imperial examinations in Sui-dynasty China, with real power in the hands of hereditary politicians and the prime minister unable to secure personnel to support his efforts to exercise leadership. In that sense, it may be more than mere coincidence that hereditary lawmakers feature so prominently among ruling-party critics of the bureaucratic system.

Reforms to the bureaucratic system must go hand in hand with changes in the prominence of hereditary politicians if we are to ensure that the switch from bureaucratically led to politically led policymaking does not result in a shift of power, to use the analogy of the Sui dynasty, from bureaucrats chosen through the imperial examinations to aristocrats chosen through family connections. The key goals of any reforms, as I have noted, must be to ensure democratic legitimacy and plurality, to free policymaking from vested interests, and to establish intense competition among those seeking policymaking positions. If hereditary politicians were to maintain their dominance and talented personnel were to cease becoming bureaucrats without these goals having been achieved, Japan would end up in a situation like that of the Sui dynasty in China before the introduction of imperial examinations.

December 14, 2009

A New Direction for Japan's Security Policy?

By Watanabe, Tsuneo

The Halifax International Security Forum, held in Halifax, Canada, on November 20-22, 2009, brought together leaders from around the world in politics, military, government, business, academia, and media. More than 300 participants took part in intellectual exchange on pressing strategic issues. Senior Fellow Tsuneo Watanabe was a speaker at one of the panels, and an extract of his paper is carried here.

Yukio Hatoyama, of the Democratic Party of Japan (DPJ), was elected as Japan's prime minister on September 16, 2009. This new Japanese administration is widely seen as heralding a new era in Japanese politics. Questions therefore arise not only about politics in the domestic arena but in the foreign and security policy sphere as well.

The Hatoyama administration's approval ratings stand at more than 70 percent. That popularity is mainly driven by domestic factors, but Japanese voters have long hoped for a leader who could offer the country a more significant role on the international stage. What does this mean for a U.S.-led Western alliance that has become used to predictability and stability in the management and direction of Japanese foreign and security policy?

Hatoyama has already raised eyebrows in that respect in both Japan and the United States. A *New York Times* editorial on September 1, for example, expressed one concern about Japan that the Obama administration must be looking at nervously, pointing to Hatoyama's suggestion that Japan not renew the mandate for Japanese ships on a

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refueling mission in the Indian Ocean in support of United States military operations in Afghanistan.

A meeting between Hatoyama and U.S. President Barack Obama on September 24 produced the standard diplomatic mantras reaffirming both countries' commitment to the Japan-U.S. alliance as a bedrock of mutual security. However, both leaders avoided contentious issues, leaving the precise trajectory of U.S.-Japanese relations as an open question. With this in mind, the DJP's record is not altogether encouraging. For example, apart from its attitude to the Indian Ocean refueling mission, its 2008 policy platform called for building a more "equal relationship" with the United States and suggested that it would seek to revise the Japan-U.S. Status of Forces Agreement (SOFA).

With regard to the transfer of facilities at Futenma Air Station in Okinawa—something the two governments have spent years negotiating—the DPJ is calling for a solution different from that already agreed on by Tokyo and Washington. By throwing a last-minute wrench in the works, the new government threatens to provoke the ire of the Obama administration and to call into question Japan's status as a reliable partner.

There are three alliance-related issues that now stand at the forefront of international diplomacy, and that form the key questions about how Japan's foreign and security policy will develop with respect to the United States and the wider world:

1. Will Japan in fact quit the refueling mission in the Indian Ocean?
2. Will Japan seek a renegotiation of existing relocation plans for U.S. forces in Japan including the Futenma Airbase, which is located in a densely populated residential area?
3. Will Japan ask the United States to negotiate a new deal on SOFA, opening the prospect of greater Japanese jurisdiction over U.S. military officers in Japan?

There are obvious potential headaches over some, if not all, of the above for the Obama administration. Perhaps the most troublesome concerns the question of relocating the Futenma Airbase to Camp Schwab within Okinawa. Many DPJ and SDP supporters want Futenma out of Okinawa completely. At the same time, the existing agreed plan includes moving 8,000 U.S. Marines to Guam and the return of land south of the Kadena Air Base. These are significant steps aimed at reducing the burden on the

Okinawan people. Currently, Prime Minister Hatoyama is sending mixed signals on what he wants the final outcome to look like.

Futenma, of course, has been a thorn in the Japan-U.S. alliance since it was originally enacted in 1996 between then-Prime Minister Hashimoto and then-U.S. President Bill Clinton. If Hatoyama shows a willingness to remove that thorn, this would be a good boost for Japan-U.S. alliance management. For example, the United States might accept Japan's civilian aid plan for Afghan reconstruction as an alternative to the current refueling mission in the Indian Ocean. SOFA revision may still be tough, but it would not be impossible to at least formulate a study group to try and resolve it.

Long-term Prospects amid New Political Realities

All in all, despite some possible confusion in the short term, I am optimistic for the Hatoyama administration's security and foreign policy in the longer term. At the very least, there is a good chance that Japan can break free from the stagnant agendas that became a fact of life for Japan's relations with the outside world during decades of rule by the LDP.

Lest anyone forget, Japan has pursued a policy of extreme self-restraint in the use of its military. This, of course, has been due to deeply ingrained anti-war sentiment arising from World War II as well as postwar political structures dating from 1955. Such political structures and historical legacies failed to foster rational policy debates in the Japanese Parliament based on a rounded analysis of the international environment.

The SDP, historically the largest opposition party, and the Japan Communist Party never accepted military cooperation with the United States. Both parties strongly opposed any attempts at moves in this direction as well as those aimed at strengthening Japan's defense capabilities. In order to maintain smooth relations between government and opposition in parliament and in deference to deep-seated anti-war sentiments among the general public, LDP-led governments were never successful in changing the prevailing interpretation of the pacifist Article 9 of the constitution. This has left legal and political obstacles in the way of any Japanese government wanting to send troops to conflict zones.

However, the social democratic and communist presence in high politics continues to

shrink. The largest opposition party is now the conservative Liberal Democratic Party. Theoretically, Japan's new political realities could allow for more rational policy choices in the security arena than we have seen for much of Japan's postwar history. Hatoyama has in fact made positive noises in favor of amending the constitution, including Article 9. He inherited the idea from his grandfather, Ichiro Hatoyama, who served as prime minister from 1954 to 1956, and who proposed amending the constitution as well as Japanese rearmament. Another powerful DPJ leader, party Secretary General Ichiro Ozawa, once argued that Japan could send self-defense forces to conflict zones, which would allow Japanese forces to fight if the mission were authorized by the United Nations. He was an advocate for Japan as a "normal" nation in his 1994 book, *Blueprint for a New Japan*. As Japan's history from 1955 to 2009 shows, a critical precondition for developing Japan's thinking on security policy is a political structure that enables constructive policy debates.

Former Prime Minister Junichiro Koizumi's bold decision to send troops to Iraq in 2003 was only possible with the DPJ functioning as a less ideological and more pragmatic opposition party. Nonetheless, Article 9 remained a major obstacle and any efforts to tamper with it were still seen as extremely politically risky. The challenge for the current administration, as well as for the ones that will follow it, is to find a way to adapt Article 9 so that it does not remain such an obstacle in the future.

In sum, Japan's new political realities could potentially enable many things that were once considered impossible. The birth of the DPJ government could yet herald a new beginning for Japan's role in the international security arena.

(Reprinted from the paper series of Halifax International Security Forum November 2009 issue.)

June 12, 2009

Connecting Japan and the Transatlantic Community

By Tsuruoka, Michito

Fresh from two months in Brussels as the first recipient of the GMF-Tokyo Foundation Fellowship, the author discusses "the rise of Asia" as a new focus of transatlantic policy research, the need for stronger strategic ties between Japan and Europe, and the future of Japanese participation in GMF's transatlantic network.

Under a grant from the Tokyo Foundation, I spent two months from the end of January through the end of March as a resident fellow at the Transatlantic Center of the German Marshall Fund of the United States (GMF) in Brussels on the newly inaugurated GMF-Tokyo Foundation Fellowship. I was the first Japanese fellow at GMF.

GMF and the Rise of Asia

The German Marshall Fund of the United States was established in 1972 through a gift from the government of Germany (then West Germany) to commemorate the twenty-fifth anniversary of the Marshall Plan. Dedicated to strengthening transatlantic cooperation, the GMF sponsors numerous initiatives to promote dialogue and exchange, not only between the United States and Germany but between North America and Europe as a whole. It also administers a number of grant programs to support the activities of outside groups and individuals.

Over the past decade or so, under President Craig Kennedy's leadership, GMF's role as a think tank has expanded dramatically as the organization has stepped up its activities in the area of policy research. In addition, it has widened the geographical scope of its grant making and exchange activities to include such areas as the Balkans and the Black Sea region. Two programs of particular interest from Japan's viewpoint

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are Transatlantic Trends, a US-European public opinion survey project, and the Brussels Forum, a major policy conference held in March every year in Brussels.

Having long focused its efforts on US-European relations, GMF in recent years has developed a new interest in Asia fueled by the recognition that the rise of Asian powers like China and India will have a profound impact on the transatlantic community. GMF's approach to Asian issues thus differs from academic area studies in that its main concern is to examine how the transatlantic community should and can react to the "rise of Asia." In 2007, GMF launched the biannual Stockholm China Forum to bring together practitioners and a spectrum of experts from the transatlantic community, together with their counterparts from China and other Asian countries, for dialogue on China. GMF plans to launch a similar forum on India in the near future.

This is the context in which GMF recently set about building relations with a third Asian power, Japan. Whether Japan can be considered one of the region's rising powers is open to question. Given that the transatlantic community is after all a community of shared values as well as common interests, a viewpoint often emphasized in GMF activities, the fact that Japan is a mature, advanced industrial democracy with a commitment to freedom, democracy, and a market economy, carries a special significance, which is not merely rhetorical but substantive. Not everyone shares this view, and outside GMF there is an undeniable tendency these days—especially in Europe—to overlook Japan when discussing Asian affairs. But from GMF's point of view, which I strongly endorse, Japan needs to be the central or at least one of the firmest pillars of the transatlantic community's relations with Asia.

The GMF-Tokyo Foundation Fellowship thus came about as a result of overtures from GMF, which hoped to balance its approach to Asia by injecting a Japanese component (in addition to the Chinese and Indian elements). From Japan's perspective, this was an opportunity not only to ramp up Japanese participation in the transatlantic intellectual community—where Japanese think tanks and experts have had a meager presence—but also to establish a new platform from which to communicate our own perspective. With so many Western think tanks focusing their Asia resources on China, GMF's initiative could not have been better timed or more welcome from Japan's standpoint.

Getting Real about Japan-EU Relations

As the first recipient of the newly established fellowship and the first Japanese fellow at GMF, I devoted myself to two topics: "Connecting Japan and the Transatlantic Community" and "NATO and the Asia-Pacific." I will leave the details of my findings to my two papers on these themes, which will be published by GMF in the near future. One of my major conclusions, which I would like to discuss here briefly, is that one way to view the relationship between Europe, the United States, and Japan in the context of the rise of Asia is how we can "use" each other in dealing with regional issues and beyond. Given that Europe's engagement in Asia remains under-defined, how Japan and the US can use Europe in Asia is a new and significant challenge. The term "use" may seem rather undiplomatic when discussing such matters, but it conveys exactly the meaning I intend. In today's world there is too much loose talk about "partnerships" and "strategic partnerships." We should not allow such euphemisms to obscure the fact that unless each party is convinced it can use the other party to advance its own interests, that relationship will never develop into a meaningful and valuable partnership regardless of what one may call it.

From this perspective, it seems clear that what is missing from the relationship between Japan and the transatlantic community, particularly when viewed in the context of Asian affairs, is a partnership (in the real sense) between Japan and Europe. When the Japanese approach issues in their region they are accustomed to take into account not only the other countries of the region but US policy as well. After all, the United States is a Pacific power as well as an Atlantic power. But until now there have been precious few opportunities—with a few isolated exceptions, notably the EU arms embargo against China—for Japan to consider Europe's role in the context of Asian affairs.

The truth is that Europe's role in the Asian region is extremely limited compared with that of the United States or the major Asian players. But this does not mean that Europe can be overlooked when considering Asian affairs. Today, the question of how Japan can make use of Europe in dealing with problems in the Asian region is an urgent one that merits asking from the viewpoint of Japanese policy, which is to say, from the viewpoint of Japan's national interest. The idea that all we ask from the EU in Asia is to "do no harm"—a perception derived from the controversy over the EU's move to lift the arms embargo on China—may have some immediate rationale, but it is not in Japan's interests over the medium or long term. The arms embargo on China is but one

European policy tool; the EU has the potential to exert further influence in Asia in any number of ways, not only through its extraordinary economic clout and its various agreements and pacts with the countries of the region but also through its role in exporting European norms and regulations. Although it may be difficult to reconcile the EU's interests with Japan's in some cases (such as the lifting of the China arms embargo), in many other cases Japan stands to benefit by cooperation, coordination, and compromise with the EU. That is exactly why Japan can and must make use of the European Union.

To build a reciprocal relationship, Europe also needs to start considering how to make use of Japan. Given that it is in Europe's own interest to make effective use of Japan, how to do so is for the Europeans to determine themselves. However, it is important to note that it is Japan's interest, too, to be used by Europe if it wants to remain one of the central players in Asia. Japan therefore needs to sell its value to the Europeans. The discussion has only begun. And given that the United States itself has yet to answer the question of how best to "use" Europe in dealing with China and other issues in the region, GMF would seem to be an ideal place to carry out this discussion.

Joining the Transatlantic Intellectual Network

GMF has its critics, and some of their criticisms are valid. However, the organization deserves unqualified praise for its achievement in building an intellectual network of unprecedented scope on both sides of the Atlantic. The opportunity to make use of that network is a tremendous advantage from Japan's viewpoint. But this is only the beginning of Japan's involvement in GMF's programs. Through its GMF fellowship, the Tokyo Foundation has become a linchpin of that involvement, and as the program continues, as it certainly deserves to do, it has the potential to contribute and benefit in an even more meaningful way through the creation of a new human network linking Japan and the transatlantic policy community.

June 12, 2009

Rejecting High-Risk Coexistence with North Korea

By Jimbo, Ken

On May 25 this year, North Korea conducted its second nuclear test. It is now clear that Pyongyang has taken further steps to weaponize its nuclear devices, which seem to be approaching ever closer to the operational level. The emergence of North Korea as a de facto nuclear weapon state has tremendous implications for the security of Japan. The author proposes that the current scheme of "high-risk coexistence" be replaced by "coordinated pressure" to reverse North Korea's nuclear development.

Much remains murky regarding the technical details of the two nuclear tests conducted by North Korea in October 2006 and May 2009. What is clear, however, is that t he second test was considerably bigger and far more sophisticated than the previous one, allowing the North Koreans to take another step toward operational deployment. Indeed, if North Korea has succeeded in improving the reliability of its implosion technology and miniaturizing nuclear devices for missile delivery, it will be well on its way to becoming a nuclear weapon state.

The emergence of North Korea as a state armed with fully operational nuclear weapons would have a profound impact on the deterrence structure in Northeast Asia. Meanwhile, Japanese foreign and security policy will need to be adjusted to the newly "reloaded" status of North Korea.

On the Brink of Full Nuclear Deployment

In order to become a nuclear weapon state with fully operational deployment of nuclear warheads, a country has to meet four basic prerequisites: (1) sufficient quantities of weapons-grade plutonium, (2) precision implosion technology (weaponization), (3) miniaturization technology (to enable the weapon to be mounted on a missile warhead), and (4) accurate missile guidance and reentry technology.

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We have known for some time that North Korea had amassed weapons-grade plutonium by reprocessing spent nuclear fuel rods removed from the 5-megawatt experimental reactor at its Yongbyon complex. (Pyongyang reported having 26 kilograms in 2008, while US think tanks estimate that it has accumulated somewhere between 28 kilograms and 50 kilograms, enough for 5 to 12 nuclear weapons.) However, until now few believed that North Korea had sufficient technological expertise to reliably detonate a nuclear device with a precision implosion or to miniaturize it and mount it on such a missile.

But the much-increased yield of the North Korea's recent nuclear detonation (10–20 kilotons) compared with the 2006 test has convinced many observers that the North Koreans have not only improved the precision of their implosion technology but have overcome a major technical hurdle to miniaturizing a nuclear device. In fact, analyses by the US Institute for Science and International Security and the International Crisis Group have concluded that North Korea is already capable of mounting a nuclear warhead on a Nodong missile.[1]

Taken together, such analyses suggest that North Korea's nuclear capability is on the brink of the operational deployment stage, if not indeed there already. Tokyo needs to avoid prolonged ambiguity in its assessment of North Korea's nuclear capability. It needs a clear estimate in order to formulate a new set of policies.

[1] David Albright and Paul Brannan, "North Korean Plutonium Stock: February 2007," in Country Assessments: North Korea (February 20, 2007) http://www.isis-online.org/publications/dprk/DPRKplutoniumFEB.pdf; International Crisis Group, "North Korea's Missile Launch: The Risk of Overreaction" (March 31, 2009) http://www.crisisgroup.org/home/index.cfm?id=6030.

North Korea and the Steps to Nuclear Armament

	Before tests	As of test no. 1	As of test no. 2
Removal of nuclear fuel rods	◎	◎	◎
Preprocessing of spent nuclear fuel	◎	◎	◎
Accumulation of weapons-grade plutonium	◎	◎	◎
High-precision implosion technology	×	△	○
Miniaturization technology	×	△	△→○ (?)
Missile guidance/reentry technology	△→○ (7/2006)	○	○

◎ Certain ○ Almost certain △ Unknown

Rejecting "Déjà Vu" Fatigue

Since the beginning of 2009, North Korea has moved rapidly through successive phases in the development of missile and nuclear weapons technology, by launching a modified Taepodong-2 missile on April 4 and conducting its second nuclear test on May 25.

Yet the overall reaction, including that of the general public and the media, has been relatively muted in Japan and elsewhere. It would seem that the world has grown accustomed to and weary of Pyongyang's pattern of generating a crisis in order to gain leverage in its negotiations, and sees this as no more than a continuation of the same old diplomatic game. What kind of "game" have we played?

North Korea's behavior is understandably regarded as a game because there is every reason to believe that Pyongyang's basic goal is to maintain its regime. We can assume, as long as Kim's decision making is rational, that the probability of any adventurism on the part of Pyongyang is low. The track record of Pyongyang's negotiating behavior also suggests that the North Koreans have carefully avoided escalation into a full-scale military confrontation.

But the United States has been dragged into the game as well. North Korea's conventional capability to attack Seoul and US forces in Korea cannot be ignored, and

this has constrained Washington's willingness to conduct either surgical air strikes or full military intervention, despite the fact that Pyongyang has long since stepped over the "red line" (former Defense Secretary William Perry). With this capability, North Korea has succeeded in raising the cost of any US military operation on the Korean Peninsula, and the United States has pursued multilateral negotiation instead.

The part played by China in this game has become the pivotal one. For its part, Beijing has not only consistently opposed tough sanctions, lest they push the North Korean regime to some rash action or bring about its collapse, but has continued to supply its neighbor with food and energy assistance, thus helping the government to keep social chaos at bay.

These positions by key players have created a fundamental structure in which no effort is made to pursue a solution through intense diplomatic and military pressure, despite Pyongyang's repeated failure to honor its commitments. Now North Korea seems to have gained confidence in its ability to maintain such a "tacit balance of power" with China and the United States. China in particular seems to prefer "high-risk coexistence" with North Korea's nuclear capability over any pressure tactics that could back Pyongyang into a corner.

Unfortunately, this tacit balance has come at a high price. Over the past seven years North Korea has steadily piled up weapons-grade plutonium, building its stockpile at the rate of 1.2 weapons worth of material each year, and continued nuclear testing has allowed it to make substantial technological progress toward weaponization. The North Koreans have also systematically developed their delivery capability by carrying out testing on a variety of missiles, including the Taepodong-1, Taepodong-2, Nodong, Scud-C, and short-range missiles.

If effective nuclear armament becomes the reality for North Korea, Pyongyang will have dramatically augmented its attack capability vis-à-vis South Korea, Japan, and US forces in the region. For Japan, which lies within range of North Korea's 200–320 (estimates vary) fully deployed Nodong missiles, this will require a drastically elevated threat assessment. The policy of high-risk coexistence with North Korea is exposing Japan to an unprecedented security risk. A sense of déjà vu regarding this "same old game" seems to have created a strange complacence among us. However, we can neither

ignore nor trivialize the fact that in the process of playing this game, North Korea has boosted its military capability to unacceptable levels.

Strategic Convergence for Denuclearization

The time has come for Japan to seriously reconsider the policy of high-risk coexistence that has brought us to such a pass. In the joint statement of the fourth round of the Six-Party Talks (September 2005), all parties agreed to the goal of North Korea's denuclearization, defined as "abandoning all nuclear weapons and existing nuclear programs." The diplomatic vicissitudes of the last three years and nine months demonstrate how difficult it is to achieve this goal in a timely fashion. In the aftermath of the declaration, the initial aim of "complete, verifiable, and irreversible denuclearization" was gradually downgraded until, by the final years of the George W. Bush administration, all that remained was the tentative goal of freezing and disabling North Korea's nuclear facilities. Now, in the wake of a second nuclear test, even such modest hopes have been dashed. It is time we recognized that we cannot reach the goal of a denuclearized North Korea by following the path of high-risk coexistence.

