



Why Japan Can't Lead

Aurelia George Mulgan

Japan, once considered an economic superpower and potential contender for global pre-eminence, finds itself slipping down the rankings of leading states. Although still the second largest economy in the world, it is absent from most *realpolitik* discussions about the global redistribution of power that is shaping the new world order, which highlight the emergence of Russia, China, and India. China's rise in East Asia is now eclipsing the land of the rising sun, but Japan's slippage is not all due to China's growth. Japan's maladies stem from three causes largely of its own making: its loss of a distinctive national identity, its international leadership deficit, and its continuing economic and political travails.

In many ways, Japan now finds itself a ship without a rudder. Fifty years ago, Japan redefined itself as a model of economic development and a nation dedicated to peace. Neither image fits the Japan of the early twenty-first century.

For years, Japan's international standing rested almost exclusively on a narrow base of economic power. For the past four decades, it has been the second-largest economy in the world, yet Japan's political or military status has not since World War II been commensurate with its economic power. Today, Japan's global profile and in-

ternational influence is diminishing even further. The failures of the "lost decade" of the 1990s, when Japan's economic miracle collapsed and it lost credibility as a growth model to the rest of the world, have erased memories of earlier decades of spectacular economic success. A declining share of world trade, falling commercial competitiveness, and loss of its status as the world's leading creditor nation and aid donor have also undermined Japan's major power claims.

The International Monetary Fund (IMF) expects Japan's gross domestic product (GDP) to contract by 6.2 percent this year, more than any other advanced industrialized nation. If predictions hold, it will be the steepest decline in Japan's postwar history. The global economic crisis has underlined Japan's increasing dependence on exports for growth—but the plunge in manufactured exports, triggered by the shutdown of consumer spending in many of its customer nations, has led to Japan's first trade deficit in 28 years. Analysts warn of a long-term recession in Japan with ripple effects through its entire economy. Weak domestic demand is further eroding Japanese growth prospects in the face of a shrinking population, falling real wages, and soaring joblessness as unprecedented sackings of permanent workers

threaten to shatter the system of lifetime employment.

Ueno Park in the center of Tokyo, better known for its cherry blossoms, is now home to an ever-expanding army of unemployed and homeless ex-salarymen, clustering together for moral support and assistance from public organizations. Those lucky enough to hold on to their jobs are squirreling money away as insurance for bad times. Affluent Tokyo residents no longer flock to Sunday shopping in the Ginza, the so-called “temple of luxury” and showpiece of brand-name consumerism.

With all these internal problems, Japan now can no longer even contemplate extending its influence abroad. At the end of the Cold War, the nation chose to emphasize its global civilian status, eschewing military power and emphasizing international contributions such as development assistance and UN peacekeeping. The nation’s pacifist constitution, circumscribed defense posture, and resolutely anti-militarist public opinion have long underpinned its claim to be a nation devoted to the global cause of peace. But Japan is now neither a nation of peacekeepers nor a great military power.

Its armed forces have acquired modern, technologically advanced conventional capabilities, yet they are structured principally for defense of the homeland. Japan is committed to UN peacekeeping but not to the full spectrum of peacekeeping operations, which includes collective security. Likewise, Japan is nominally committed to the U.S.-Japan alliance but not fully committed, given its rejection of collective defense. Tokyo’s quest for a permanent seat on the UN Security Council is periodically resuscitated with token overseas missions, but a substantial gap remains between this long-term foreign policy goal and the ability of its armed forces to take on increasingly difficult and dangerous military operations. Substituting “checkbook diplomacy” for actually dis-

patching civilian or military personnel as an international contribution to global crises has become a less viable option. Japan’s dire fiscal outlook no longer furnishes the requisite financial resources.

With the erosion of its distinctive national identity, Japan no longer knows what it stands for and what international role it should pursue.

A Can't Do Attitude

Those expecting the Japanese government to take the initiative on a raft of international problems will be sorely disappointed.