Is there a viable policy alternative to high-risk coexistence? Since any acceptable alternative must address the major concerns of Japan, the United States, and China in relation to North Korea's nuclear program, let us begin by reviewing those concerns individually to identify the strategic objectives we need to achieve while pursuing the overarching goal of denuclearization.

In terms of Japan's defense and security policy, the immediate objective is to prevent the effective nuclear armament of North Korea; as noted previously, fully deployed North Korean nuclear weapons within striking range of Japan would have a profound significance for this country's defense policy. Washington's priorities, we can be fairly certain, are to prevent North Korea from transferring nuclear-related material to third parties and to ensure that Pyongyang does not develop the capability to launch a missile attack on the US mainland. China's primary policy objective is to avoid triggering either a violent response from Pyongyang or an internal collapse (opening the door to a massive influx of refugees into China and possible deployment of US forces along the Chinese-Korean border).

No alternative to high-risk coexistence is likely to find acceptance unless it achieves the convergence of all these strategic objectives.

Intensified Pressure on Multiple Fronts

If we want Pyongyang to make the strategic decision to abandon nuclear arms, we must create a situation in which it has no other viable option. And the only way of creating such a situation, as I see it, is to bring four types of pressure to bear: (1) military pressure from the United States, (2) economic pressure from China, (3) rewards/compensation (security assurances, normalized relations, energy assistance, etc.) agreed on in the six-party talks, and (4) economic and financial sanctions adopted through UN Security Council resolutions. Because we have seen that (3) alone does nothing but sustain high-risk coexistence, it is essential to combine all four forms of pressure and to ratchet up this pressure on several fronts if we hope to achieve denuclearization.

To achieve the optimum mix of sticks and carrots, a three-stage process is required. The first stage consists of using the sanctions under a UNSC resolution, the matter on which concerned parties are currently focused, to impose penalties and costs commensurate with North Korea's violations.

Given that the freezing of North Korean assets in the Banco Delta Asia (BDA) in Macao is widely considered the most effective of the sanctions imposed to date, it follows that stronger financial sanctions will have an effect. The new resolution should contain rigorous measures that freeze an even wider spectrum of North Korean financial assets and further restrict Pyongyang's access to international financial institutions.

The second stage is China's full participation in strict economic sanctions. As indicated above, China has maintained a circumspect posture on the imposition of sanctions on the grounds that driving Pyongyang into a corner could have the effect of eliciting an even stronger reaction or bringing down the regime. To persuade Beijing to take an active role, Japan, the United States, and South Korea will have to offer convincing reassurances to address these concerns. This means creating a framework for reassurance designed to minimize the specific risks that China wishes to avoid: (1) that an extreme reaction from Pyongyang will lead to a military confrontation, (2) that North Korean refugees will pour over the border into China, and (3) that the collapse of the

current regime could have US forces occupying the entire Korean Peninsula and confronting China along its border with Korea.

The key components of such a framework would include (1) agreement by top defense officials of Japan, the United States, China, and South Korea and on joint planning to prevent escalation of any military clash with North Korea, (2) adoption of a trilateral plan by Japan, China, and South Korea for controlling borders and dealing with refugees if a mass exodus were to occur, and (3) independent, parallel efforts by Washington, Beijing, and Seoul to devise plans and systems for maintaining order, securing nuclear weapons, and restoring government in the event that the current regime were to collapse. If these plans and systems can succeed in reassuring China, then we will have laid the groundwork for a more resolute application of sanctions by Beijing.

The third phase is military pressure by the United States. It is true that with numerous ground troops stationed near the demilitarized zone and long-range artillery deployed within striking range of Seoul, a preemptive strike (surgical air strikes or an all-out offensive) against North Korea remains a difficult option. However, in the event that North Korea were to threaten belligerent action, it is of the utmost importance that the US-South Korean and Japan-US alliances demonstrate that they have the capability to neutralize that action instantly. One can easily imagine hostile action from North Korea in the form of efforts to prevent ship inspections, skirmishes at the line of demarcation, or attacks on US reconnaissance aircraft. A degree of military preparedness sufficient to control such situations is needed to ensure that they do not escalate into full-fledged armed conflict. To this end, it is important not only that the United States clearly demonstrate its security commitment to South Korea and Japan as a deterrence against escalation, but also that the US-South Korean and Japan-US military alliances enhance their readiness.

It will still be necessary to maintain a framework for compensating and rewarding Pyongyang. In the event that Pyongyang makes the strategic decision to abandon its nuclear weapons and begins taking steps in that direction, we must reward it in a manner commensurate with its actions while incrementally relaxing the abovementioned sanctions. For this reason, we should leave the door open for an unconditional revival of the six-party talks and continue to honor the Japan-DPRK Pyongyang Declaration. It is vital to have at hand the means for rewarding a flexible

approach whenever Pyongyang realizes that its hard-line policies have brought it to a domestic impasse.

A fundamental resolution to the problem of North Korea's nuclear weapons program will require progressive intensification of pressure on multiple fronts as described above. Since each of these options entails risks, it is only natural that political decision makers would prefer to avoid them if possible. However, if we can agree that living with a nuclear-armed North Korea is unacceptable, then we must also agree to adopt a new policy framework capable of pressuring Pyongyang into making the appropriate judgment. For the Japanese government, too, the time has come for a strategic decision.

May 08, 2009

Long-term Outlook for Japan's Foreign and Security Policies

By Jimbo, Ken

Whatever diplomatic and security challenges the next two or three decades may bring, Japan will confront them as an economic power in decline. As such, it will need to craft a sophisticated and multifaceted policy to maintain its global relevance and national security in an increasingly complex and dangerous world.

In any discussion of long-term foreign policy trends, one is inevitably handicapped by a limited ability to predict the sort of international environment that will exist 20 or 30 years from now. We cannot forecast with any confidence the status of the world economy, the distribution of power among major players, the role of international institutions and regimes, or the international norms that will prevail in 2030 or 2040. Yet these are all structural elements that could profoundly affect the future course of Japanese foreign and security policy.

Nor can we say with any assurance how relations will unfold between such major powers as the United States, Russia, China, India, and Japan. The development and management of these bilateral relationships could follow a number of different patterns. We might hope that they will evolve toward a "concert of power," but we can also imagine any number of balance-of-power scenarios. This, too, will have profound implications for Japan's future.

Relevant Long-term Trends

Nonetheless, there are some trends we can predict with relative confidence, especially as regards Japan itself. The first and foremost of these trends pertains to demographics. Japanese society is rapidly approaching what we call a super-aging society, with 40 percent of the population expected to be over 65 years old by 2050 or so. As there is no reason to suppose that this trend will reverse itself, we can be certain that these demographic pressures will constrain our public-policy options.

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In respect to the economy, the long-term outlook is for slow growth. (Although a rate as high as 2–3 percent is possible, many predict around 1 percent or even less.) This makes it inevitable that Japan will lose some of its economic influence and prominence. Where the economy is concerned, Japan is a declining power.

For this reason among others, Japan will have to adjust to new rules of the game. As argued in a number of high-level reports, such as the Atlantic Council's Global Trends 2025 and the National Intelligence Council's Mapping the Global Future, the United States is likely to remain the dominant player in the international system, but the emerging powers—Russia, China, India, and Brazil —will have important seats at the international table. As Japan's capability and economic strength decline, Tokyo will need to pursue a more complex and sophisticated foreign policy than in the past.

A final trend relates to changes in domestic norms and perceptions regarding Japan's international role. My first-year students at Keio University were born in 1991, the year of the Persian Gulf War. They have no direct experience of the Cold War, and they were only 10 years old when the 9/11 attacks occurred. They are much less constrained than my generation by the pacifist norms that dominated Japanese society in the wake of World War II, and this gives them far greater freedom in their strategic thinking. As a result, we can be fairly certain that many of the taboos that have been embedded in Japanese security policy until now will be disregarded or at least given much lower priority. To some degree this has already occurred over the last decade, but as the new generation takes charge of Japanese security policy, we can expect a more dramatic shift that will throw off the constraints of the postwar era.

These, then, are the broader trends that can be expected to impact Japanese security policy. How might Japan's policy makers respond to these changes in the coming decades?

Maneuvering to Stay Relevant

Recognizing the general trend toward marginalization, Japan can logically be expected to take steps to maintain its status in the international community, although the resources that it will be able to allocate will be relatively small. In fact, I believe that under Prime Minister Shinzo Abe, Japan was already maneuvering to maintain its status and relevance by adopting a new ideological framework, as seen in the "arc of

freedom and prosperity" and the "values-driven diplomacy" advanced by Minister for Foreign Affairs Taro Aso in 2006 and 2007.

In my interviews with drafters of the "values-driven diplomacy" concept, I uncovered an assortment of interesting rationales for the policy. The first related to Japan's role in global affairs. Given the growing constraints on its foreign aid budget, Japan needed a new conceptual framework to guide and justify the strategic allocation of its dwindling ODA budget. After World War II, the main rationale used to legitimize foreign aid was the notion of restitution or compensation to Asian nations. Now, more than 60 years after the end of the war, a new conceptual framework is needed to explain why Japan needs to help rebuild Iraq or Afghanistan, and more generally to justify our engagement in Eastern Europe and in Central, South, and Southeast Asia.

Another, more interesting rationale was competition with China. It seems that an important purpose of the values concept was to support an international system in which a coalition of democratic countries would play the leading role, and relations with those outside the coalition would be circumscribed by the goal of spreading democracy. The Abe administration proceeded to act on this concept with moves to develop a hub-and-spokes diplomatic network focusing on Australia and India, and by strengthening relations with NATO.

In a short time, however, this emphasis all but vanished from Japanese foreign policy. The most obvious reason was that Aso lost the 2007 Liberal Democratic Party election to Yasuo Fukuda, who had opposed Aso's concept from the start. Soon after Fukuda came into office, the "arc" disappeared from government websites and the Diplomatic Blue Book. Nor has the concept reappeared as a guiding principle of Japanese foreign policy under the Aso cabinet, even though the prime minister has paid lip service to it from time to time.

The most fundamental reason values-driven diplomacy has fallen out of favor in Japan is that it was an approach that other major powers had already abandoned as impractical, particularly in relation to China.

In 2005, Deputy Secretary of State Robert Zoellick made a speech on US-China relations in which he introduced the notion of China as a "responsible stakeholder" in the international community, an inside player in international institutions and systems.

He made it clear that Washington's policy vis-à-vis China had gone beyond the idea of engagement. The concept of engagement emphasized by the Clinton administration in the 1990s, in the wake of the Tiananmen incident, implicitly viewed China as an outsider that should be encouraged to participate in international systems designed and controlled by the United States. However, Zoellick made it clear that China was already on the inside, influencing existing frameworks and creating its own to compete or collaborate. To some extent, even the 2007 Armitage-Nye Report echoed this inclusive approach. Although it emphasized first of all collaboration among traditional allies and friends, it also stressed a "triangle of US-Japan-China relations" as the key to regional stability.

The impact of this shift was evident. When Abe made a bid to include India in the Japan-Australia-US Trilateral Strategic Dialogue, he elicited a negative reaction, especially from the Australian Department of Foreign Affairs and Trade (DFAT) and the Indian business community, who were clearly concerned about the impact on rapidly expanding economic relations with China.

Over the past few years, two camps within the Japanese Ministry of Foreign Affairs have struggled for control of Tokyo's China policy, one that views China as an outsider and the other committed to treating it as an insider. As foreign minister, Aso embraced a policy that was more or less predicated on the view of China as an outsider. As prime minister, Fukuda reversed Aso's policy, and today there is no going back.

An interesting example of how this shift has played out in Japanese diplomacy can be seen in negotiations over the UN Security Council's response to North Korean missile and nuclear tests. In 2006, many senior Japanese foreign policy officials assumed that Tokyo and Washington between them would draft the Security Council resolutions relating to North Korea's July missile launch and October nuclear test. But China took a tough position, and Washington had no choice but to heed China's opinion to achieve a consensus among the permanent members of the Security Council. Japan learned from this experience, and after the rocket launch in April this year, Aso met with Wen Jiabao in Pattaya, Thailand, and the leaders worked out a compromise whereby Japan gave up its insistence on a binding resolution condemning Pyongyang, and China agreed to signed on to a strong president's statement. As a result, Japan was able to play an active role in facilitating a P5 consensus. We can see from this example how China's

growing influence and the changing distribution of power has influenced Japanese diplomacy.

Historic Turning Point in Defense Policy

Let us now look briefly at the long-term outlook for Japanese defense policy. In terms of constraints, I believe that legal issues and norms, as well as budgetary limitations, will be the biggest factors over the next 20 years.

The 2004 National Defense Program Guidelines, with their concept of "multifunctional and flexible defense," marked a turning point in Japanese defense policy. These guidelines embraced not only the traditional objective of territorial defense but also the broader goal of international security, acknowledging for the first time that conflicts in areas outside Japan's immediate environs were relevant to the nation's defense. Of course, Japan had been participating in peacekeeping operations in remote parts of the world for some time, but until then the justification had been its responsibility to contribute to the international community. In 2004, against a background of heightened awareness of international terrorism and other global threats that cross political and geographical boundaries, Japan evinced a willingness to build its own defense agenda around such overarching threats.

This breakthrough concept became the basis for Japan's mission in Iraq, the first deployment of SDF forces to an area where combat was ongoing, and the situation was expected to deteriorate. At the 2004 press conference announcing the mission, Prime Minister Jun'ichiro Koizumi articulated the traditional position that Japan would not use force unless attacked. At the same time, his justification for sending forces and risking the lives of SDF personnel—that Japan's own security would be threatened if reconstruction failed in Iraq and the country became a hotbed of terrorism—represented a dramatic departure.

What direction the 2009 guidelines take will depend in part on the results of the upcoming national elections. However, regardless of which party controls the government, Japanese defense policy will need to address the following issues.

One is the balance of power in East Asia. The most pressing concern in this regard is North Korea's nuclear weapons program and how best to deter, dissuade, and respond to Pyongyang, both militarily and diplomatically.

Another major regional issue is the rise of Chinese military power, particularly its fourth-generation fighters and submarine capability. By 2005–6, China's fourth-generation fighters outnumbered Taiwan's, and this year or next year they will surpass those of Japan's Air Self-Defense Force. Japan must decide what level of capability it needs to maintain in the years ahead, taking into account the balance of power between China and Japan on the one hand, and between China and the United States on the other.

Another priority should be boosting Japan's independent capability for dealing with lesser matters, such as defense of the disputed Senkaku Islands and Takeshima. Japan must consider above all how best to protect these territories during times of crisis, but also how to prevent politicization of these disputes from compromising peacetime defense.

A final issue relates to the strategy of US-Japan extended deterrence, nuclear and otherwise. Not long ago, President Barack Obama gave a major speech in Prague about nonproliferation policy, in which he officially committed the United States to the goal of eliminating nuclear weapons completely. However, Obama has also stressed that the United States will continue to maintain a strong nuclear deterrent until that goal is reached. Accordingly, Washington plans to work with Russia to reduce the number of strategic nuclear weapons on both sides by December this year, even while maintaining a prominent place for nuclear weapons in its strategic planning. It is still unclear how the United States will manage to maintain a strong nuclear and conventional deterrent for Japan with fewer nuclear forces, and it will doubtless involve a complex formula. In any case, it seems clear that Japan and the United States will need to coordinate doctrine and adjust their roles within the bilateral alliance to ensure that deterrence continues to function for Japan, particularly with regard to North Korea and China.

This article is based on a presentation delivered by the author on April 15, 2009, during the 17th session of the Japan-US future leaders policy dialogue (the Tokyo-Reischauer Group). The dialogue, co-organized by the Tokyo Foundation and the Edwin O. Reischauer Center for East Asian Studies (of The Johns Hopkins University's School of Advanced International Studies in Washington, D.C.), aims to build relationships between young professionals who will maintain and strengthen the Japan-US alliance.

March 10, 2009

Priority Issues in Japan's Resource and Energy Diplomacy

By Abiru, Taisuke; Hiranuma, Hikaru

The financial crisis that started in the United States has touched off a great upheaval in the world economy, the likes of which are said to come once every 100 years. A new world economic system will take clearer shape in the coming years, and whether Japan will continue to play a major role will depend on its planning and execution of industrial and technology policies suited to the new global economic system, as well as closely related resource and energy policies. It must do this while keeping an eye on the medium- and long-term trends underpinning the rapid changes in the international order, including the rise of such emerging countries as China and India, a relative decline in American influence, instability in the medium- and long-term supply of fossil fuels accompanying the growth of the emerging economies, and the increasing seriousness of global warming. With respect to resource and energy policy in particular, Japan, which depends on imports for nearly all of its needs, can do little by itself. Moving away from traditional diplomatic frameworks and building global relations of coordination and cooperation are urgent tasks for Japan, and strategic diplomacy with the public and private sectors working together will be essential.

Based on this recognition, the Tokyo Foundation has conducted surveys and studies on energy trends in Japan and throughout the international community since April 2007 as part of its research efforts in the field of Energy Issues and Japanese Foreign Policy. These studies have suggested resource and energy diplomacy policies that Japan should adopt, and have resulted in the proposals presented below.

We hope that these proposals will be reflected in the nation's resource and energy strategy.

Abiru, Taisuke *Research Fellow of the Tokyo Foundation.*
Hiranuma, Hikaru *Project Manager and Research Fellow of the Tokyo Foundation.*

Policy Proposal

Priority Issues in Japan's Resource and Energy Diplomacy: Relations with the United States and Russia in Nuclear Energy and with China in Rare Earth Metals

The major thrust of Japan's resource and energy diplomacy has traditionally been to secure a stable supply of fossil fuels, namely oil and natural gas. These efforts first evolved around Middle Eastern and a few Asia-Pacific countries, and then since the end of the Cold War have spread to include former republics of the Soviet Union, mainly Russia, Azerbaijan, and Kazakhstan.

In recent years, however, against the background of global warming and uncertain medium- and long-term supplies of fossil fuels, we have seen a rapid rise in the importance of nuclear power; wind and solar power, renewable energy sources that take advantage of advanced technology; and electric and other next-generation vehicles. At the same time, new movements in resource and energy diplomacy have appeared.

In June 2008, just before the G8 Hokkaido Toyako Summit, which focused on global warming issues, the International Energy Agency released its Energy Technology Perspectives 2008. This includes multiple scenarios for the realization of sustainable energy in the future, and simulations together with the technical background necessary for these scenarios. The harshest of those scenarios is one in which CO2 emissions are reduced by half by 2050, for which dramatic energy savings and technical innovations will be essential. This will require an additional annual investment equivalent to about 1.1% of average annual global GDP, with the total cost rising to $45 trillion. Even including technical innovations in a range of fields—energy savings and increased energy efficiency; renewable energy from solar, wind, and biomass resources; carbon capture and storage; and in the transport sector, electric, plug-in hybrid, and fuel-cell vehicles—calculations indicate that there will be a need to build 32 new nuclear power plants each year worldwide.

In Japan, as seen for example in the New National Energy Strategy presented by the Ministry of Economy, Trade, and Industry in May 2006, the focus in energy trends both domestically and internationally is on (1) promoting the use of nuclear energy and (2) increasing energy efficiency through the use of advanced technology, reducing reliance

on petroleum and other fossil fuels, and raising nuclear energy generation efficiency. The measures and policies needed to achieve this are considered to be priorities in the field of resource and energy diplomacy.

In the light of the above, the Tokyo Foundation offers the following two proposals for Japan's resource and energy diplomacy, which will be needed to promote the use of nuclear energy and energy efficiency through the use of advanced technology.

Proposal 1

In the area of peaceful use of nuclear energy, Japan should focus on building a reciprocal relationship with Russia, actively contribute to strategic stability in US-Russia relations, and create a framework for Japan-US dialogue on cooperation with Russia on nuclear energy.

Promotion of further peaceful use of nuclear energy is essential to cope with global warming. In this area, Russia, as a major nuclear power, cannot be ignored.

It is possible for Japan and Russia to build a reciprocal relation in the field of peaceful use of nuclear energy.

Since Japan's and America's nuclear energy programs are unified for all practical purposes, as seen by the Toshiba-Westinghouse and Hitachi-GE alliances, stability in US-Russia relations is essential. However, the Iranian nuclear development program continues to be a problem, and US-Russia relations remain strategically unstable.

The outbreak of the Georgian crisis in August 2008 forced the administration of George W. Bush to withdraw a US-Russia nuclear energy agreement that had been signed in May and submitted to Congress for approval. Future measures will be left to the new Obama administration.

Therefore, Japan should act positively to contribute to strategic stability in US-Russia relations. Various frameworks exist between the United States and Russia and between Japan and Russia for dialogue on the possibility of cooperation in the field of nuclear energy. Between Japan and the United States, however, no framework exists for discussions of nuclear energy cooperation with Russia. We therefore propose establishing a framework for Japan-US dialogue, timed with the inauguration of the

new Obama administration, that will allow the participants to exchange views on nuclear energy cooperation with Russia.

Exchanges of views should be started on how to proceed with cooperation between the United States and Russia and between Japan and Russia, and to identify the obstacles to such progress, in the areas of both peaceful nuclear energy use and nuclear nonproliferation. As an extension of these talks, Japan can search for possible ways to work together with the United States in regard to nuclear energy cooperation with Russia. This will not, obviously, resolve points of US-Russia strategic conflict, but it will undoubtedly help to stabilize the situation. It may also lead to building a stable trilateral relationship centered on cooperation in the field of nuclear energy.

In Washington, there are influential groups that show deep understanding of the importance of cooperation with Russia in the field of nuclear energy, including the authors of a report by the Center for Strategic and International Studies, a US think tank, on nuclear energy agreements between the United States and Russia. There is a real possibility that such a framework could be established through cooperation with these groups.

The new Obama administration officially starts on January 20, 2009. However, it will take several months to set a direction in its Russia policy, including resubmitting the US-Russia nuclear energy agreement for ratification by Congress. If the first meeting in this new framework could be held in Washington by March 2009, before that direction is established, it may be possible to provide input to the Obama administration with regard to the importance of nuclear energy cooperation with Japan and Russia.

Japan-US Dialogue on Cooperation with Russia on Nuclear Energy: Framework Overview

Japan

- Governmental organs (Ministry of Foreign Affairs, Agency for Natural Resources and Energy, Japan Bank for International Cooperation)
- Japanese corporate and nuclear power industry representatives
- International affairs specialists (Russia, nonproliferation experts)

United States

- Governmental organs (Departments of State, Energy)
- US corporate and nuclear power industry representatives
- International affairs specialists (Russia, nonproliferation experts)

Creation of Japan-US dialogue framework

Major themes to discuss:

- The potential for and barriers to bilateral cooperation with Russia by Japan or the United States in the field of nuclear energy
- Possibilities for Japan-US coordination in nuclear-energy cooperation with Russia

Proposal 2

To create a stable supply environment for rare earth elements, Japan should initiate opportunities for continuous joint Japan-China research in the fields of developing recycling technology and addressing environmental problems that accompany rare earth development, in order to build a reciprocal relationship between Japan and China.

Rare earth elements are uncommon mineral resources, referred to as the “vitamins” of industry.

These elements are used in the high-performance, high-efficiency motors in next-generation automobiles, energy-saving home appliances, and nuclear reactor materials. They have a high level of use in advanced energy-saving and environmental technologies, and the global demand for them is expected to increase. They are essential elements in the technical support of Japan’s energy policies.

Rare earth elements, more than other rare minerals, have properties that make them difficult to replace with other materials and difficult to recycle and store. Deposits and production of rare earth elements are heavily concentrated in China.

Today Japan imports nearly 100% of its rare earth elements from China. Even with diversification of supply countries or development of the ocean floor resources near

Japan, the facts that demand will continue to grow and that good deposits exist in China lead to the conclusion that it is desirable to maintain a stable supply from China as a primary source.

China is positioning rare earth elements as important national strategic materials with its resource policy of "Middle Eastern oil, Chinese rare earth metals." Development with foreign capital is prohibited, and "resource nationalism," such as restricted export licensing, is intensifying. This gives rise to concerns in terms of stable supplies for Japan.

Past activities between Japan and China in the field of rare earth elements include the launch of Sino-Japanese rare earth conferences in 1988, based on an agreement between the director-general of the Agency for Natural Resources and Energy of Japan and the vice chairman of the State Planning Commission. In these conferences Japan and China share information and ideas on the production and sales of rare earth and nonferrous metals, as well as government policy trends regarding them.

Recent developments have shown China, despite the rising intensity of its resource nationalism, to be approaching Japan with interest in advanced technology including Japan's superior processing, application, and recycling technologies. China must also deal with issues related to environmental problems from excessive mining and other causes.

In consideration of these circumstances in China, Japan should cooperate in technical fields, where it is allowed, for the development of Chinese rare earth elements, build a reciprocal relationship by advancing Sino-Japanese cooperation in dealing with environmental problems, and create an environment that promotes a stable supply of these elements.

To promote a continuing stable supply from China, the Sino-Japanese relationship should not be limited to one of simple Japanese imports from China, as it has been up to this point. Rather, it will be important to promote stability by building a reciprocal relationship in which Japan and China jointly develop and use rare earth elements.

One proposal, therefore, is to initiate opportunities for continuous joint Japan-China research in the fields of recycling technology development and coping with the

environmental problems that accompany rare earth development, in order to build a reciprocal relationship between the nations.

Japan's cooperation in environmental measures in the development of rare earth elements in China will be a useful experience for environmental measures when Japan itself develops sources of these elements in countries other than China.

Appendix. Proposals for Japan-China Joint Research on Rare Earth Development

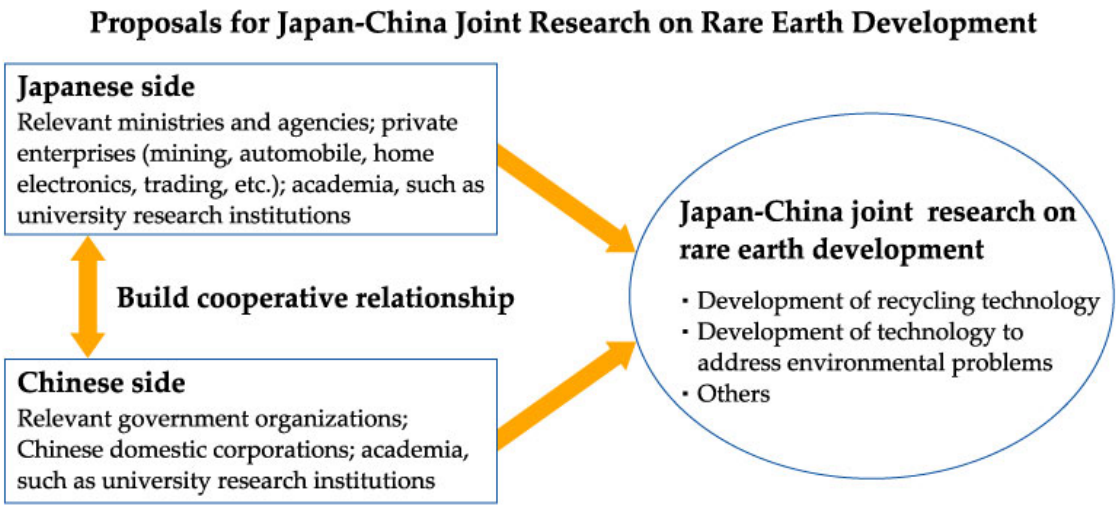
Aims

To ensure a stable supply of rare earth elements from China by building a reciprocal relationship through Japan-China joint research on rare earth recycling technology and measures to address the environmental problems that accompany rare earth development, which are challenges faced by both countries.

Research Topics

Rather than haphazardly providing China with the cutting-edge processing and application technologies that are the basis of Japan's competitiveness, the proposals call for joint research in fields that constitute shared challenges for Japan and China, thus building a reciprocal Japan-China relationship.

1. Development of rare earth recycling technology
   --Develop technology to collect and recycle rare earth elements from commercial products
   --Develop less expensive recycling technology
2. Technology to address environmental problems in rare earth development
   --Develop more environmentally friendly extraction technology
   --Develop technology for disposing of and managing radioactive waste, including thorium produced in the development process.
   --Other, such as anti-aging technology for withstanding storage of rare earth elements



(This is an excerpted translation of the Tokyo Foundation proposal released on January 15, 2009.)

February 13, 2009

Japan's Middle-Power Diplomacy

Summary of Presentation Given by Soeya Yoshihide

Soeya Yoshihide, a respected Keio University professor specializing in Japanese and Asia-Pacific political and security issues, recently delivered a presentation at the Tokyo Foundation in which he argued that Japan should adopt an autonomous grand strategy as a "middle power."

This thesis, which Soeya began to develop about ten years ago, was presented in 2005 in his book, Japan's Middle-Power Diplomacy. The professor defines middle powers as those nations that are influential economically or in terms of certain strategic aspects, but that do not aspire to rival the major nations such as the U.S. and China in terms of hard power capabilities.

In his presentation, Soeya noted that while the term "middle power" has provoked negative reactions from some quarters, his intention is not to inflame, but rather to objectively examine the post-Cold War issues facing Japan and suggest a strategy that is realistic and appropriate for the future. (In doing so, Soeya takes as given the continued existence of the U.S.-Japan security relationship.)

Post-War Strategy Lingers on

The professor said that Japan's current internal and external realities are quite different from those of the Cold War, let alone what was assumed immediately after World War II when the U.S. and the Soviet Union - as well as the U.S. and China and what would become North Korea - had not yet fallen out. Thus Soeya views the Japanese peace constitution, adopted in 1946, as somewhat inconsistent with realities almost from the get-go.

The professor said that Japan, following the Yoshida Doctrine, abdicated security to the U.S. and funneled its pent-up ambitions and nationalism into economic activity, with the result being the incredible growth seen during the 1960s. This phenomenon, said Soeya, covered up the "fundamental inconsistencies" between the peace constitution on one hand, and the U.S. alliance on the other.

Soeya noted that even during the Cold War, domestic uncertainty and opposition to Japanese strategy arose, driven primarily by nationalism. From the left came opposition to the alliance, and from the right, initial opposition to the alliance as well as constant challenges to Article 9 of the peace constitution, which renounced war as Japan's sovereign right.

The leftist challenge to Japan's constant strategy has all but disappeared, but calls from the right have grown relatively louder, according to Soeya. However, he noted that those factions have not succeeded in taking over Japanese diplomacy, and argued that they never will. Rightist agitation is a symptom of, not a solution to, the post-war structure, according to the professor. While such actors will be unable to dictate strategy, their continued agitation might serve to further confuse the policy process and make Japan irrelevant on the regional and world stages.

The professor said it would be difficult and unlikely for Japan to change its peace constitution and security treaty with the U.S. He noted that even if that were to happen, Japan would not be powerful enough to stand on its own militarily (if linear trends continue), and as such, the relationship would perhaps grow even closer. Revising the current security arrangement would also raise the question of when to fight on behalf of America - a point that Soeya said is not discussed by those pushing for a new constitution. Those parties have also egregiously failed to offer a concrete strategy for a new Japan, according to Soeya.

The professor said that attempting to compete with China would be self-defeating, as would be the development of nuclear weapons.

Choosing the Middle Path

Instead of attempting to become a major power, Japan must adopt a viable grand strategy for the future, one that makes sense not only for Japan but also for the countries it interacts with, according to Soeya. He said that it would be good to corral nationalistic energies toward constructive ends, and that the strategy should take global considerations into account.

Soeya offered the middle power concept as a blueprint, noting that Japan's longstanding strategy is essentially that of a middle power, but that today's policymakers should explicitly adopt the framework - or at least elements of it - in order for it to be executed more effectively. One of the problems with the nation's current strategy is that economic clout far outweighs military might (letting Japan weigh in as an overall middleweight), a gap that Soeya says should be narrowed.

The professor laid out a vision in which Japan would still rely on the U.S. for its ultimate security, but would simultaneously pursue a more autonomous strategy that would serve to rectify Japan's economic-security gap. He posited that the U.S. might even welcome a confident Japan that is not afraid to question American policy.

Soeya sees South Korea, Australia and ASEAN as Japan's natural regional partners - they "fall between the U.S. and China" - and said that they should be the focus of the new strategy, one that would build the infrastructure of an "East Asian order." Soeya observed that Japan has already moved closer toward ASEAN, and noted the significance of the Japan-Australia security pact that was signed in 2007.

The professor warned, however, that the vital Japan-South Korea relationship must be managed carefully in light of historical and territorial issues. He said that if the two countries were to sign a security agreement ("logical, but unlikely anytime soon") that it would amount to a sea change in the Northeast Asian security landscape.

He also noted that South Korea seems to view Japan as a great power akin to the U.S., China and Russia, but suggested that this line of thinking is detrimental to the Japan-South Korean relationship, and that Japan would be unable to on its own manage the fallout from a Korean peninsula war as a real great power might.

It should be noted that Soeya cautioned that Japan is unlikely to adopt an autonomous middle power strategy while the current constitution and alliance are still in place. Given this, the professor admitted that his thesis is somewhat academic, but said that discussing practical approaches (regional security cooperation, etc.) to current problems is wise - and that down the road, Japan might be in position to adopt the strategy more completely.

Questions from Tokyo Foundation Participants

When asked the likely associated effects of domestic political realignment and significant changes in the external order, the professor first noted that there could be a major reshuffling of the party landscape, with the DPJ quite possibly taking power. Soeya then said that conservative political forces attentive to overseas threats largely focus on China, but hinted that the Japanese people would be unlikely to get behind a major nationalistic program unless the external threat was severe.

Another participant wondered whether the cost of becoming a middle power would be prohibitively high, and posited that the Yoshida Doctrine is path dependent - meaning that it would be unlikely for Japan to break free of the framework where the U.S. provides security and Japan focuses on economic matters. Professor Soeya admitted that a fundamental shift in strategy is “not likely” given such considerations.

One participant suggested that the middle power approach be modified slightly, to that of a “selective power” strategy. For example, some nations might prefer to focus on being an economic power and forgo hegemonic aspirations. Soeya replied that this concept had merit, adding that Japan is remiss to call itself a great power given that it does not carry the requisite muscle.

As to the question of whether Japan had any desire to actually become a middle power, Soeya noted that there is no consensus within the Japanese bureaucracy. Along the same lines, another participant and Soeya agreed that the low enthusiasm among Japanese for permanent membership at the UN Security Council indicates that the country might be disinclined to launch a concerted effort to become a middle power.

One attendee questioned whether Japan could adopt an internationally focused middle power strategy given that the bureaucracy is low on people with overseas experience, and that Diet members are notoriously focused on their provincial constituencies. Soeya responded by agreeing that self-absorbed nationalism limits Japan to that meager destiny, and that his middle power strategy would require a paradigm shift among decision makers and the bureaucracy.

This article is based on a presentation on January 15, 2009, during the 14th session of the Japan-US future leaders policy dialogue (the Tokyo-Reischauer Group). The dialogue, co-organized by the Tokyo Foundation and the Edwin O. Reischauer Center for East Asian Studies (of The Johns Hopkins University's School of Advanced International Studies in Washington, D.C.), aims to build relationships between young professionals who will maintain and strengthen the Japan-US alliance.

Andrew Duff, a member of the Tokyo-Reischauer Group and a researcher at Temple University's Institute of Contemporary Japanese Studies, contributed to this summary.

May 20, 2009

Japan's Watershed Forests in the Cross Hairs

The Tokyo Foundation has been engaged in research on the crisis facing Japan's watershed forests and recently announced proposals for protecting the country's forests and water cycle from interests backed by global capital. These proposals were subsequently addressed by Sentaku*, a magazine that carries substantial influence with Japanese policymakers.*

Buyers backed by global capital are stealthily reaching their hands out toward Japan's forests. In January 2008, a Chinese concern approached the town of Odai in Mie Prefecture with an offer to purchase a large tract of its mountainous forestland. The group's intention was to log over 1,000 hectares of forest surrounding the upstream section of a dammed lake and ship the harvested timber to China from Nagoya Port. Although caution on the part of the local government prevented the deal from going through, the buyers, who were acting as intermediaries, merely turned their attention to a different locality.

There was a similar occurrence in June 2008 in the village of Tenryu in Nagano Prefecture. A buyer from Tokyo looking to purchase forestland reportedly told his associates of China's demand for lumber and potable water, explaining that a wide expanse of watershed forest could easily sell for several times the market price. Amid a protracted slump in the market for forestry products, talk of such deals is happening behind the scenes all over Japan.

A Fire Sale in Japan's Battered Provinces?

An increase in purchases of forestland can be explained by any number of factors; in the case of Japan, however, the immediate cause is unreasonably low prices. Forestland prices in Japan have declined for the past seventeen years in a row and are now lower than the levels seen in the mid-1970s. Prices for standing timber, too, began declining in the 1980s and have continued to fall for over 25 years. With prices so low, there are no profits to be made by properly managing and maintaining a mountain property. On the other hand, a buyer that purchased forestland cheaply and harvested all the timber without bothering to replant it (although this is against the law) would reap handsome profits. This explains the growing number of incidents all over Japan in which speculative real estate companies buy up mountain plots from struggling landowners, harvest the standing timber, and then abandon the land.

Water is another motive for purchases of mountain forests. As rising demand puts ever greater pressure on global water supplies, countries around the world are intensifying their efforts to secure water resources, including watershed forests. In China, in particular, demand for bottled water is growing rapidly, increasing fourfold between

1997 and 2004. Annual consumption of bottled water has ballooned to 9.8 billion liters. The so-called water barons—major water companies—are frantically buying up land all over the world to obtain rights to the water resources located there. The flow of money into water resource businesses through investment vehicles known as water funds has also increased in the past few years. Amid these global trends, water market players view Japan's undervalued forests as a "buy."

In the Chubu and Kyushu region, the problem extends beyond direct purchases of forestland. According to reports, sake brewers and bottlers have also been bought up for their groundwater sluice gates and accompanying forestland. With provincial economies in tatters, alarming numbers of breweries have been going under. Brewers and bottlers desperate to sell off their capital as their businesses slump present ideal targets for overseas buyers.

A common thread in each of these stories is the widespread use by buyers of intermediaries and dummy corporations. The buyers behind the deals managed to conceal their true identities by interposing two or three extra links in the purchasing chain. Without realizing it, local landowners forced to part with their forestland due to economic hardship end up selling their property to an unknown buyer via a complicated resale process.

Administrative Failure

Gaining an accurate grasp of the facts behind the rumors circulating in various parts of the country, however, is extremely difficult. Roughly 60% of Japan's woodlands are private forests owned by individuals or corporations. Although sales of land, including privately owned forests, must be reported after-the-fact under Article 23 of the National Land Use Planning Law (though this applies only to plots of 1 hectare or more outside of city planning zones), the data provided by such reports are not subjected to the kind of rigorous compilation and analysis needed to understand what is happening.

To make matters worse, the comprehensive survey of Japanese land based on the National Land Survey Law is still less than halfway toward completion. Astonishingly, the authorities do not even know how large most areas of forestland are, let alone who owns them. Because of the lack of progress in completing the national land survey, real property registers do not provide an accurate picture of the present status of forestland. Omissions in information regarding landowners (caused, for example, when a new owner neglects to register the change in the name of the titleholder) and the sheer number of plots make it nigh-on impossible to get a clear picture of who owns what using land registers alone.

In short, there is no mechanism for the national authorities to identify who owns Japan's forestry resources and for what purpose. Jurisdiction over the country's forestry and water resources, including groundwater, is split among a number of government agencies: the Ministry of Land, Infrastructure, Transport, and Tourism is in charge of

the national land survey and regulation of land use; forests are generally administered by the Forestry Agency; and tasks relating to the environment, including groundwater, are generally handled by the Ministry of the Environment. With the Ministry of Health, Labor, and Welfare, the Ministry of Economy, Trade, and Industry, and other agencies also involved, Japan's forestry and water resources are not being administered in a comprehensive manner.

In January 2009, the Tokyo Foundation issued a proposal titled "Japan's Forestry and Water Resources in Crisis." In it, the Foundation points out that while forestry resources are the private property of individuals, corporations, and others, at the same time they generate the water resources on which Japan depends and are a fundamental part of the country's infrastructure.

In the days when Japan's forests were properly managed, the public benefit derived from forestry resources was maintained to some extent by landowners, who took good care of their mountainside plots. But now, with rural villages impoverished and a mere 50,000 or so forestry workers in all Japan (26% of whom are aged 65 or older), many forests lie neglected, the identities of their owners unknown.

The existing legal framework was erected back when there was high demand for domestic lumber and forest management was thriving. At that time it was impossible to foresee the increase in overgrown forests and the lack of reforestation that have resulted from factors such as foresters' financial hardships and the growing number of absentee landlords; consequently, the current laws are incapable of dealing firmly with such nonfeasance. Moreover, almost nothing has been done to put in place rules to protect forests and groundwater from global interests bent on realizing short-term profits. With the exception of farmland, the laws that are supposed to restrict the resale of land are simply not functioning. According to Article 207 of Japan's Civil Code, "Ownership in land shall extend to above and below the surface of the land, subject to the restrictions prescribed by laws and regulations." In other words, it is possible that landowners could also lay claim to the groundwater and hot springs under their land.

In the event of a dispute over the rights to groundwater lying under private forestland purchased with foreign capital, local residents would be opposed in any legal action by an organization (most likely a corporation or fund) that might fiercely defend its position based on the legality of its ownership of the watershed forest and groundwater on and below the land. Already such a conflict over water rights is being played out in the US state of Michigan between local citizens and a bottled water company funded by Perrier, a subsidiary of the Swiss corporation Nestlé. In such cases, it is imperative that residents start a debate with the organization about the public and social significance of the resources. During a drawn-out conflict, the land in question continues to be used by the organization and is not returned.

Once structural changes like land subsidence occur due to excessive extraction of groundwater, it takes hundreds of years to restore the surrounding environment. If

water and forestry resources are sold to an unknown buyer who proceeds to threaten the safety and peace of mind of local residents through reckless development or excessive water usage, it will already be too late. For this reason, the government's nonfeasance in administering Japan's water and forestry resources is unforgivable.

Viewing Japan's present system from this perspective, the rules put in place to safeguard the country's watershed forests and groundwater can only be described as alarmingly inadequate. To give watershed forests their rightful status as a key element in Japan's infrastructure, the government must swiftly establish a cross-ministry form of administration for the conservation of watershed forests and groundwater.

(Reprinted from the May 2009 edition of Sentaku. *Courtesy of Sentaku Shuppan K.K.)*

March 30, 2009

Rediscovering the Treasures of Food

Dried Bonito

By Fujita, Chieko

Dried bonito is a major source of the traditional soup stock that is essential to so many Japanese dishes. The choice variety is fermented and takes several months to make, and even ordinary, unfermented kinds take a month. This important seasoning is being driven from its position in everyday Japanese life by quick chemical alternatives.

History of Dried Bonito

Dashi, or soup stock, forms the backbone of Japanese cuisine. Various kinds of *dashi* are found in different parts of Japan, such as those made from kelp and shiitake mushrooms, those from dried baby sardines, and those from flying fish. But the most widely used kind is *awasedashi*, which is made by blending kelp and dried bonito, or skipjack tuna. From miso soup and soup noodles to tempura sauce and simmered dishes of all sorts, this *dashi* is used in a great many Japanese foods.

Dried bonito, called *katsuobushi* in Japanese, has a venerable history. It was not until around the middle of the Edo period (1603-1868) that production of fermented dried bonito, or *honkarebushi*, began. But the roots of *honkarebushi* lie in *nikatauo*, which was mentioned as a "[seasoning made from] fish that has been boiled and dried hard" in the Yoro Code, a set of criminal and administrative codes completed in 718.

Skipjack tuna is cut up entirely by hand

Having developed from ancient times as a dried food, *katsuobushi* first came to be made by smoke drying in 1674. A well-known anecdote about the birth of this method tells of a fisherman from Kishu (present-day Wakayama Prefecture) named Jintaro who was shipwrecked in a storm. After being washed up on the shore of Usanoura, Tosa (present-day Kochi Prefecture), Jintaro tried smoking the skipjack tuna that he had over a wood fire, which dramatically improved the fish's flavor. This is said to be the beginning of smoke-dried skipjack tuna, known as *arabushi*.

Fujita, Chieko Freelance writer. Drawn by the culture of sake brewing and the people engaged in it, as well as by the taste of sake, has made it her lifework to visit sake breweries across Japan. Organizes the Hakko Link, which is aimed at linking sake with fermented seasonings and fermented foods. Serves on the sake jury under the Nagano Appellation Control system.

A century later, around 1770, a method was developed of further refining *arabushi* by growing mold on it. There are several theories regarding the origin of this method, including that a merchant from Tosa came up with the idea and that *arabushi* in a wooden container accidentally molded while being shipped by boat, after which mold came to be grown intentionally as it was found to enhance the flavor. Another story along similar lines goes that a wholesale dealer of *katsuobushi*, who was hesitating to throw out some *arabushi* that had grown moldy in his warehouse, discovered that its flavor had intensified.

The gist of every story is that the technique grew out of a chance discovery following the misfortune of *arabushi* getting molded. The wisdom and experience of the Japanese, who have invented a wide variety of preserved foods by harnessing the power of fungi, appear to have played their part as well in the development of dried bonito production.

Emergence of Chemical Seasonings

Dashi, a taste that has been such a close and integral part of Japanese life, is growing into—of all things—a luxury. Making *awasedashi* involves soaking kelp in a pan of water, putting the pan over a flame, removing the kelp after its *umami* (savor) has seeped into the near-boiling water, and then adding shaved *katsuobushi*. It has already been many years since this process went from being accepted as a normal and indispensable part of everyday food preparation to being considered a hassle.

Fillets are simmered in a special kettle

The greatest factor behind this change of perception is probably the emergence of convenient alternatives, such as instant miso soup, instant noodle soup base that is used simply by diluting, and granulated chemical seasonings that are advertised as offering the savor of kelp and flavor of bonito without the need to make *dashi* from scratch. The growing popularity of Western food has also played a part in depriving natural *dashi* of its everyday status in the average Japanese diet. Reliance on chemical seasonings is even more pronounced in the fast food industry than in the home, and the opportunities particularly for young people and children to relish the taste of natural *dashi* appear to be steadily decreasing.

More than Just a Dried Food

The crisis for *dashi* translates into a crisis for *katsuobushi*. *Katsuobushi* is not just a dried food made by simply desiccating skipjack tuna. Like *miso*, soy sauce, sake, and sweet rice wine, it is also a fermented food completed by fungal fermentation, a major characteristic of Japanese food culture.

The fillets are smoke dried after removing the bones, yielding arabushi .

There are several different kinds of *katsuobushi*, as well as different production methods. The principally used method also varies from region to region. Below is an outline of the different methods of production.

- *Arabushi* are made by filleting skipjack tuna, simmering the fillets whole, and smoke drying them until hard.
- *Hadakabushi* are made by shaving off the surface fat of *arabushi* and adjusting their shape.
- *Honkarebushi*, also called *shiagebushi*, are made by coating the *hadakabushi* with mold and fermenting them. Molding has the following merits.

1. Mold consumes the moisture in the meat to sustain itself, thus accelerating desiccation.
2. Mold has the ability to decompose fat, ridding the meat of both its fat and smell and converting the fat into soluble fatty acids. The process also takes the edge off the taste, enhancing the savor and aroma.
3. Mold breaks down proteins into amino acids and other nitrogenous compounds, which also increase savor.
4. The coating of mold keeps off other microorganisms.
5. Mold breaks down the neutral fat and increases free fatty acids, resulting in a clear soup when *katsuobushi* shavings are boiled.

Traditional Production

Katsuobushi is a food product completed by putting skipjack tuna through a complex manufacturing process and a period of fermentation and maturation. As such, its production requires the practiced eyes and hands of artisans who are trained in traditional skills. We visited Makurazaki-shi, Kagoshima Prefecture, to learn about current conditions in this industry.

Makurazaki is the largest producer of *honkarebushi*, and artisans of this city have maintained sophisticated skills to ensure the quality of their products. *Honkarebushi* of the Satsuma type, in particular, is peculiar to the city. It is an exquisitely shaped product made by an age-old method with premium-quality skipjack tuna and superior craftsmanship. Many professional cooks in Kyoto, a city famous for its abundance of top-class Japanese restaurants, specifically ask for the Satsuma type when buying *katsuobushi*.

Hadakabushi *is made by trimming off the charred surface of* arabushi

Nowadays, though, only a few people in Makurazaki still know how to make Satsuma-type *katsuobushi*, which calls for mastery with the knife and a production process that is far from efficient. Motomu Otsuji of the Yamatsuji Store is one of them. Otsuji makes *honkarebushi* by the following method.

Step 1: Cutting

The fish is cut up manually when making Satsuma-type *katsuobushi*, and the head is not severed beforehand. Skipjack tuna weighing seven kilograms or more are used for the Satsuma type.

Depending on the fish size and how it is cut, the fillets may be classified into two categories.

- *Honbushi*: After cutting away the meat on both sides of the spine into two large blocks, each block is further halved lengthwise, yielding four fillets. Back fillets are called *osubushi* ("male fillets"), while belly fillets are called *mesubushi* ("female fillets").
- *Kamebushi*: Two blocks of meat are cut away from both sides of the spine, yielding two fillets.

Step 2: Simmering

The quarter fillets are lined in a metallic basket called *nikago* and lowered into a special open kettle to be simmered for about two hours. In addition to sterilizing the fillets, this coagulates the protein in them, preparing them for smoking. The fully coagulated protein prevents inosinic acid, which makes up part of the savor of *katsuobushi*, from breaking down during smoking.

Step 3: Smoke drying

After being cooled down, the simmered fillets are rid of the bigger bones and part of the skin, which had been left intact in step two. Not all of the skin is removed, partly to keep the fillets from losing shape and also because its shrinkage serves as an indicator of how well the fillets have been dried and smoked.

The fillets are fumigated using firewood in the drying room, then cooled down. This is repeated many times for about a month until the fillets turn into the *arabushi* state. Once the charred surface is trimmed and the shape is adjusted, the fillets become *hadakabushi*.

Step 4: Molding

The *hadakabushi* are coated with mold and sun dried. The process of applying mold, sun drying for about two days, and storing away for about two weeks is repeated during three or four months. The mold is faintly blue at the time of the "first mold," but as fermentation progresses the surface yellows, until finally, by the "third mold," it takes on a whitish tint and comes to resemble deadwood. Applying mold several times over reduces the water content to roughly between 18 and 20 percent. The end result is *honkarebushi*, the ultimate form of *katsuobushi* as a fermented food.

Applying mold on the hadakabushi *for fermentation results in* honkarebushi .

Current Trends

Today Makurazaki, being home to a fishing port that boasts top-level catches of skipjack tuna, produces more *katsuobushi* than anywhere else. Between April 2007 and March 2008 the city's producers turned out 13,992 tons, which accounted for 43 percent of the *katsuobushi* made in the three major production areas. The other two areas are Yamagawacho (now merged with Ibusuki-shi), Kagoshima Prefecture, and Yaizu-shi,

Shizuoka Prefecture, which produced 9,971 tons (31 percent) and 8,631 tons (26 percent), respectively.

As noted earlier, natural *dashi* and *katsuobushi* are becoming less and less a part of everyday Japanese life. But production of *katsuobushi* is not falling, as might be expected. Quite to the contrary, the output in Makurazaki grew from 6,593 tons in 1980 to 10,421 tons in 1991, passing the 10,000 mark for the first time, and further rose to 15,856 tons in 2006. Of this last figure, 493 tons were in the form of *shiagebushi* (*honkarebushi*), 14,511 tons were *arabushi*, and the remaining 852 tons were *wakabushi*, or semidried *katsuobushi*.

The secret behind the paradoxical rise in production lies in how the *katsuobushi* are used after being shipped out. Aside from being sold as shavings, a significant amount is evidently processed for use in such products as freeze-dried instant miso soup, ready-made noodle soup, and granulated bonito-flavor seasonings. As things stand, the increase in *katsuobushi* consumption is only possible thanks to the diversity of hassle-free products like granulated and liquid instant *dashi*.

Dashi is a mainstay of Japanese cuisine. But if the Japanese continue to drive natural *dashi* out of their lives, it may not be long before *katsuobushi*, an essential ingredient, and the traditional craftsmanship that has underpinned its production pass out of existence. To preserve the taste of genuine *dashi*, traditional *katsuobushi* production must be kept from becoming an unstable and unrewarding job, and traditional skills must be kept alive. It is in the hands of consumers to make this happen by favoring natural *dashi* over chemical alternatives.

Photos: Kazuo Kikuchi

About the “Rediscovering the Treasures of Food” project

Every one of Japan’s regions was once blessed with an abundance of its own traditional foods, including both ingredients and processed items. The rapid acceleration of globalization and the development of food distribution systems, however, are resulting in a leveling and standardization of this diverse food landscape. As a result, small producers are having trouble finding people and funds to carry on their businesses, and Japan faces the possibility that many of its foods will no longer be produced.

The “Rediscovering the Treasures of Food” project is a search for the hidden riches among food products that are in danger of discontinuation despite their value. Creating a variety of media content about these foods will allow information to be shared broadly, ideally leading to an increase in support for their producers.

January 27, 2009

Rediscovering the Treasures of Food

Sea Salt

By Fukuda, Motoko

Salt has been manufactured from seawater across Japan since prehistoric times. But with a 90-year monopoly on salt and the disappearance of salt fields, the only choice for Japanese consumers in recent decades had been salt produced by an ion exchange process. Following abolition of the monopoly in 1997, a wide choice of salts is becoming available.

Disappearance and Revival of Natural Salt

Salt is indispensable for human survival, just like air and water. Its importance has been known to humanity since ancient times, as evidenced by the "salt roads" remaining across the world, including Japan, which were used to transport salt inland from coastal areas. Seawater is not the only source of salt; in other parts of the world, edible salt is also derived from rock deposits and from saline lakes. But in Japan, due to the lack of these sources and its being surrounded on all sides by ocean, its people found ways to extract salt from seawater and refined them over the centuries.

A major turning point in the history of salt in Japan was the establishment of a government-mandated monopoly on salt. The monopoly was put in place in 1905 to cope with the costs of the Russo-Japanese War, as well as to develop the domestic salt industry base. The production and sale of salt would be strictly regulated for much of the twentieth century.

Sea Salt

In 1971, furthermore, the Act on Temporary Measures for the Modernization of the Salt Industry put an end to all salt fields. The coastal beaches that were once salt fields quickly turned into industrial sites, washed over by the waves of Japan's rapid economic growth. In this way, traditional methods of salt production were all but lost.

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A new method known as ion exchange membrane electrodialysis took their place. Japan was the first country to provide salt produced by this method to its people. Electricity and ion-exchange membranes are used to extract and concentrate sodium ions and chloride ions from seawater, which are then boiled down into crystals in a vacuum evaporation system. Salt made in this way has very high purity, with more than 99 percent sodium chloride content, and is also cheap. It was advocated as safe salt that is free of marine pollutants and bacteria. For decades the only edible salt that the Japanese could come by was so-called table salt, virtually all sodium chloride and nothing else.

Doctors and scientists soon voiced their concern, noting that traditionally produced natural salt and salt produced by ion exchange greatly differ in their mineral content. More than just a seasoning, salt is a source of a variety of essential minerals, if in minute quantities. The mineral content of seawater and that of human bodily fluids, such as serum and amniotic fluid, are extremely close. But ion exchanged salt is refined by removing bittern, resulting in a higher concentration of sodium chloride than in natural salt and lower amounts of most other substances, including magnesium and calcium. Salt that greatly diverges in their mineral content from that of seawater could not be good for the human body, experts speculated.

Crystallized sea salt

This concern led to movements to revive natural salt. The first to move was the Investigation Group on Dietary Salt. Founded in 1972 and now a nonprofit organization called the Japan Research Group on Dietary Salt, it proposed producing salt by adding bittern to imported bay salt, a method that was possible within the restrictions posed by the monopoly. Adding bittern brings the mineral content closer to that of natural salt. Later, a small number of producers would be specially permitted to directly manufacture salt from seawater on a test basis. Production of natural salt was thus resumed, but only on a very limited scale.

The abolition of the salt monopoly in 1997 opened the door to a new age of choice. In 2002 the transitional measures accompanying the abolition also came to an end, and all controls on imported salt were lifted. Today over 700 companies in Japan manufacture salt, and the number of home-use and professional-use products add up to more than 1,500.

There are now many producers across Japan that manufacture natural, additive-free salt with well-balanced mineral content from domestic seawater by natural methods. In the next section, we look at two salts derived from the beautiful seawater of Okinawa: Aguni no Shio and Temomi Tenpien Enmusubi.

Aguni no Shio

Aguni no Shio is an all-natural salt with a superior balance of minerals that is made from the clear water surrounding Aguni Island, Okinawa Prefecture, without using any chemicals. The Okinawa Sea Salt Research Institute produces the salt under the motto, "Life is from the ocean." Director Koshin Odo began making salt after meeting the late Katsuhiko Tani, a leader of the natural salt revival movement and a nuclear physicist. Following the eradication of salt fields in 1971, Tani and other scientists began studying salt in response to concerns about the health effects of salt produced by ion exchange. Okinawa remained immune from the salt monopoly due to its being under US control until 1972. But with its reversion to Japanese administration the local salt industry, which had thrived for over three centuries, would face near extinction.

Odo, who had studied about organic food and was well aware of the importance of salt from early on, has continued his research on salt since his encounter with Tani in Yomitanson, Okinawa Prefecture. "Salt serves three important functions," explains Odo. "One is to enhance flavor, another is to help absorb other nutrients, and the third is for excretion. It may be a backseat player, but there are no substitutes for it." The fruit of his pursuit of tasty, mineral-rich salt is Aguni no Shio.

Seawater is condensed into kansui *inside*

This salt is made using a 10-meter-tall rectangular "vertical salt field tower" built with perforated blocks. Seawater is pumped up to the top of the tower and trickled down the finely branched bamboo stalks hanging inside. As this is repeated many times over the course of about a week, sea breeze blowing through the perforations gradually carries away the moisture, resulting in *kansui*, or strong salt water that has been condensed to six or seven times its original volume.

There are two different processes from here on, as there are two types of Aguni no Shio. The first type is made by flat-kettle boiling, whereby the *kansui* is slowly boiled down in

a shallow vessel for about 30 hours. Driftwood and scrap wood are used for fuel; unlike gas, firewood generates far-infrared heat. The contents are stirred around the clock in shifts, not only to prevent burning but also to ensure that the minerals thoroughly blend in. Once the salt has crystallized it is transferred to a dehydration tank, where the excess moisture is slowly removed. This final step determines the quantity of minerals in the product. "Certain minerals, such as magnesium, tend to get lost when you use a centrifugal separator," Odo says. That is why, to retain the natural mineral balance, he dries the salt naturally without using machines. The process takes from 6 to 18 days.

The kansui *is moved to a flat kettle*

The second product is sun-dried salt. The *kansui* is placed in a shallow tank within a glass-covered hothouse and allowed to crystallize solely by the action of sunlight. This process takes three weeks even in summer and can take more than two months in winter. It goes without saying that mass production is not possible. There are many fans of Aguni no Shio who prefer the latter, which has larger crystals than the former and tastes slight different.

Temomi Tenpien Enmusubi

Ken Matsumiya and his wife, Sayuri, produce salt that contains a rich blend of natural minerals from pure seawater. Temomi Tenpien Enmusubi is made by crystallizing *kansui* under the sunlight and working the salt by hand.

The Matsumiyas begin by gathering water from the crystal-clear ocean spreading before the salt fields. To ensure quality seawater, the water is filtered four times before storing in a tank. Scum is then removed, an important step in refining the flavor. Here, too, a "vertical salt field" is used to make *kansui* from the filtered seawater, this one being six meters tall. The structure comprises a framework made of Japanese cedar wood covered with water-repellent cloth, with many layers of black cloth crisscrossing its interior. The seawater falls down from above through the layers, allowing the wind and solar heat to slowly evaporate the moisture as the cycle is repeated day after day. During the summer, when there is no rain, it takes about 15 days to obtain *kansui* concentrated by about five or six times.

Enmusubi is made by working

The *kansui* is taken to a crystallization house, which is built with hi-tech material made of fluorite that has been stretched out by a special process. Here the *kansui* is naturally dried in crystallization boxes by sunlight, but not without human intervention. It is kneaded by hand every day for anywhere from 28 days to one and a half months in the summer and for around two months in the winter.

The key factor that determines the flavor is when to harvest the salt. Magnesium chloride, which crystallizes last, gives it a crisp bitterness. If harvested early the salt will be plain briny, but if harvested late it will become too bitter, killing the characteristic tartness of potassium chloride.

Salt that is ready for harvest is worked through by hand especially carefully, coating it with a film of bittern in the process. It takes seven hours in all, in the morning and evening, at the end of which the hands are stiff and swollen. But using a processing machine deprives the salt crystals of their luster, and the heat of friction breaks down the iodine in the salt, the producers say.

Now smooth, the salt is put in hemp sacks, and excess bittern is wrung out in a dehydrator. After blending different lots together to even out the quality, the salt is dried in a drying room equipped with a dehumidifier until the moisture diminishes to less than 0.1%. Finally, the salt is sifted to visually check for any particles of dust.

Thanks to all the time and labor that go into its production, Enmusubi contains a rich medley of minerals that give it a subtle sweetness and rounded flavor.

Here in Okinawa, natural salt that had once disappeared from Japan has come back to life. Mineral-rich salt has a mellow and profound flavor on top of being good for our health. It is also reassuring to know that its producers make the salt with conviction and commitment.

Photos: Kazuo Kikuchi

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February 19, 2009

Turning the Crisis into a Once-in-a-Century Opportunity

By Kato, Hideki

The current "once-in-a-century" economic crisis has provided us with the opportunity to reflect on the consequences of our rapidly moving economy and society. Isn't it now time for us to fashion new systems that will work for the benefit of humanity?

Automotive giant Toyota Motor Corp., universally regarded as one of the world's strongest corporations, is projecting an unprecedented operating loss for the fiscal year ending March 2009. Many well-run Japanese corporations are finding themselves in a similar position, and executives of smaller businesses having been talking about a decline in sales on the order of 30 percent over the past few months. Underlying the woes of large and small companies alike are a sharp drop in sales and the dramatic increase in the yen's value. In retrospect, US real estate prices, which precipitated this terrible recession, have also risen and fallen precipitously over a period of a few years, and in the past year alone oil prices doubled, only to drop by two-thirds in the blink of an eye. The speed at which these changes have occurred calls for some serious soul-searching on our part.

A number of factors underlie the rapid pace at which economic events have unfolded, but foremost among these are deregulation and the abandonment of traditional business practices. Everything possible has been done to make the movement of people, things, and money as unfettered as possible. Together with the rise of information technology enabling the free flow of information, this led to the breakneck development and expansion of the economy as a whole. Nowhere has this been more evident than in the field of finance.

As the economy as a whole speeds up, our assessment of companies, executives, and employees and the mechanisms surrounding such assessment become increasingly

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Kato, Hideki Chairman of the Tokyo Foundation. Joined the Ministry of Finance in 1973. Served in several positions, including in the Securities Bureau, the Tax Bureau, the International Finance Bureau, and the Institute of Fiscal and Monetary Policy; resigned in September 1996. Founded Japan Initiative, a not-for-profit, independent think tank, in April 1997 , serving as its president since then. Served as professor of policy management at Keio University, 1997-2008. Assumed the chairmanship of the Tokyo Foundation in April 2006. In October 2009, became the secretary-general of Japan's Government Revitalization Unit of the Cabinet Office.

oriented to the short term. This trend is exemplified by the shortening of the settlement cycle and the adoption of market value accounting.

In Japan, the need to step up labor regulation has become a topic of political debate of late as public concern mounts over the dismissal of employees from temporary staffing agencies-workers with virtually no safety net, who have come to occupy a substantial part of the workforce over the last decade. But having experienced the rapid changes sweeping the economy in recent years, business executives may end up devising alternative systems that will allow them to respond more quickly to changing conditions while avoiding public censure.

The duration of our relationships with products and other physical objects has also become shorter and shorter, although this is by no means a recent phenomenon. The words “built for life” have all but vanished from our vocabulary, and objects are rarely passed down from parent to child. Artisans and companies that take time to craft the sort of clothing or implements that others take time to use are all but extinct. This phenomenon is closely intertwined with the decline of local industries and rural communities.

That said, the fastest growing businesses are often the fastest to collapse. At the risk of sounding callous, we might interpret the recent drop in sales as no more than a sign that people have stopped buying things they don’t really need. Here again, the finance industry presents the most salient example.

It seems, in other words, that the small group of individuals, companies, and countries that positioned themselves as “winners” while accelerating economic activity in a way that embroiled the entire world economy, not only left countless “losers” in their wake but actually cut their own throats in the process.

To my mind, the significance of this “once in a century” event is not that the magnitude of the problem demands stimulus measures to put everything back the way it was as quickly as possible, but that the time has come to take stock of the situation in which we find ourselves and the assumptions that brought us here.

This does not mean that Japan should return to the Edo period or completely disavow the American model of free-market capitalism that we so recently embraced. However,

it might mean that we need to reconsider our commitment to slippery-smooth, friction-free economic activity through across-the-board deregulation and liberalization, and consider the possibility that judiciously placed barriers and selective regulatory friction may actually benefit humanity by slowing things down to the point where we can stop ourselves before going over the precipice.

There may still be a role for the World Trade Organization and the International Monetary Fund. But it seems to me that the time has come to seriously consider the creation of international agreements and organizations oriented to regulating and decelerating the movement of goods and capital with stability and sustainability in mind. In the "ultra-macro" domain of the global environment, this sort of discussion is already under way; henceforth we will doubtless begin to hear it in numerous "micro" domains as well. I believe that the current economic recession has placed us face to face with the challenge of fashioning new systems, in a wide range of areas, that will permit the coexistence of the local and the global, the fast and the slow, the large and the small, the individual and the universal.

In the year ahead the Tokyo Foundation plans to pursue its policy research and human resource development projects with this big picture in mind.

August 18, 2009

America and Asia in the Era of Globalization

Lecture by Newt Gingrich, former speaker of the United States House of Representatives

I actually want to start by pointing out that globalization is not inevitable. The last high water mark of globalization was 1913. In the period 1850–1913, a great deal of the world evolved toward international trade and international communications. There is a nice book called *The Victorian Internet*, which is a study of the telegraph by Tom Standage, a reporter for The Economist. Standage makes the argument that the completion of the telegraph from London to India was one of the greatest revolutions in information in human history. It has a great story about the first criminal ever arrested by telegraph. The thieves would steal women's purses, and then jump on a train and then get off at the next exit. The London Times carried a story about the local telegraph operator wiring the next station so the police were waiting for the crook when the train pulled up.

I just cite that because we have a tendency to think that if it is modern, it is somehow new, but, in fact, we have been, as a species, building through modernity for several hundred years. It is important to remember that the First World War shattered globalization and led to the breakdown of international commerce. The Great Depression followed, and the policies that grew out of the pain of the Great Depression led to World War II. You could make a pretty good argument that we did not get back to a 1913 level of international trade and international travel for about 80 years. It was only really after the fall of the Soviet empire that you see the continued sweep of globalization on a grand scale.

So, I would not automatically assume (not that we are going to fall back into being isolated nations) but I would not assume automatically that we will continue to expand, partially because we are starting to run into the natural problems of trade. A good example is the talk about a possible US-Japan Free Trade agreement, which becomes dramatically harder if I say one word, which all of you are aware of, which is the word

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Newt Gingrich Former speaker of the United States House of Representatives and an advisor to the American Foreign Policy Council.

"rice." Suddenly most people think, "Well, maybe we have too much globalization." I think we have to be aware that these kinds of problems exist everywhere on the planet and working through them requires a great deal of leadership.

The World We Face Today

I think what I am going to try and talk about—I will take questions later about anything you want to ask—but what I want to try to talk about at a very large level, thinking about where the United States and Japan are today. I want to base it on three large facts. If I do not convince you, I hope you will ask me about it and challenge me, because these three facts are either facts or they are ideas. I think talking through whether these are Gingrich ideas or facts is very important.

The first fact I want to assert is that we are going to have four to seven times as much new science in the next 25 years as we had in the last 25. There are more scientists alive today than in all of previous human history. Every year they get better computers and better lab equipment. They are connected by email and by cell phone, so ideas spread very fast. They are then connected by venture capital and licensing so that ideas move from the laboratory to the market faster than ever. If you take that list, inevitably there is going to be an extraordinary increase in knowledge in the next 25 years.

To give you a sense of scale, if you were trying to design Japan in 2035, which is not that far down the road: Callista and I have two grandchildren; Robert is 8 and Maggie will be 10 in October. So, 25 years from now, Maggie will be 35 and Robert will be 33, ages that are impossible for them to imagine, but which all of you can imagine. It is not that far if you are thinking about planning for a country. If we have four times as much new science, your planning committee today is the equivalent of a planning committee in 1880 reporting to the general on the future of Japan and trying to explain tonight's meeting. The year 1880 is pre-automobile, pre-airplane, pre–electric light, pre–long distance telephone, pre–motion picture, pre-television, pre-radio, pre-computer. How would you explain anything about your day? That is four times. If there is seven times as much new science, you are the equivalent of a group working with Sir Isaac Newton to discover calculus in 1660. That is how big the scale of change is. I have given this talk to a wide range of scientific groups. I used to say four times as much new science and I gave a talk to the National Academy of Sciences working group on computation and

information, and the chairman came up to me afterwards and said, “Four is not big enough. It is going to be at least seven.”

Why does that matter? It matters because if we are going to have that much new science, and in some areas, Japan is the leading country in the world at developing science and technology. Robotics would be an area, for example. Nano-scale science and technology would be another. If you’re talking about that much new science, it means that national security, the environment, health, jobs—all are going to be effected dramatically by new capabilities, new opportunities, new possibilities.

It actually increases the potential for what I will describe as the second fact, which is China and India emerging, because it almost guarantees the obsolescence of the capital investment that the United States has already made in national security. If you go back to 1880, the capital ships of the Royal Navy are 26 years away from being made obsolete by the invention of the dreadnought. If the dreadnought had not been invented, the German Navy could never have competed with the capital investment of the Royal Navy. Once the dreadnought was invented, it made every battleship in the world obsolete, that morning. Suddenly, the Germans could compete almost one for one. In 1903, the Wright Brothers invented powered flight, which ended the English Channel as a giant moat which had protected Great Britain since 1066 and suddenly made Great Britain vulnerable so that even as early as 1915, there were German aircraft over Great Britain, a fundamental change in the balance of power. So, you have to assume that if there is going to be four to seven times as much new science, there will be new industries, new productivity, new breakthroughs in health, new breakthroughs in the environment, new breakthroughs in energy, and new breakthroughs in national security. That is my first fact.

My second fact is that China and India are real. They are not a problem. What we do about them is a problem. But they are real. There are about 1.3 billion Chinese and about 1 billion Indians. Because of the difference in their birthrates, there will actually be more Indians than Chinese 30 years from now. We say in our American Declaration of Independence that we are “endowed by [our] Creator with certain inalienable rights among which are life, liberty, and the pursuit of Happiness.” Well, if we believe that, then we have to believe that every Chinese and every Indian should also be able to pursue their happiness. The Chinese do not quite buy the liberty part, although the Indians do, but they certainly buy the pursuit of happiness part. Japan and the United

States have to confront the reality that we are going to have 2.3 billion people working very hard to develop modern industry, modern productivity, modern national security, and that gives both of us a scale of competitor we have not ever seen before. That becomes the second large fact: what do we do strategically over time to remain the most productive, the most creative, and therefore the most prosperous countries in the world, because if we do not do that, we cannot maintain safety and we cannot maintain freedom. We cannot decay economically and think we are going to sustain our national security; it is not possible.

The third large fact is that catastrophic threats are increasing. By that, I mean there are more nuclear weapons on the planet every year. There is a greater capacity for biological warfare every year; there is a grave danger of sophisticated non-nuclear capabilities. If you look at the most advanced explosive devices, they are amazingly more sophisticated than they were 10 years ago, and finally, electromagnetic pulse is a very real threat that almost no one in the civilized world pays attention to.

Actually, I will say two last things. Electromagnetic pulse, or EMP, is a very specialized nuclear weapon that sends out the equivalent of a gigantic lightning bolt and knocks out all electricity including generating capacity. It is particularly dangerous because it is impossible to rebuild the generators and so you literally can drive a civilization out of the modern world in one attack with one weapon. One electromagnetic weapon, I think, at about 100,000 feet would in fact knock out virtually all of the electricity in all of Japan. It takes three to knock out the entire United States. So, this is a very serious technical thing. My co-author Bill Fortune has written a novel called One Second After, which I recommend to you as a very sober introduction to how dangerous this is. We are only beginning to come to grips with it. It will require a substantial investment in hardening of our electric capabilities over the next generation, and it is literally a civilization-ending threat if it happens before we harden our facilities.

The last example I want to mention is cyber. The Russians are very good at cyber. The Chinese are very good at cyber. The challenge for us is that they are getting better very fast and the technology is getting cheaper very fast. I do not know about the Ministry of Defense in Japan, but the total number of attacks against the Pentagon everyday is breathtaking and is accelerating. The Chinese James Bond is sitting in an office in Beijing on a computer trying to hack into an American defense-industrial company. They are not out doing anything James Bond did. Yet we have really not worked our

way through if somebody launched a really large cyber-attack, could they take down your communications, your air traffic control system, your electricity generating, could they open, for example, dams? What are all the things that can be done? Because as we become more and more reliant on the Internet and we become more and more driven by expert systems, we become potentially more and more vulnerable to a cyber-attack that would be a "weapon of mass disruption" that might well have an impact comparable to a weapon of mass destruction.

My only point is that at the very point we are creating this worldwide high civilization, we also have increasing catastrophic threats that could end this civilization as we know it. Therefore, we have to think very seriously in the investments in intelligence, in national security, and in homeland security.

Tall Challenges to Overcome

Those are the three facts that drive where we are going. What we are trying to do in the United States is create a simple model of safety, prosperity and freedom, and argue that the number one agreement you have with your people is you want to keep them safe, you want to give them a chance to become prosperous and you want to protect their freedom. If you take that seriously, you then have a lot of work to get the job done.

I believe in the United States, this requires us to have seven fundamental reforms. We have to reform litigation, regulation, taxation, education, health, energy, and infrastructure. As you can imagine, that is an enormous set of challenges. Yet I would argue that if we are serious about being more productive and more creative than China in 2040 or 2050, we have to fix all seven systems. I will let you decide how many of those apply to Japan. I would argue that in both of our countries our industries are too expensive, they are too slow, our bureaucracies are too expensive, they are too ineffective, and we are going to price ourselves out of the world market and not be competitive. This is a very profound challenge to our survival as free societies.

I would also recommend to all of you a movie called Two Million Minutes. You can find it at a website called 2MMinutes.com. Two million minutes is four years of high school, and Bob Compton—who is someone I would strongly urge the Tokyo Foundation to host someday and have an event like this—is a health entrepreneur who made a great deal of money inventing a medical device. He then employed people in both China and India

and was startled at how productive they were and how well-educated they were. So, he made a movie about four years of high school in India, four years of high school in China and four years of high school in the United States. At 2mminutes.com, he has posted the Indian tenth grade exit exam for the academic track, which you have to pass to go to the eleventh grade. Four thousand Americans have taken the test and failed. No American has passed the test. All Indian education is in English, so the exam is in English. It turns out that in India, at the end of the tenth grade on the academic track, you have had four years of physics taught by a physics major. There is no high school in America that matches that. The result is that we are faced with a dramatic educational gap that will require us to go through very painful and difficult changes, deeply opposed by much of the bureaucracy. This is not new for us and this is a warning for what you are going to go through in Japan.

America's first big report on the failure of the American education was called A Nation at Risk and was issued in 1983. It said our schools are so bad that if a foreign government was doing to our children what we are doing to them, we would consider it an act of war. It said our schools are so bad they literally are putting the nation at risk. In 2001, I helped lead the Hart-Rudman Commission, which was the largest three-year look at American national security since 1947, and we reported that the second greatest threat to the United States is the failure of math and science education, that it was a bigger threat than anything else except a nuclear weapon going off in an American city, and that it was a bigger threat than any conceivable conventional war. That was in 2001. I agreed this spring, in a meeting with President Obama, that I would join his secretary of education, Arnie Duncan, and the Reverend Al Sharpton, who is a liberal activist, in going around the country arguing for very dramatic education reform because I think it is literally a matter of life and death for the country. I cite that because I think that you would be very shocked at the relative gap between your school system and what you are going to see in the next decade from China and India. While you are better than we are, you are still going to find that if you are serious about competing, it will require you to rethink a great deal of your pre-university education.

However, what makes this particularly difficult is that there is a three-step process to get change on the scale I am describing. The first step is to articulate for the general public so that they give you permission to do it. This is what elections at their best are all about. It is very challenging and it is a huge difficulty. But we have discovered in America that even if you can win the election, that is only the first step. The second step

is to actually get the government to implement the reforms. That is enormously hard because virtually everyone in the government has a capital investment in the wrong ideas and the wrong habits, and so they do not want to give them up. Even when you have won the election and the people have said, "yes, go do it," you then discover the bureaucracy says, "we do not want to." Finally, you discover that there are some people whose vested interest is so great that they will oppose it even if it is clear that it is in the national interest—and those people you will not convince, you simply have to defeat them. It is a very challenging, difficult process. It would be interesting to see this upcoming election in Japan and what it leads to.

Ways to Approach the Need for Change

I believe that if you stay at the level I have described, and if you accept the three facts I described, that the level of change you will face will be the third great cycle of change, of which is the first is the Meiji Restoration in the period 1868 to about 1914, and the second was the extraordinary postwar economic growth from around 1950 to around 1988 or 1989, and I think this would be the third wave of change. If you go back and think about how big the change was from 1868 to 1914, and then you go back and think about postwar Japan beginning to rebuild around 1950, and how huge the economic growth was by 1988, what I am suggesting is that you now need a third process of that scale of reform and that scale of development if, in fact, you are going to compete head to head with China and India in a time of enormous scientific and technological change. The United States faces the same pattern.

There are three books I recommend to you. One is Sarkozy's Testimony. Sarkozy, when he was running for president of France, wrote a superb book on the requirement for very large-scale change and said, "If France does not change, we will go broke, and when we go broke, we will not be able to pay for either our pensions or our health care." So, even senior citizens have a deep interest in our going through this level of change because without it they are not going to have money. I want to suggest to you that every government that is running up huge deficits is going to face the same crisis and in most cases they are going to have the wrong answer, which will be to raise taxes. Raising taxes will actually make their economy less competitive, less capable of dealing with China and India, and less able to invest in the future. But to not raise taxes means that they will have to control spending, and every political interest group will ultimately be

against controlling spending. So, there is an enormous challenge for political leaders in the near future.

The second book I recommend to you is by Claire Berlinski, entitled *There is No Alternative: Why Margaret Thatcher Matters,* which interestingly is also a theme of the Sarkozy book. Sarkozy points out that prior to Thatcher, the French economy was 25% bigger than the British economy. Today, the British economy is 10% bigger than French economy and 400,000 French men and women work in London. That is a very interesting and compelling story.

The third book I recommend to you is by Tom Evans. It is called *The Education of Ronald Reagan* and it outlines what President Ronald Reagan learned working at General Electric. For eight years, Ronald Reagan was the host for a Sunday night television show called "GE Theater" and in those eight years he went around America and gave 375 speeches to General Electric factory workers. In that process, he learned a great deal about how to educate so that people could understand the scale of change he represented. It is a very useful book to think about how a country talks to itself and how we get people to understand reality, and how we get them to understand solutions and support them.

The American style of change is fairly unusual in that we muddle through for a while, get increasingly frustrated, and then explosively change. We have done it eight times. The Revolutionary generation, which literally fought an eight year war against Great Britain; the Federalists, who came back and wrote the Constitution and ran the government for the first 12 years; the Jeffersonians, who defeated the Federalists so decisively that they literally disappeared and created a new governing majority; the Jacksonians, who rebelled against the national establishment and broke it, creating a new style of politics, which in many ways is still with us 180 years later; the Lincoln Republicans, who proposed a level of change so decisive that it led to a civil war in which 620,000 Americans were killed; the Progressives, which were a deliberate effort at modernity from 1896 to 1916 in which people realized that the agrarian government literally could not keep up with the requirements of urban industrial society, and they methodically and dramatically changed government, creating much of the modern structure of government we have in the United States; Franklin Delano Roosevelt and the New Deal Liberals who responded to the Depression and then led America during World War II; and finally, Ronald Reagan and the conservative movement, which

culminated with the Contract with America in 1994. Those eight cycles of change each were dramatic, each was very controversial, and each, in significant ways, fundamentally changed American government. I think we are at the edge of a similar wave of change and I think President Obama probably cannot bring about that change because, I think, it is impossible to govern America from the left, and there I would cite a book—which you might later mention the names of the two authors, but it is by two writers for *The Economist*— Adrian Wooldridge and John Micklethwait—and it is called *The Right Nation.* It was written in 2004 and I think it is a very accurate portrait of why America is impossible to govern from the left. President Obama cannot possibly succeed if he stays as a left-wing president. The most he can do is become a moderate president, which will cause his left to rebel. So, it is very hard for him to become the kind of change agent that his campaign implied, because the kind of changes we need are all challenges to his majority coalition.

A Continued Strong Alliance

Let me just close by saying that while we are developing this ninth wave of change in the US and the third wave of change in Japan, I think it is very important for us to keep the US-Japan Alliance very much at the center of our thinking in the Pacific. We have had remarkable success working together. We have had great success economically, we have had great success in security, and we have had great success in helping shape a world which today is much freer, has much more self-government, and is much more open than it was 50 years ago.

We are faced with some very immediate things. I will talk about three of them just for a second. I believe that with North Korea, we have to be very, very firm. We have to be very firm whether we are talking about them telling the truth about the abductions of Japanese citizens, we have to be very firm about their nuclear and missile programs, I think we have to be firm about developing a missile defense system in-depth which would make them basically irrelevant in terms of however much they want to invest. Finally, I believe we have to be firm in inspecting North Korean ships and making sure that none of them carry contraband to sell to terrorists or rogue nations around the world. I think it is very important that we develop that firmness in collaboration and that we not allow North Korea to divide us out of the group of six, and I think American bilaterals with North Korea would be a very, very bad idea, so that is the framework.

Second, I think that it is important that we continuously consult in developing relations with China. A unified American-Japanese understanding of where we are going is dramatically more likely to be effective in ultimately convincing the Chinese that they have to democratize, they have to open up their country, and it is extraordinarily important to the future of the human race that we not end up with an extraordinarily powerful Chinese dictatorship. China has done a good job of opening up its economy; it has done a mediocre to bad job of opening up its political structure. I think that is not compatible with China having a role as a citizen in the future, and I think that we are much more likely to be effective in talking to the Chinese if we do it together rather than allow them to separate us.

Finally, I just want to say that as an American, I am very grateful for the support Japan has given in Iraq and Afghanistan. I know it is very difficult at times. I thought it was remarkably symbolic at one point that a Japanese tanker was simultaneously refueling an American ship as part of a task force that was led by a German ship and it was a sign of how far we have come from World War II and how much we were building a genuine world citizenship capable of working together. The work you are doing in Afghanistan today in helping pay for the police, in helping pave the ring road, in helping with economic development, in helping with education, this is all very important. I think if civilization is going to win in Afghanistan, if women are going to have a reasonable future, I think that it is very, very important that Japan be a key part of that. I have favored for a long time expanding the UN Security Council to include a permanent seat for both Japan and India, and I think that part of that is because I am so grateful for the role of citizen that Japan has taken beyond its immediate neighborhood and the degree to which Japan has been a positive force in the world. I think that that is a very important part of what you have done to extend your reach, and it is very important. This is a model country in developing liberty, self-government, prosperity, and an opportunity for the average person to have a dramatically better future than anyone could have imagined. If you go back to 1860 and imagine trying to explain to someone in 1860 the wealth, the opportunity, the travel, the knowledge, the quality of life that you now have, it would be inconceivable. I think we need to build on that together and I think we have built a better world for the last 50 years, and I think if we work together, we will build an even better world for the next 50. I look forward to your questions.

Questions and Answers

Kubo, Fumiaki (Moderator): Now, Speaker Gingrich mentioned several books. The book *The Right Nation* has been written by two British journalists. It is a long name, I do not think that I remember the name here, but in my university seminar when I teach US conservatism, I use the same book, *The Right Nation*. If you can check on the Internet, you can check for The Right Nation. What is interesting for the Japanese is that this book is looking at the United States in the eyes of a non-American, that is, a Briton, so the author's surprise is something that the Japanese can share. In this book, The Right Nation, certain points are emphasized, which are shared by Speaker Gingrich. The US is a conservative nation and President Obama is coming from the left, and he may not succeed in changing the United States. I have a couple of related questions on this point.

The first question: On one hand, in the United States, the political axis is leaning toward a smaller nation, compared with Japan, yet under President Reagan, in certain areas, the expenses were not cut enough—or under George W. Bush, the Republicans had a majority in the Congress yet some of the expenditures were not sufficiently reduced. How can you explain this? Is it a limit to conservatism, or is it a limit to the political system—the interest groups are too strong so even the Republican Congress had to live with these interest groups? Is it a kind of limit to the US conservative politics? That is my first question. The second question is on education.

Newt Gingrich: Let me answer the first question. First, you skipped over the four year when I was speaker in which we kept all spending to 2.9% a year for four consecutive years, the lowest rate since Calvin Coolidge in the 1920s. We reformed welfare; 65% of the people on welfare went to work or went to school. We reformed the Medicare program and saved $200 billion. We had priorities, so we doubled the National Institutes of Health research budget while controlling spending. We cut taxes to increase economic growth, and for the first time in over 70 years, we balanced the federal budget for four consecutive years and paid off $405 billion in debt, and we did all that with Bill Clinton as president. So, the fact is that Bush failed and Reagan's case was a different case. In the case of the Republicans from 2000 to 2006, they failed. They spent like they were Democrats. They were defeated because Republican voters decided

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Kubo, Fumiaki Senior Fellow of the Tokyo Foundation and the professor of the University of Tokyo, Faculty of Law.

they would rather have happy Democrats spending than unhappy Republicans, and the Republicans were unhappy to spend so much, but they could not figure out how not to spend it. I tell my friends, if you want big spending, vote for a Democrat and relax.

Second, in Reagan's case, he had a very big Democratic majority in the House and he knew that he could not control the spending side, so his choice was either to raise taxes or to run a deficit, and he deliberately followed the advice of Friedman, who was a very famous economist—Milton Friedman, who said that he would rather have a bigger deficit than higher taxes, because it was less destructive to the economy. That was very deliberate on Reagan's part, but he was building up our defenses dramatically to win the Cold War and eliminate the Soviet Union. Reagan would have argued that that was the right trade. I think the Republicans from 2000 to 2008 did not have that excuse; I think they just failed to exercise discipline.

Fumiaki Kubo (Moderator): I should be rather brief with my second question. You emphasized the question of education. In the United States, what is difficult with education reform is that many Americans are aware of the problems, but if the reform is led by the federal government, many people seem to be opposing it, and George W. Bush proposed the No Child Left Behind Act, and many Republicans opposed that proposal, I remember. What would be the best educational reform, in your idea? A small role to be played by the federal government and greater roles to be played by local governments and state governments, or instead of that, the federal government should be exercising greater leadership this time around? What is your idea?

Newt Gingrich: I think the scale of change you need is very, very great and there are three different forces opposing you. The first is the culture. Americans are not a culture that has historically valued studying. We are a culture that has valued athletics, we value social status, we value economic achievement, but we have not been a particularly studious culture. We have won a lot of Nobel Prizes in part because a lot of foreign scientists have fled Communism and Nazism and showed up in the US. Second is an ideological fight. The liberal education establishment does not believe in math and science and does not believe in history, and views education as a revolutionary endeavor. As a result, they are opposed to people actually learning a lot of material, and in favor of people somehow being socialized into appropriate personalities. Third, there is a unionized bureaucracy, which is bitterly opposed to any effort to surface reports on competence, to eliminate teachers who are incompetent, to establish standards, and so

there has been tremendous opposition by the bureaucracy. The challenge in America is, I think, much greater than in Japan and we have to actually not only look at the kindergarten through twelfth grade, but I think we have to go back and find a way of educating a generation and a half of adults who are in the workforce who are not well-enough educated and who are not going to be able to compete with China and India unless we have adult education on a scale almost resembling Ataturk in the 1920s, teaching a modern, westernized Turkish alphabet. This is a very profound problem, and I think the short term answer is return power to the parents, give parents knowledge about whether or not the school is working and allow parents to move their children to schools that work and take them out of schools that fail. That is the simple answer.

Audience member: Thank you very much. I was impressed by your wonderful speech. Japan is going to have the election soon, and the DPJ may not necessarily follow the US policies, and the DPJ may win power. For instance, the DPJ is questioning whether Japan should send the Maritime Self-Defense Force to Somalia, and also it may not accept some US policies. About the structural reform agenda, the Japanese people are losing interest in LDP-led structural reform, and this is also an advantage for the DPJ. That is happening in Japan and the Japanese people may have a different view on the United States. What is your idea on these changes happening in Japan today?

Newt Gingrich: I think it is the job of the American government to work with whichever party the people of Japan pick. It is not our place to tell you who to elect. First of all, I am very proud that we have been part of a process which has, over a very long period of time, led to dramatic democratization of Japanese society, and led to dramatically greater openness, and you are now going to have a very intense two-week election as compared to our three-year process which is an orgy of endurance that is really pretty dumb. I would like to see us try to get to, if not two weeks, maybe two months for an election campaign. Two weeks from now, the people of Japan will pick, and our job is to work with whomever the people of Japan pick. We have done that in Europe: we had a German chancellor of the SPD who won reelection by deliberately being anti-American even though he did not mean it because he thought it was the only thing that would work, and we worked with him. That is the nature of freedom. When I was speaker, I had 434 other House members, a number of whom I thought, frankly, were hard to work with. But it was not my choice; it was the choice of the 600,000 people in their district. If they won the election, I tried to work with them, except for one or two where I just decided I could not do it. I certainly cannot advise you on how the people of Japan

should vote or what they should do. I can tell you that I am watching with great fascination to see how this election works out and I am watching with great interest to see how either new government, and in either case there will be a new structure of the government, I believe, how it tackles the fundamental, underlying bureaucratic problems and the problem of spending and what it does about it. I hope that we will learn from what happens in Japan over the next few months.

Audience member: Thank you for a good speech. I was a Japanese newspaper correspondent in 1994 and 1996, and I covered your big battle with Clinton at that time, and they were very good years. I would like to ask about the direction in which the Republican Party is heading now after the defeat of the 2008 election, how the soul searching of the Republican Party is still going. Some people say that the Republicans were defeated because the Republicans are not conservative enough. Other people say the Republicans were defeated because Republicans are too conservative. What are your opinions on these issues and in what direction is the Republican Party going now?

Newt Gingrich: I think they are both wrong. I think the Republican Party was defeated first in 2006 and then even more decisively in 2008 because of performance failure. The Republican Party was spending too much, they had corruption problems in the House and Senate, they had failed in Baghdad to deliver victory in the time frame allotted, they had failed to govern effectively in New Orleans after Katrina when the hurricane devastated an American city, they had failed to reform the federal government, and people were fed up and people were trying to get their attention and they were not paying attention. The Republican Party only makes sense if it is a party of reform. Some of those reforms can be moderate, some of those reforms can be conservative. When I was speaker, the base of our majority was conservative, but the margin of our majority was moderate. You cannot write off New England, New York, New Jersey, Pennsylvania, Washington State, Oregon, and California, and think you are going to govern the country.

I will give you an example. Last November, 61% of Californians voted for Senator Obama to be president. In May, 64% of Californians voted against a referendum to raise taxes and spend more money. If the Republican candidate for governor could figure out how to become the candidate of the 64%, actually it was almost 65%, by definition, they would have a majority. If they insist on being narrowly Republican, they are going to get about 39%. It is not right or left. Being against raising taxes and raising spending

strikes me as pretty conservative, but on other issues—a majority of San Francisco voted against the referendum. A majority of Speaker Pelosi's congressional district voted against the referendum. Every congressional district in California voted against the referendum. So, you have the potential to create a smaller government, lower taxes, a reform movement much bigger than the Republican Party. Whether or not Republicans in California can be clever enough to do that and to reach out to Independents and Democrats and create a citizens' movement, we will find out in the next six months, but that is a different answer than either more conservative or less conservative: it is an answer that says, identify the needs of the people, find solutions for those needs, and if you are going to compete with China and India, those solutions are going to be less expensive, smaller government, less bureaucracy, greater effectiveness, and if you want people to be happy it is going to involve greater convenience because people are very busy and they hate being inconvenienced by the government they pay for.

Audience member: I am writing a book on US politics. Who will be the next Republican leader who can bring the party back on its feet? Who is going to be that leader?

Newt Gingrich: Well, we do not know yet. There are a number of possibilities. Governor Romney is one of them, certainly you would have to say Governor Jindal in Louisiana, Governor Mitch Daniels in Indiana, Governor Haley Barber in Mississippi, Paul Ryan, who is a brilliant congressman from Wisconsin, Kevin McCarthy, who is the deputy whip from California, Eric Cantor, who is the number two Republican in the House; there are a number of smart people, and you will not know . . . Reagan did not emerge decisively until late February, early March of 1980, so even though he had been around a long time, he was not decisively the leader until some time in March of the presidential year. This is two and a half years away from there, so I do not think you can know between now and then. It will shake itself out. What you do know is that there are lots of intelligent, aggressive, energetic Republicans and President Obama is giving them a bigger and bigger opportunity to emerge because he is failing to listen to the American people.

Audience member: I think you forgot to mention one important person. Now I have a question to you, Mr. Gingrich. In November President Obama will come over to Japan. At that time, whether he will go to Hiroshima and Nagasaki is one question or

possibility. Within the Republicans in the United States, how do you look at this? Are you for it or are you against it?

And also, Mr. Gingrich, if you were president would you be willing to go to Hiroshima and Nagasaki?

Newt Gingrich: Let me just say that President Obama does not call me for travel advice, so I won't comment on what he should do.

This may get me in some trouble, but let me just be candid. I think if an American president were invited to go to Hiroshima and Nagasaki it would be perfectly appropriate to go there, just as it would be appropriate to go to Hamburg or Dresden, or to come to Tokyo. The fire-bombings killed far more people. We should be honest about the pain of World War II. But that would also be like a Japanese prime minister visiting Nanjing. I mean, let's be clear, Hiroshima and Nagasaki were at the end of a long road. That road was a road that we were invited to. It was not a road we picked. And it is a road that we warned about. If you go back and read George Marshall in 1941, before Pearl Harbor, he is very clear on what we are going to do, and says it publicly. Now, it was a horrible thing to do, but total war is horrible. And let me say, if you go out to see the wounded warriors who come back from Iraq, and who come back from Afghanistan, and you see the families who have lost loved ones in Iraq and Afghanistan, even limited war can be horrible. We live on a planet where tragically terrible things happen. But I see no problem with an American president going to Hiroshima and Nagasaki. I would see every problem with making them isolated examples of horror, because I believe the firestorm in Hamburg in 1943 and the total destruction of Dresden and the continuing fire-bombing of Tokyo were also horrible, and I think we should be clear about this. Conventional war can be horrible and nuclear war can be horrible, and our goal should be to find a way to live on a planet where we minimize the violence against fellow humans, whatever you want to call the violence.

Audience member: One question to Speaker Gingrich. Former President Clinton visited North Korea recently, and on one hand, he was there to rescue two journalists—that is to be celebrated—but at the same time, for North Korea, in June, they conducted nuclear tests and the United Nations criticized the act. There were increasing sanctions over this incident. At this time, the Clinton visit took place. What should we understand? South Korea sent the chairman of Hyundai Group in order to rescue the

employee; this was a humanitarian act, but as a result, now it seems our containment of North Korea is collapsing and in the past there were similar incidents. This is repeated over and over again. How do you understand this? Any point please.

Newt Gingrich: I think it is very dangerous to negotiate using a former head of state to give a dictatorship a propaganda victory. I think there is no doubt that inside North Korea Kim Jong-il used that visit to strengthen and legitimize his regime. I am very sympathetic to the two journalists and their families and I am glad they got out, but as you know, you have not been able to get satisfaction about abducted Japanese, and as you know, the North Korean dictatorship will find new excuses to do new outrageous things to try to find a way to leverage and basically blackmail the civilized world. I think we need a much more aggressive strategy of isolating them. I think we need to raise the ante with China, which has been consistently subsidizing them, and I think that we need to have a policy of doing everything we can to limit and weaken the regime until it gives up its nuclear weapons and its missiles, because I think they are very dangerous and I think with every passing year they get more dangerous, not less dangerous. I am very glad for the young women who got released; I feel very sad for civilization, because I think having an American former president sit next to Kim Jong-il was an enormous propaganda victory inside North Korea and teaches him to try to figure out the next extortion, the next blackmail, the next outrage, and I just think it is very dangerous for great powers to allow tiny dictatorships to jerk them around like this, and I think it leads to very bad long-term outcomes.

Over a three-day period beginning August 17, 2009, the Tokyo Foundation invited Newt Gingrich, former speaker of the US House of Representatives and a leading figure in the Republican Party, together with members of the American Foreign Policy Council, an organization for which Mr. Gingrich serves as an advisor to Tokyo. This article is based on the speech delivered on August 19, 2009, during the 27th Tokyo Foundation Forum.

November 13, 2009

The G20's Empty Promises

By Kobayashi, Keiichiro

The world's 20 largest economies agreed in Pittsburgh to coordinate their efforts to overcome the global economic crisis. While they all promised to bolster domestic consumption in a show of solidarity, their real hopes appear to be that "someone else" will do the spending so that their own country can expand exports.

Recent economic statistics seem to suggest that the global economy is on the road to recovery. But a return to the pre-Lehman model of growth is unlikely.

For years, the United States fueled global growth by buying the goods produced in other countries with borrowed funds. America's debt was supported by rising domestic real estate prices, which people securitized to boost their borrowings. The US real estate market is unlikely to return to strong growth in the foreseeable future, however. Residential properties seem to have hit bottom, but prices of commercial real estate are continuing to fall. The days of mass consumption seen in the United States prior to the collapse of Lehman Brothers are now over.

With the decline in consumption in the United States, other countries and regions must take up the slack if the world economy is to continue growing (or at least to avoid contracting). Otherwise, the economy will shrink, resulting in higher unemployment in countries around the world.

At the Group of Twenty summit meeting held in late September 2009 in Pittsburgh, leaders agreed to expand domestic demand in their respective countries and achieve balanced growth. The agreement was based on the recognition that the US economy would be unable to provide the driving force for the world economy over the next several years and that the G20 would need to work together to sustain growth. Such a promise

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by the G20 leaders was no doubt very timely, but there is no telling whether it will be kept.

The leaders pledged, in their communiqué, to encourage greater consumption and investment in their respective countries and to monitor each other's policies. The mechanisms by which they are to be achieved are unclear, however; this is no doubt related to the fact that each country's real concerns are to export its way out of the crisis.

Vicious Cycle

In the past, many countries that experienced a financial crisis were able to achieve a recovery by increasing exports following the devaluation of their currencies. When Sweden was hit by a banking crisis in the 1990s, it promptly wrote off its nonperforming assets; at the same time, the value of the krona nosedived, leading to a rise in exports and the recovery of its economy. Exports were also a major factor behind Japan's recovery during the current decade. (This author believes that progress in the disposal of nonperforming assets was a factor behind the growth in exports, a view that is disputed by some.)

While contending that recovery from a financial crisis must be fueled by rising exports, Professor Paul Krugman of Princeton University points out that the axiom does not apply to the current crisis since it is on a worldwide scale. He jokingly notes that "The only thing we can do is to export to Mars."

Should policy coordination break down, countries may be tempted to expand exports to one another; they will find that nobody is willing to import, however, and the entire global economy could fall into a deflationary spiral. The situation today bears a basic resemblance to the days following the Great Depression, when countries embraced "beggar thy neighbor" policies, competing with one another to devalue their currencies and boost exports at the expense of their trading partners. The G20 agrees, in principle, that such a vicious cycle must be avoided. But how the countries will act remains to be seen.

For instance, the dollar is depreciating today, and there is concern that this could continue for many more years. The market thus harbors suspicions that the United States may be trying to export its way out of its financial crisis (and substantively write off its massive external debts) by getting other countries to import more.

Many in the West and in Japan have voiced their hopes that domestic demand in China would continue to grow. Behind the decision to establish the G20 as a permanent forum and enhance its role as a global economic decision-making body is the shared recognition that the development of the global economy hinges on the expansion of consumption in China and India.

Enhancing Policy Coordination

There is no telling how long consumption will continue to grow in China, though. One Chinese economist this author spoke to recently noted confidently that the Chinese economy would remain on the path of export-led growth. Even if US consumers are spending less after the collapse of the country's speculative bubbles, he continued, the downturn is only in luxury items; daily commodities are enjoying brisk sales, and China, he noted, was exporting mostly such articles. China's exports to the US market, therefore, would continue unabated.

If the Chinese market does keep growing on the strength of its exports, and if this results in higher domestic consumption, eventually be getting a model of economic growth led by domestic demand, then this would be good news for the whole world. Only time will tell if this actually comes about. Many Chinese economists believe that a rapid rise in domestic consumption is difficult and that investments and exports would (read "should") continue to be the twin engines of growth.

Japan, too, is coming under pressure to boost consumption, and the new Yukio Hatoyama administration's announcement of a child allowance and other measures to encourage spending are quite welcome. But raising domestic demand has been pursued for the past three decades, with little results. This is a goal that requires a structural adjustment of the Japanese economy, and so it cannot be reached overnight. Many Japanese companies, moreover, are looking to expand not in the domestic market but in

those of the newly emerging economies. Japan seems unable to extricate itself from an export-led growth strategy.

The G20 agreement aside, most countries—the United States, China, and Japan included—are really hoping that a rise in domestic consumption happens somewhere else so that they can export to that market. This points to an urgent need for a more effective international framework to achieve policy coordination.

Who’s Who in the DPJ

September 11, 2009

-find under Election , Cabinet , DPJ , Parliament , Political Party

The Democratic Party of Japan (DPJ) won a landslide victory in the House of Representatives election on August 30, securing an overwhelming majority with 308 seats (out of 480 contested). This will be the first effective change of government since 1993.
To clue you in on who will be in the new administration, the Tokyo Foundation has made a list of DPJ Diet members who are expected to play a key role in the new regime.

The Tokyo Foundation

Following is a list of DPJ legislators organized by area of expertise and includes concise information about each member's political activities and careers.

Among the many areas below, the functions of policy research and Diet affairs are extremely important within Japanese party politics. Historically,

many experts in these areas become powerful Diet members.

The list was compiled solely by the Tokyo Foundation based on the past political activities of individual DPJ members and the data we have build up so far from our policy research activities. For their careers, we have listed only major ones from the available data (directory of Diet members, personal websites, newspaper articles,

etc.).

We hope this list will provide insights into the directions of the new administration.

Areas of expertise

Party Leadership

Policy Research Committee

Diet Affairs

Foreign Affairs and Security

Energy

Treasury, Tax System, and Finance

Law

Education

Social Security (Medical Care and Pension)

Agriculture

Economy and Industry (Trade)

Land, Infrastructure, and Transport

The Environment

Information and Communication

Decentralization

Administrative Reform

Political Reform (Ethics in Politics)

(This list is sorted according to each member's length of service in the national Diet. Boldface indicates current positions as of September 16, 2009.)

Party Leadership

OZAWA, Ichiro (b. 1942, serving 14th term, House of Representatives, Iwate-4) **DPJ Secretary General**; DPJ Next Cabinet (shadow cabinet) Deputy Prime Minister; DPJ Acting President; DPJ President; Next Cabinet Prime Minister; Minister of Home Affairs; Deputy Chief Cabinet Secretary.

KAN, Naoto (b. 1946, serving 10th term, HR, Tokyo-18) **Minister of State pre-designated by the provisions of the Cabinet Law, Article 9 (Deputy Prime Minister); Minister of State for National Strategy; Minister of State for Economic and Fiscal Policy, and Science and Technology Policy**; DPJ Acting President; DPJ Next Cabinet Deputy Prime Minister; DPJ President; DPJ Secretary General; Minister for Health and Welfare; patent attorney.

OKADA, Katsuya (b. 1953, serving 7th term, HR, Mie-3) **Minister for Foreign Affairs;** DPJ Secretary General, Next Cabinet Minister of State, DPJ President; Next Cabinet Minister of State for Fiscal Policy and Financial Services, Chair of the DPJ Political Reform Promotion Headquarters; Chairman of the HR Committee on Security; Senior Director of the HR Committee on Budget; Planner for the Minister's Secretariat, Ministry of International Trade and Industry.

FUJII, Hirohisa (b. 1932, serving 7th term, HR, South Kanto PR) **Minister of Finance**; Supreme Adviser to the DPJ; Chair of the DPJ Tax Policy Research Committee; Minister of Finance; Budget Officer of the Ministry of Finance.

GEMBA, Koichiro (b. 1964, serving 6th term, HR, Fukushima-3) Next Cabinet Minister for Internal Affairs and Communications; Chair of the DPJ Decentralization Research Committee; DPJ Deputy Secretary General; Senior Director of the HR Committee on Discipline; Member of Fukushima Prefectural Assembly.

HIRANO, Hirofumi (b, 1949, serving 5th term, HR Osaka-11) **Chief Cabinet Secretary**; Deputy Chair of the DPJ Administration Committee; DPJ Deputy Secretary General; Deputy Chair of the DPJ Diet Affairs HR Committee; Director of the DPJ Bureau of Internal Affairs and Communications; Director of the DPJ Research Bureau; Senior Director of the HR Committee on Fundamental National Policies; Adviser to Japanese Electrical Electronic and Information Union; employee of Matsushita Electric Industrial Co.

TARUTOKO, Shinji (b. 1959, serving 5th term, HR, Osaka-12) Next Cabinet Minister of Land, Infrastructure, Transport and Tourism; Deputy Chair of the DPJ Diet Affairs HR Committee; Chair of the DPJ Group Exchange Committee; Senior Director of the HR Committee on Science and Technology.

NODA, Yoshihiko (b. 1957, serving 5th term, HR, Chiba-4) DPJ Deputy Secretary General, Next Cabinet Minister of State for Administrative Reform and Regulatory Reform; Chair of the DPJ Diet Affairs HR Committee; Member of Chiba Prefectural Assembly.

MATSUMOTO, Takeaki (b. 1959, serving 4th term, HR, Hyogo-11) Vice Chair of the DPJ Tax Policy Research Committee; Next Cabinet Deputy Director General of the Defense Agency; Chair of the DPJ Policy Research Committee; member of the HR Committee on Security; Director of the HR Special Committee on Coping with Armed Attack Situation and Related Matters; Special Assistant to the Director General of the Defense Agency.

KOSHIISHI, Azuma (b. 1936, serving 2nd term, House of Councillors, Yamanashi) Next Cabinet Deputy Prime Minister, **Chair of the DPJ HC Caucus**; Chairman of the executive committee of the Yamanashi branch of the Japan Teachers Union.

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Policy Research Committee

The Policy Research Committee within the DPJ is responsible for studying and proposing policies in various areas. Politicians with the experience of holding the Chair, Deputy Chair, or other positions in the Committee go on to play a role in harmonizing policies in a variety of areas. Therefore, experience in this area is considered an important professional skill.

OKADA, Katsuya (b. 1953, serving 7th term, HR, Mie-3) **Minister for Foreign Affairs;** DPJ Secretary General; Next Cabinet Minister of State; DPJ President; Next Cabinet Minister of State for Fiscal Policy and Financial Services, Chair of the DPJ Political Reform Promotion Headquarters; Chairman of the HR Committee on Security; Senior Director of the HR Committee on Budget; Planner for the Minister's Secretariat, Ministry of International Trade and Industry.

EDANO, Yukio (b. 1964, serving 6th term, HR, Saitama-5) Chair of the DPJ Policy Research Committee, Next Cabinet Chief Cabinet Secretary; Director of the HR Committee on Budget; lawyer.

OZAWA, Sakihito (b. 1954, serving 6th term, HR, Yamanashi-1) **Minister of the Environment**; Chair of the DPJ National Rallying and Canvassing Committee, Vice Chair of the DPJ Policy Research Committee, Next Cabinet Minister of Economy, Trade and Industry, Deputy Chair of the DPJ Diet Affairs HR Committee; DPJ Deputy Secretary General; Member of the HR Council on National Development Arterial Expressway Construction; employee of the Bank of Tokyo.

MATSUMOTO, Takeaki (b. 1959, serving 4th term, HR, Hyogo-11) Vice Chair of the DPJ Tax Policy Research Committee; Next Cabinet Deputy Director General of the Defense Agency; Chair of the DPJ Policy Research Committee; member of the HR Committee on Security; Director of the HR Special Committee on Coping with Armed Attack Situations and Related Matters; Special assistant to the Director General of the Defense Agency.

HOSONO, Goshi (b. 1971, serving 4th term, HR, Shizuoka-5) First Vice Chair of the DPJ Policy Research Committee, Vice Chair of the DPJ Diet Affairs HR Committee; Director of the HR Committee on Fundamental National Policies; researcher of Sanwa Research Institute.

NAGATSUMA, Akira (b. 1960, serving 4th term, HR, Tokyo-7) **Minister of Health, Labour and Welfare; Minister of State for Pension Reform**; Next Cabinet Minister of State for Pensions and Deputy Chief Cabinet Secretary; Deputy Chair of the DPJ Policy Research Committee; Next Cabinet Deputy Chief Cabinet Secretary; reporter for *Nikkei Business*.

NAOSHIMA, Masayuki (b. 1945, serving 3rd term, HC, PR) **Minister of Economy, Trade and Industry**; Minister of Economy, Trade and IndustryChair of the DPJ Policy Research Committee; DPJ Next Chief Cabinet Secretary; Secretary General of the DPJ HC Caucus; Chair of the DPJ Diet Affairs HC Committee; Chair of the HC Committee on Land and Transport; Vice-President of the Confederation of Japan Automobile Workers' Unions.

FUKUYAMA, Tetsuro (b. 1962, serving 2nd term, HC, Kyoto) Deputy Chair of the DPJ Policy Research Committee; Deputy Chair of the DPJ Election Campaign Committee; Chair of the HC Committee on Environment; Director of the HC Committee on Budget; Director of the HC Special Committee on Political Ethics and Election System; Member of the HC Research Committee on International Affairs and Global Warming Issues.

MATSUI, Koji (b. 1960, serving 2nd term, HC, Kyoto) **Deputy Chief Cabinet Secretary**; Next Cabinet Minister of State for the Cabinet Office; Secretary-General of the DPJ Administrative Reform Research Committee; Vice Chair of the DPJ Policy Research Committee; Senior Director of the HC Committee on the Cabinet; Member of the HC Committee on Oversight of Administration; official of the Ministry of International Trade and Industry; Deputy Counselor of the Cabinet Secretariat.

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Diet Affairs

There is a Steering Committee within the Diet, consisting of members of both ruling and opposition parties, which negotiates the schedule of deliberations. Outside the work of this committee, the function of conducting informal negotiations between the ruling and opposition parties concerning the deliberation schedule and other matters such as policy amendments is called "Diet Affairs." The Chairman of the Diet Affairs Committee is considered an important office within both the Liberal Democratic Party (LDP) and the DPJ.

GEMBA, Koichiro (b. 1964, serving 6th term, HR, Fukushima-3) Next Cabinet Minister for Internal Affairs and Communications; Chair of the DPJ Decentralization Research Committee; DPJ Deputy Secretary General; Senior Director of the HR Committee on Discipline; Member of Fukushima Prefectural Assembly.

FUJIMURA, Osamu (b. 1949, serving 6th term, HR, Osaka-7) Next Cabinet Minister of Health, Welfare and Labor; Next Cabinet Minister of Education, Culture, Sports, Science and Technology; Deputy Chair of the DPJ Diet Affairs HR Committee; Senior Director of the HR Committee on Health, Welfare and Labor; member of the HR Committee on Education, Culture, Sports, Science and Technology; Chair of the HR Special Committee on Children and Youth.

OZAWA, Sakihito (b. 1954, serving 6th term, HR, Yamanashi-1) **Minister of the Environment**; Chair of the DPJ National Rallying and Canvassing Committee; Vice Chair of the DPJ Policy Research Committee; Next Cabinet Minister of Economy, Trade and Industry; Deputy Chair of the DPJ Diet Affairs HR Committee; DPJ Deputy Secretary General; Member of the HR Council on National Development Arterial Expressway Construction; employee of the Bank of Tokyo.

YAMAOKA, Kenji (b. 1943, serving 5th term, HR, Tochigi-4) **Chair of the DPJ Diet Affairs HR Committee**; DPJ Vice President; Chair of the HR Committee on Agriculture, Forestry and Fisheries; Parliamentary Vice-Minister of Finance; Parliamentary Vice-Minister of Justice.

TARUTOKO, Shinji (b. 1959, serving 5th term, HR, Osaka-12) Next Cabinet Minister of Land, Infrastructure, Transport and Tourism; Deputy Chair of the DPJ Diet Affairs HR Committee; Chair of the DPJ Group Exchange Committee; Senior Director of the HR Committee on Science and Technology.

AZUMI, Jun (b. 1962, serving 5th term, HR, Miyagi-5) Deputy Chair of the DPJ Diet Affairs HR Committee; Chair of the DPJ Election Campaign Committee; DPJ Deputy Secretary General; Journalist at the political desk of NHK.

HIRANO, Hirofumi (b, 1949, serving 5th term, HR Osaka-11) **Chief Cabinet Secretary**; Deputy Chair of the DPJ Administration Committee; DPJ Deputy Secretary General; Deputy Chair of the DPJ Diet Affairs HR Committee; Director of the DPJ Bureau of Internal Affairs and Communications; Director of the DPJ Research Bureau; Senior Director of the HR Committee on Fundamental National Policies; Adviser to Japanese Electrical Electronic and Information Union; employee of Matsushita Electric Industrial Co.

MATSUNO, Yorihisa (b. 1960, serving 4th term, HR, Kumamoto-1) **Deputy Chief Cabinet Secretary**; Vice Chair of the DPJ Diet Affairs HR Committee; DPJ Deputy Secretary General; Senior Director of the HR Steering Committee.

MATSUMOTO, Takeaki (b. 1959, serving 4th term, HR, Hyogo-11) Vice Chair of the DPJ Tax Policy Research Committee, Next Cabinet Deputy Director General of the Defense Agency; Chair of the DPJ Policy Research Committee; member of the HR Committee on Security; Director of the HR Special Committee on Coping with Armed Attack Situation and Related Matters; Special Assistant to the Director General of the Defense Agency.

HIRATA, Kenji (b. 1944, serving 3rd term, HC, Gifu) **Secretary General of the DPJ HC Caucus**; DPJ Deputy Secretary General; Chair of the HC Deliberative Council on Political Ethics; Director of the HC Steering Committee.

TEZUKA, Yoshio (b. 1966, serving 3rd term, HR, Tokyo-5) Vice Chair of the DPJ Diet Affairs HR Committee; Director of the HR Committee on Fundamental

National Policies.

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Foreign Affairs and Security

OKADA, Katsuya (b. 1953, serving 7th term, HR, Mie-3) **Minister for Foreign Affairs;** DPJ Secretary General; Next Cabinet Minister of State; DPJ President; Next Cabinet Minister of State for Fiscal Policy and Financial Services; Chair of the DPJ Political Reform Promotion Headquarters; Chairman of the HR Committee on Security; Senior Director of the HR Committee on Budget; Planner for the Minister's Secretariat, Ministry of International Trade and Industry.

MAEHARA, Seiji (b. 1962, serving 6th term, HR, Kyoto-2) **Minister of Land, Infrastructure, Transport and Tourism; Minister of State for Okinawa and Northern Territories Affairs, and Disaster Management**; DPJ Vice President; Next Cabinet Director General of the Defense Agency; Next Cabinet Minister of State for Social Capital Development; Chair of the DPJ Public Works Reform Project Team; Chair of the DPJ Road-Related Special Corporation Working Team; Chair of the DPJ New Public Works Research Committee; Chair of the DPJ Expressways Project Team; DPJ President; Member of the HR Committee on Fundamental National Policies; Chairman of the HR Special Committee on Okinawa and Northern Problems; member of Kyoto Prefectural Assembly.

TAKEMASA, Koichi (b. 1961, serving 4th term, HR, Saitama-1) Next Cabinet Vice Minister of Foreign Affairs; Chair of the DPJ Research Committee on Audit and Oversight of the Administration; Next Cabinet Minister for Internal Affairs and Communications; Senior Director of the HR Committee of Foreign Affairs; Senior Director of the HR Committee on Internal Affairs and Communications; Member of Saitama Prefectural Assembly.

HOSONO, Goshi (b. 1971, serving 4th term, HR, Shizuoka-5) First Vice Chair of the DPJ Policy Research Committee; Vice Chair of the DPJ Diet Affairs HR Committee; Director of the HR Committee on Fundamental National Policies; researcher of Sanwa Research Institute.

MATSUMOTO, Takeaki (b. 1959, serving 4th term, HR, Hyogo-11) Vice Chair of the DPJ Tax Policy Research Committee, Next Cabinet Deputy Director General of the Defense Agency; Chair of the DPJ Policy Research Committee; member of the HR Committee on Security; Director of the HR Special Committee on Coping with Armed Attack Situation and Related Matters; Special Assistant to the Director General of the Defense Agency.

NAGASHIMA, Akihisa (b. 1962, serving 3rd term, HR, Tokyo-21) Next Cabinet Director General of the Defense Agency; Vice Chair of the DPJ Policy Research Committee; Director of the HR Committee on Security; Director of the HR Committee on Foreign Affairs; Research Associate at the US Council on Foreign Relations; Visiting scholar at the Edwin O. Reischauer Center for East Asian Studies at the Johns Hopkins University-SAIS, Washington, D.C.

KITAZAWA, Toshimi (b. 1938, serving 3rd term, HC, Nagano) **Minister of Defense**; DPJ Vice President, Member of the HC Land and Transport Committee, Member of the HC Fundamental National Policies Committee; Member of Nagano Prefectural Assembly.

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Energy

OHATA, Akihiro (b. 1947, serving 7th term, HR, Ibaraki-5) Member of the HR Committee on Economy, Trade and Industry; Member of Ibaraki Prefectural Assembly.

TARUTOKO, Shinji (b. 1959, serving 5th term, HR, Osaka-12) Next Cabinet

Minister of Land, Infrastructure, Transport and Tourism; Deputy Chair of the DPJ Diet Affairs HR Committee; Chair of the DPJ Group Exchange Committee; Senior Director of the HR Committee on Science and Technology.

HOSONO, Goshi (b. 1971, serving 4th term, HR, Shizuoka-5) First Vice Chair of the DPJ Policy Research Committee; Vice Chair of the DPJ Diet Affairs HR Committee; Director of the HR Committee on Fundamental National Policies; researcher of Sanwa Research Institute.

KONDO, Yosuke (b. 1965, serving 3rd term, HR, Yamagata-2) Secretary-General of the DPJ Energy Policy Research Committee, Next Cabinet Minister of Economy, Trade and Industry; Senior Director of the HR Committee on Economy, Trade and Industry; reporter for *Nihon Keizai Shimbun*.

FUJIWARA, Masashi (b. 1946, serving 2nd term, HC, PR) Next Cabinet Vice Minister of Economy, Trade and Industry; Director of the HC Committee on Economy, Trade and Industry; Deputy Chairman of the Confederation of Electric Power Related Industry Worker's Unions of Japan.

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Treasury, Tax System, and Finance

OKADA, Katsuya (b. 1953, serving 7th term, HR, Mie-3) **Minister for Foreign Affairs;** DPJ Secretary General; Next Cabinet Minister of State; DPJ President; Next Cabinet Minister of State for Fiscal Policy and Financial Services; Chair of the DPJ Political Reform Promotion Headquarters; Chairman of the HR Committee on Security; Senior Director of the HR Committee on Budget; Planner for the Minister's Secretariat, Ministry of International Trade and Industry.

FUJII, Hirohisa (b. 1932, serving 7th term, HR, South Kanto PR) **Minister of Finance**;Supreme Adviser to the DPJ; Chair of the DPJ Tax Policy Research Committee; Minister of Finance; Budget Officer of the Ministry of Finance.

SENGOKU, Yoshito (b. 1946, serving 6th term, HR, Tokushima-1) **Minister of State for Administrative Innovation; Minister of State for Civil Service Reform**; Next Cabinet Minister of State for Economic and Fiscal Policy; Next Cabinet Chair of the Economic Strategy Meeting; Chair of the HR Committee on Audit and Oversight of Administration; lawyer.

NAKAGAWA, Masaharu (b. 1950, serving 5th term, HR, Mie-2) Next Cabinet Minister of Finance; Advisor to the DPJ Tax Policy Research Committee; Director of the HR Committee on Budget; Senior Director of the HR Committee on Financial Affairs; Member of the Mie Prefectural Assembly; Member of the Mie Prefecture Audit Committee.

HIRAOKA, Hideo (b. 1954, serving 5th term, HR, Yamaguchi-2) Next Cabinet Vice Minister of State for Economic and Fiscal Policy; Deputy Chair of the DPJ Tax Policy Research Committee; Section Chief of the National Tax Agency, Ministry of Finance; lawyer.

FURUKAWA, Motohisa (b. 1965, serving 5th term, HR, Aichi-2) Chair of the Pension Reform Research Committee; First Vice Chair of the DPJ Tax Policy Research Committee; Senior Director of the HR Committee on Economy, Trade and Industry; Senior Director of the HR Committee on Audit and Oversight of Administration; official of the Ministry of Finance.

MATSUMOTO, Takeaki (b. 1959, serving 4th term, HR, Hyogo-11) Vice Chair of the DPJ Tax Policy Research Committee; Next Cabinet Deputy Director General of the Defense Agency; Chair of the DPJ Policy Research Committee; member of the HR Committee on Security; Director of the HR Special Committee on Coping with Armed Attack Situation and Related Matters; Special assistant to the Director General of the Defense Agency.

OGUSHI, Hiroshi (b. 1965, serving 2nd term, HR, Saga-2) Vice Chair of the DPJ Policy Research Committee; Member of the HR Committee on Budget; Member of the HR Committee on Agriculture, Forestry and Fisheries; General Manager of the Ministry of Finance Budget Bureau; Special Officer for Financial Services

Agency.

KISHIMOTO, Shuhei (b. 1956, serving 1st term, HR, Wakayama-1) General Manager of the Ministry of Finance Budget Bureau; Director of the Ministry of Finance Financial Bureau; Policy Advisor to the Cabinet Office.

MINEZAKI, Naoki (b. 1944, serving 3rd term, HC, Hokkaido) Next Cabinet Minister of Finance; Next Cabinet Minister of State for Financial Services and Economic and Fiscal Policy; Chair of the DPJ Tax Policy Research Committee; Senior Director of the HC Committee on Budget; Chair of the HC Committee on Financial Affairs; Director of the HC Special Committee on Financial Issues and Revitalization of the Economy.

OHTSUKA, Kouhei (b. 1959, serving 2nd term, HC, Aichi) **Chair of the DPJ Financial Policy Team**; **Director of the HC Committee on Financial Affairs**; Assistant to the Policy Board of the Bank of Japan.

OKUBO, Tsutomu (b. 1961, serving 1st term, HC, Fukuoka) Next Cabinet Vice Minister of State for Financial Services, Officer of the DPJ Tax Policy Research Committee; Director of the HC Committee on Financial Affairs; Government Commissioner of the Financial Services Agency; Managing Director of Morgan Stanley Japan.

ODACHI, Motoyuki (b. 1963, serving 1st term, HC, Osaka) **Deputy Chair of the DPJ HC Policy Research Committee**; Vice Chair of the Policy Research Committee; Director of the HC Committee on Financial Affairs; certified public accountant.

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Law

NAKAI, Hiroshi (b. 1942, serving 11th term, HR, Tokai) **Chairman of the National Commission on Public Safety (State Minister)**; **Minister of State for the Abduction Issue**; Chair of DPJ Standing Officers Council; Member of the HR Judicial Committee, Director of the DPJ abduction issues headquarters; Minister of Justice.

CHIBA, Keiko (b. 1948, serving 4th term, HC, Kanagawa) **Minister of Justice**; Chair of DPJ Administration Committee; Director of the HC Judicial Committee; DPJ Vice President; lawyer.

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Education

NISHIOKA, Takeo (b. 1936, served 11 terms, HR; serving 2nd term, HC, PR) Minister of Education, Member of the HC Committee on Education, Culture and Science; Director of Nagasaki Shimbun, Chair of the Nagasaki Youth Union.

FUJIMURA, Osamu (b. 1949, serving 6th term, HR, Osaka-7) Next Cabinet Minister of Health, Welfare and Labor; Next Cabinet Minister of Education, Culture, Sports, Science and Technology; Deputy Chair of the DPJ Diet Affairs HR Committee; Senior Director of the HR Committee on Health, Welfare and Labor; member of the HR Committee on Education, Culture, Sports, Science and Technology; Chair of the HR Special Committee on Children and Youth.

KOMIYAMA, Yoko (b. 1948, served 1 term, HC; serving 4th term, HR, Tokyo-6,) Next Cabinet Minister of Education, Culture, Sports, Science and Technology; Chair of the HR Special Committee on Children and Youth; announcer and senior commentator at NHK.

MAKI, Yoshio (b. 1958, serving 4th term, HR, Aichi-4) Next Cabinet Vice Minister

of Education, Culture, Sports, Science and Technology; Director of the HR Committee on Education, Culture, Sports, Science and Technology; employee at the Democratic Party of Japan headquarters; reporter for Defense Agency's public relations newspaper.

ISHIDA, Yoshihiro (b. 1945, serving 1st term, HR, Aichi-6) Member of Aichi Prefectural Assembly, Mayor of Inuyama.

KOSHIISHI, Azuma (b. 1936, serving 2nd term, HC, Yamanashi) Next Cabinet Deputy Prime Minister, Chair of the DPJ HC Caucus; Chairman of the executive committee of the Yamanashi branch of the Japan Teachers Union.

SUZUKI, Kan (b. 1964, serving 2nd term, HC, Tokyo) Next Cabinet Vice Minister of Education, Culture, Sports, Science and Technology; Director of the HC Committee on Education, Culture and Science; Senior Director of the Renaissance of Japanese Education.

KAMIMOTO, Mieko (b. 1948, serving 2nd term, HC, PR) Next Cabinet Minister of State for Children/Gender Equality; primary school teacher; Director-General of the Education and Culture Bureau of the Japan Teachers Union.

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Social Security (Medical Care and Pension)

KAN, Naoto (b. 1946, serving 10th term, HR, Tokyo-18) **Minister of State pre-designated by the provisions of the Cabinet Law, Article 9 (Deputy Prime Minister); Minister of State for National Strategy; Minister of State for Economic and Fiscal Policy, and Science and Technology Policy**; DPJ Acting President; DPJ Next Cabinet Deputy Prime Minister; DPJ President; DPJ Secretary General; Minister for Health and Welfare; patent attorney.

SENGOKU, Yoshito (b. 1946, serving 6th term, HR, Tokushima-1) **Minister of State for Administrative Innovation; Minister of State for Civil Service Reform**; Next Cabinet Minister of State for Economic and Fiscal Policy; Next Cabinet Chair of the Economic Strategy Meeting; Chair of the HR Committee on Audit and Oversight of Administration; lawyer.

EDANO, Yukio (b. 1964, serving 6th term, HR, Saitama-5) Chair of the DPJ Policy Research Committee; Next Chief Cabinet Secretary; Director of the HR Committee on Budget; lawyer.

FURUKAWA, Motohisa (b. 1965, serving 5th term, HR, Aichi-2) Chair of the Pension Reform Research Committee; First Vice Chair of the DPJ Tax Policy Research Committee; Senior Director of the HR Committee on Economy, Trade and Industry; Senior Director of the HR Committee on Audit and Oversight of Administration; official of the Ministry of Finance.

MATSUMOTO, Takeaki (b. 1959, serving 4th term, HR, Hyogo-11) Vice Chair of the DPJ Tax Policy Research Committee; Next Cabinet Deputy Director General of the Defense Agency;Chair of the DPJ Policy Research Committee; member of the HR Committee on Security; Director of the HR Special Committee on Coping with Armed Attack Situation and Related Matters; Special Assistant to the Director General of the Defense Agency.

MITSUI, Wakio (b. 1942, serving 4th term, HR, Hokkaido-2) **Deputy Chair of the DPJ Diet Affairs HR Committee**; Next Cabinet Minister of Health, Labor and Welfare; Director General of the Koyukai Foundation, a medical corporation organization.

NAGATSUMA, Akira (b. 1960, serving 4th term, HR, Tokyo-7) **Minister of Health, Labour and Welfare; Minister of State for Pension Reform**; Next Cabinet Minister of State for Pensions and Deputy Chief Cabinet Secretary; Deputy Chair of the DPJ Policy Research Committee; Next Cabinet Deputy Chief Cabinet Secretary; reporter for *Nikkei Business*.

YAMANOI, Kazunori (b. 1962, serving 4th term, HR, Kyoto-6) Next Cabinet Vice Minister of Health, Labor and Welfare, General Manager in Charge of the "Lost

Pensions" in the DPJ Pension Reform Research Committee.

OKAMOTO, Mitsunori (b. 1971, serving 3rd term, HR, Aichi-9) Member of the HR Committee on Health, Labor and Welfare; medical doctor.

KISHIMOTO, Shuhei (b. 1956, serving 1st term, HR, Wakayama-1) General Manager of the Ministry of Finance Budget Bureau;Director of the Ministry of Finance Financial Bureau; Policy Advisor to the Cabinet Office.

SAKURAI, Mitsuru (b. 1956, serving 2nd term, HC, Miyagi) Deputy Head of the DPJ Pension and Medical Care Policy Headquarters; medical doctor.

SUZUKI, Kan (b. 1964, serving 2nd term, HC, Tokyo) Next Cabinet Vice Minister of Education, Culture, Sports, Science and Technology; Director of the HC Committee on Education, Culture and Science; Senior Director of the Renaissance of Japanese Education.

ADACHI, Shinya (b. 1957, serving 1st term, HC, Oita) Vice Chair of the DPJ Policy Research Committee; Deputy Secretary General; Member of the HC Committee on Health, Welfare and Labor; medical doctor.

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Agriculture

AKAMATSU, Hirotaka (b. 1948, serving 7th term, HR, Tokai) **Minister of Agriculture, Forestry and Fisheries**; Chair of DPJ Election Campaign Committee; member of the HR Fundamental National Policies Committee; DPJ Vice President.

TANABU, Masami (b. 1934, served 6 terms, HR; serving 2nd term, HC, Aomori) Minister of Agriculture, Forestry and Fisheries; member of Aomori Prefectural Assembly.

KODAIRA, Tadamasa (b. 1942, serving 7th term, HR, Hokkaido-10) Parliamentary Vice-Minister of Agriculture, Forestry and Fisheries; Chair of the HR Committee on Agriculture, Forestry and Fisheries Committee; ranch manager.

HACHIRO, Yoshio (b. 1948, serving 7th term, HR, Hokkaido-4) General Manager of the Agricultural Cooperative in Imakane town, Hokkaido.

SHINOHARA, Takashi (b. 1948, serving 3rd term, HR, Nagano-1) Vice Chair of the DPJ Policy Research Committee; Next Cabinet Minister of Agriculture, Forestry and Fisheries; Head of the DPJ Agriculture, Forestry and Fisheries Association; Senior Director of the HR Committee on Agriculture, Forestry and Fisheries; Special Assistant to the Minister's Secretariat of the Ministry of Agriculture, Forestry and Fisheries; Director-General of MAFF Policy Research Institute (PRIMAFF).

TSUTSUI, Nobutaka (b. 1944, serving 5th term, HR, Niigata-6) Next Cabinet Minister of Agriculture, Forestry and Fisheries; Senior Director of the HR Committee on Agriculture, Forestry and Fisheries; lawyer.

YAMADA, Masahiko (b. 1942, serving 5th term, HR, Nagasaki-3) Next Cabinet Minister of Agriculture, Forestry and Fisheries; lawyer.

HOSONO, Goshi (b. 1971, serving 4th term, HR, Shizuoka-5) First Vice Chair of the DPJ Policy Research Committee; Vice Chair of the DPJ Diet Affairs HR Committee; Director of the HR Committee on Fundamental National Policies; researcher of Sanwa Research Institute.

OGUSHI, Hiroshi (b. 1965, serving 2nd term, HR, Saga-2) Vice Chair of the DPJ Policy Research Committee; Member of the HR Committee on Budget; Member of the HR Committee on Agriculture, Forestry and Fisheries; General Manager of the Budget Bureau of the Ministry of Finance; Special Officer for the Financial Services Agency.

FUKUSHIMA, Nobuyuki (b. 1970, serving 1st term, HR, Ibaraki-1) Deputy Counselor for promoting special economic zones for structural reform in the Cabinet Secretariat; official of the Ministry of Economy, Trade and Industry; researcher of the Tokyo Foundation.

TAKAHASHI, Chiaki (b. 1956, serving, 2nd term, HC, Mie) Next Cabinet Vice Minister of Agriculture, Forestry and Fisheries; Director of the HC Committee on Agriculture, Forestry and Fisheries; Manager of Shinto Tsushin; Mie Prefecture Economic Federation of Agricultural Cooperatives.

HIRANO, Tatsuo (b. 1954, serving 2nd term, HC, Iwate) Vice Chair of the DPJ Policy Research Committee; Chair of the HC Committee on Agriculture, Forestry and Fisheries Committee; Senior Investigator for Engineering at the Ministry of Agriculture, Forestry and Fisheries.

GUNJI, Akira (b. 1949, serving 2nd term, HC, Ibaraki) Chairman of the HC Committee on Agriculture, Forestry and Fisheries; Secretary-general of the ZENKOKU-NODANRO, a national labor union for farmers.

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Economy and Industry (Trade)

KAWABATA, Tatsuo (b. 1945, serving 8th term, HR, Shiga-1) **Minister of Education, Culture, Sports, Science and Technology**; DPJ Vice President employee of Toray Industries.

OKADA, Katsuya (b. 1953, serving 7th term, HR, Mie-3) **Minister for Foreign Affairs;** DPJ Secretary General; Next Cabinet Minister of State; DPJ President; Next Cabinet Minister of State for Fiscal Policy and Financial Services; Chair of the DPJ Political Reform Promotion Headquarters; Chairman of the HR Committee on Security; Senior Director of the HR Committee on Budget; Planner for the Minister's Secretariat, Ministry of International Trade and Industry.

OHATA, Akihiro (b. 1947, serving 7th term, HR, Ibaraki-5) Member of the HR Committee on Economy, Trade and Industry; Member of Ibaraki Prefectural Assembly.

OZAWA, Sakihito (b. 1954, serving 6th term, HR, Yamanashi-1) **Minister of the Environment**; Chair of the DPJ National Rallying and Canvassing Committee; Vice Chair of the DPJ Policy Research Committee; Next Cabinet Minister of Economy, Trade and Industry; Deputy Chair of the DPJ Diet Affairs HR Committee; DPJ Deputy Secretary General; Member of the HR Council on National Development Arterial Expressway Construction; employee of the Bank of Tokyo.

YOSHIDA, Osamu (b. 1962, serving 4th term, HR, Osaka-4) Senior Director of the HR Committee on Economy, Trade and Industry.

HOSONO, Goshi (b. 1971, serving 4th term, HR, Shizuoka-5) First Vice Chair of the DPJ Policy Research Committee; Vice Chair of the DPJ Diet Affairs HR Committee; Director of the HR Committee on Fundamental National Policies; researcher of Sanwa Research Institute.

KONDO, Yosuke (b. 1965, serving 3rd term, HR, Yamagata-2) Secretary-General of the DPJ Energy Policy Research Committee; Next Cabinet Minister of Economy, Trade and Industry; Senior Director of the HR Committee on Economy, Trade and Industry; reporter for *Nihon Keizai Shimbun*.

OGATA, Rintaro (b. 1973, serving 1st term, HR, Fukuoka-9) Deputy Director of the Ministry of Foreign Affairs.

MASHIKO, Teruhiko (b. 1947, served 3 terms, HR; serving 1st term, HC, Fukushima) Next Cabinet Minister of Economy, Trade and Industry; Director of the HC Committee on Economy, Trade and Industry; member of Fukushima Prefectural Assembly.

FUJISUE, Kenzo (b. 1964, serving 1st term, HC, PR) Director of the HC Special

Committee on Official Development Assistance and Related Matters; Deputy Director of the Ministry of Economy, Trade and Industry.

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Land, Infrastructure, and Transport

MAEHARA, Seiji (b. 1962, serving 6th term, HR, Kyoto-2) **Minister of Land, Infrastructure, Transport and Tourism; Minister of State for Okinawa and Northern Territories Affairs, and Disaster Management**; DPJ Vice President; Next Cabinet Director General of the Defense Agency; Next Cabinet Minister of State for Social Capital Development; Chair of the DPJ Public Works Reform Project Team; Chair of the DPJ Road-Related Special Corporation Working Team; Chair of the DPJ New Public Works Research Committee; Chair of the DPJ Expressways Project Team; DPJ President; Member of the HR Committee on Fundamental National Policies; Chairman of the HR Special Committee on Okinawa and Northern Problems; member of Kyoto Prefectural Assembly.

TARUTOKO, Shinji (b. 1959, serving 5th term, HR, Osaka-12) Next Cabinet Minister of Land, Infrastructure, Transport and Tourism; Deputy Chair of the DPJ Diet Affairs HR Committee; Chair of the DPJ Group Exchange Committee; Senior Director of the HR Committee on Science and Technology.

MAEDA, Takeshi (b. 1937, served 4 terms, HR; serving 1st term, HC, PR) Chair of the DPJ Corporate & External Organizations Committee; Senior Director of the HC Special Committee on Disasters; official of the Ministry of Construction and National Land Agency.

NAGAHAMA, Hiroyuki (b. 1958, served 4 terms, HR; serving 1st term, HC, Chiba) Next Cabinet Minister of Land, Infrastructure, Transport and Tourism; Next Cabinet Minister of the Environment; Senior Director of the HC Committee on Land and Transport; Manager of the Tokyo Branch of the Matsushita Institute of Government and Management.

BANNO, Yutaka (b. 1961, serving 4th term, HR, Aichi-8) Next Cabinet Minister of Land, Infrastructure, Transport and Tourism; Secretary-General of the DPJ Tourism Policy and Promotion Research Committee.

MABUCHI, Sumio (b. 1960, serving 3rd term, HR, Nara-1) Vice Chair of the DPJ Policy Research Committee; Deputy Secretary-General of the DPJ Administrative Reform Research Committee; Mitsui Construction Co.

MIKAZUKI, Taizo (b. 1971, serving 3rd term, HR, Shiga-3) Director of the HR Committee on Land, Infrastructure and Transport; employee of JR West.

IKEGUCHI, Syuji (b. 1949, serving 2nd term, HC, PR) Director of the Labor Bureau; Vice President of the Confederation of Japan Automobile Workers' Unions (JAW).

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The Environment

HIRONAKA, Wakako (b. 1934, serving 4th term, HC, Chiba) DPJ Vice President; Director General of the Environment Agency; Director of the HC Special Committee on Environment.

KONDO, Shoichi (b. 1958, serving 5th term, HR, Aichi-3) Next Cabinet Minister of the Environment; Member of the HR Committee of Environment; reporter for Chunichi Shimbun.

NAGAHAMA, Hiroyuki (b. 1958, served 4 terms, HR; serving 1st term, HC, Chiba) Next Cabinet Minister of Land, Infrastructure, Transport and Tourism; Next

Cabinet Minister of the Environment; Senior Director of the HC Committee on Land and Transport; Manager of the Tokyo Branch of the Matsushita Institute of Government and Management.

OKAZAKI, Tomiko (b. 1944, served 2 terms, HR; serving 3rd term, HC, Miyagi) Next Cabinet Minister of the Environment; Director of the HC Committee on Environment; announcer.

FUKUYAMA, Tetsuro (b. 1962, serving 2nd term, HC, Kyoto) Deputy Chair of the DPJ Policy Research Committee; Deputy Chair of the DPJ Election Campaign Committee; Chair of the HC Committee on Environment; Director of the HC Committee on Budget; Director of the HC Special Committee on Political Ethics and Election System; Member of the HC Research Committee on International Affairs and Global Warming Issues.

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Information and Communication

HARAGUCHI, Kazuhiro (b. 1959, serving 5th term, HR, Saga-1) **Minister of Internal Affairs and Communications; Minister of State for Promotion of Regional Sovereignty;** Next Cabinet Minister for Internal Affairs and Communications; Senior Director of the HR Committee on Internal Affairs and Communications; Member of Saga Prefectural Assembly.

TAKEMASA, Koichi (b. 1961, serving 4th term, HR, Saitama-1) Next Cabinet Vice Minister of Foreign Affairs; Chair of the DPJ Research Committee on Audit and Oversight of Administration; Next Cabinet Minister for Internal Affairs and Communications; Senior Director of the HR Committee of Foreign Affairs; Senior Director of the HR Committee on Internal Affairs and Communications; Member of Saitama Prefectural Assembly.

TAJIMA, Kaname (b. 1961, serving 3rd term, HR, Chiba-1) Member of the HR Committee on Internal Affairs and Communications; Employee of NTT Communications.

NAITO, Masamitsu (b. 1964, serving 2nd term, HC, PR) Chair of the HC Committee on Internal Affairs and Communications; Vice-Chair of the Committee for Industrial Policy of the Japan Federation of Telecommunications, Electronic Information and Allied Workers; Employee of NTT.

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Decentralization

GEMBA, Koichiro (b. 1964, serving 6th term, HR, Fukushima-3) Next Cabinet Minister for Internal Affairs and Communications, Chair of the DPJ Decentralization Research Committee; DPJ Deputy Secretary General; Senior Director of the HR Committee on Discipline; Member of Fukushima Prefectural Assembly.

HARAGUCHI, Kazuhiro (b. 1959, serving 5th term, HR, Saga-1) **Minister of Internal Affairs and Communications; Minister of State for Promotion of Regional Sovereignty;** Next Cabinet Minister for Internal Affairs and Communications; Senior Director of the HR Committee on Internal Affairs and Communications; Member of Saga Prefectural Assembly.

AZUMI, Jun (b. 1962, serving 5th term, HR, Miyagi-5) Deputy Chair of the DPJ Diet Affairs HR Committee; Chair of the DPJ Election Campaign Committee; DPJ Deputy Secretary General; Journalist at the political desk of NHK.

OSAKA, Seiji (b. 1959, serving 2nd term, HR, Hokkaido-8); Secretary-General of the DPJ Decentralization Research Committee; Deputy Director of the DPJ Bureau of Local Governments; Mayor of Niseko town.

ISHIDA, Yoshihiro (b. 1945, serving 1st term, HR, Aichi-6) Member of Aichi Prefectural Assembly; Mayor of Inuyama city, Aichi.

MATSUI, Koji (b. 1960, serving 2nd term, HC, Kyoto) **Deputy Chief Cabinet Secretary**; Next Cabinet Minister of State for the Cabinet Office; Secretary-General of the DPJ Administrative Reform Research Committee; Vice Chair of the DPJ Policy Research Committee; Senior Director of the HC Committee on the Cabinet; Member of the HC Committee on Oversight of Administration; official of the Ministry of International Trade and Industry; Deputy Counselor of the Cabinet Secretariat.

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Administrative Reform

KAN, Naoto (b. 1946, serving 10th term, HR, Tokyo-18) **Minister of State pre-designated by the provisions of the Cabinet Law, Article 9 (Deputy Prime Minister); Minister of State for National Strategy; Minister of State for Economic and Fiscal Policy, and Science and Technology Policy**; DPJ Acting President; DPJ Next Cabinet Deputy Prime Minister; DPJ President; DPJ Secretary General; Minister for Health and Welfare; patent attorney.

MAEHARA, Seiji (b. 1962, serving 6th term, HR, Kyoto-2) **Minister of Land, Infrastructure, Transport and Tourism; Minister of State for Okinawa and Northern Territories Affairs, and Disaster Management**; DPJ Vice President; Next Cabinet Director General of the Defense Agency; Next Cabinet Minister of State for Social Capital Development; Chair of the DPJ Public Works Reform Project Team; Chair of the DPJ Road-Related Special Corporation Working Team; Chair of the DPJ New Public Works Research Committee; Chair of the DPJ Expressways Project Team; DPJ President; Member of the HR Committee on Fundamental National Policies; Chairman of the HR Special Committee on Okinawa and Northern Problems; member of Kyoto Prefectural Assembly.

NAGATSUMA, Akira (b. 1960, serving 4th term, HR, Tokyo-7) **Minister of Health, Labour and Welfare; Minister of State for Pension Reform**; Next Cabinet Minister of State for Pensions and Deputy Chief Cabinet Secretary; Deputy Chair of the DPJ Policy Research Committee; Next Cabinet Deputy Chief Cabinet Secretary; reporter for *Nikkei Business*.

MABUCHI, Sumio (b. 1960, serving 3rd term, HR, Nara-1) Vice Chair of the DPJ Policy Research Committee; Deputy Secretary-General of the DPJ Administrative Reform Research Committee; Mitsui Construction Co.

OGUSHI, Hiroshi (b. 1965, serving 2nd term, HR, Saga-2) Vice Chair of the DPJ Policy Research Committee; Member of the HR Committee on Budget; Member of the HR Committee on Agriculture, Forestry and Fisheries; General Manager of the Budget Bureau of the Ministry of Finance; Special Officer for the Financial Services Agency.

FUKUSHIMA, Nobuyuki (b. 1970, serving 1st term, HR, Ibaraki-1) Deputy Counselor for promoting special economic zones for structural reform in the Cabinet Secretariat; official of the Ministry of Economy, Trade and Industry; researcher of the Tokyo Foundation.

GOTO, Yuichi (b. 1969, serving 1st term, HR, Kanagawa-16) Deputy Director of the Ministry of Economy, Trade and Industry.

MATSUI, Koji (b. 1960, serving 2nd term, HC, Kyoto) **Deputy Chief Cabinet Secretary**; Next Cabinet Minister of State for the Cabinet Office; Secretary-General of the DPJ Administrative Reform Research Committee; Vice Chair of the DPJ Policy Research Committee; Senior Director of the HC Committee on the Cabinet; Member of the HC Committee on Oversight of Administration; official of the Ministry of International Trade and Industry; Deputy Counselor of the Cabinet Secretariat.

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Political Reform (Ethics in Politics)

OKADA, Katsuya (b. 1953, serving 7th term, HR, Mie-3) **Minister for Foreign Affairs;** DPJ Secretary General; Next Cabinet Minister of State; DPJ President; Next Cabinet Minister of State for Fiscal Policy and Financial Services; Chair of the DPJ Political Reform Promotion Headquarters; Chairman of the HR Committee on Security; Senior Director of the HR Committee on Budget; Planner for the Minister's Secretariat, Ministry of International Trade and Industry.

NODA, Yoshihiko (b. 1957, serving 5th term, HR, Chiba-4) DPJ Deputy Secretary General, Next Cabinet Minister of State for Administrative Reform and Regulatory Reform; Chair of the DPJ Diet Affairs HR Committee; Member of Chiba Prefectural Assembly.

TAKEMASA, Koichi (b. 1961, serving 4th term, HR, Saitama-1) Next Cabinet Vice Minister of Foreign Affairs; Chair of the DPJ Research Committee on Audit and Oversight of Administration; Next Cabinet Minister for Internal Affairs and Communications; Senior Director of the HR Committee of Foreign Affairs; Senior Director of the HR Committee on Internal Affairs and Communications; Member of Saitama Prefectural Assembly.

NAKAMURA, Tetsuji (b. 1971, served 2 terms, HR; serving 1st term, HC, Nara) DPJ Deputy Secretary General; Member of the HR Special Committee on Political Ethics and Election System.

ODACHI, Motoyuki (b. 1963, serving 1st term, HC, Osaka) **Deputy Chair of the DPJ HC Policy Research Committee**; Vice Chair of the Policy Research Committee; Director of the HC Committee on Financial Affairs; certified public accountant.

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