On finance, Prime Minister Taro Aso initially trumpeted Japan’s qualifications to take a leading role in the 2008 international financial crisis (the nation having successfully dealt with its own banking crisis in the late 1990s). In the end, however, Aso passed up the opportunity to host the third G-20 meeting, fearing that Japan would have to shoulder too much responsibility for establishing a new international financial order.

On trade, Japan can’t lead because it is neither a mega-market nor an engine of growth for the world economy. Its defensive position on agricultural liberalization blocks any chance of its mediating the middle ground at the World Trade Organization (WTO). Domestic protection of services and agriculture also preclude Japan from fully embracing free trade agreements, leaving it behind the game in a race toward deepening global market integration.

On the environment and climate change, Japan can’t lead because it lacks a public policy and business response that embraces mandatory cuts in greenhouse gas emissions. Japan’s much-vaunted energy efficiency and proposals for a post-Kyoto Protocol framework belie a reality of increasing energy consumption, rising emissions, and over-reliance on technological fixes as a way of dealing with climate change.

On human rights, Japan can't lead because of long years of reticence on human rights issues in international politics. Although Japan pledged to use its aid power to promote democracy and human rights in recipient states, its actions were inconsistent, at best, and token efforts, at worst. Further, in Japan the state remains paramount—individuals are viewed primarily as members of the collective, with such values as “public order” and “individual responsibility to society” taking precedence over individual rights. In the clash between the state and the individual, the Japanese Supreme Court has singularly failed to defend the rights of individuals against state power and policies. Though civil society is quietly resurgent, it is fighting political and bureaucratic hostility in a number of areas. Far from being encouraged, political dissent that challenges the dominance of mainstream discourse is curbed by both overt and covert censorship as well as by the police who single out anti-government protesters for discriminatory treatment.

A significant exception is made for extremists with a nationalist agenda. Although a fringe political phenomenon, ultra-nationalists who use violence, physical threats, and psychological intimidation to muzzle those with opposing views, are tacitly encouraged by the silence or mild reproof of leaders of Tokyo's political establishment. This undermines the claims of political leaders that they are building a values-driven diplomacy, in which a shared adherence to freedom, democracy, human rights, and the rule of law forms the basis of strategic alignment with other Asia-Pacific nations.

Japan can't lead in Asia because it lacks a broad following among the people and na-

tions within its own region. Japan has never fully reconciled itself with Korea, China, and other countries that were the victims of its aggression in the World War II era, and who remain unwilling to accept Japan as the dominant political and military power in Asia. Several of these nations are hypersensitive to expressions of Japanese nationalism,

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historical revisionism, and any hint of a return to militarism.

While the development of East Asia owes much to Japanese aid, trade, investment and technology, several strands of contemporary Japanese nationalism are unpalatable in Asia. One strand is typified by the attacks of ultra-nationalists on those in politics, media, and academia who are regarded as “soft” on China and North Korea. The quintessence of Japan's traditional Emperor-centered cultural identity is the notion—still widespread today—that Japan is not part of Asia, but is both unique and superior to other Asian countries, posing a further challenge to universal values as the putative foundation of Japanese foreign policy.

Another strand of Japanese nationalism is the historical revisionism that has fatally impaired Japan's leadership credentials in Asia. It veers between an unapologetic view of Japan's history during World War II and outright denial. State-sanctioned revisionist accounts of Japan's war history in school textbooks and former Prime Minister Junichiro Koizumi's gesture of defiant, uncompromising nationalism in visiting the Yasukuni war shrine in 2005, not only inflame public opinion across Asia but also

cement the opposition of the Chinese and South Korean governments to Japan's bid for a permanent UN Security Council seat. Wisely avoiding the mistake of his predecessor, incumbent Taro Aso, nevertheless made sure that he presented a potted plant to the shrine in lieu of an actual visit.

At the very moment Japan is facing such pressing issues of international status and leadership, its domestic mood is one of great political uncertainty and social unease. This ill equips Japan for managing a crucial period of economic, political, and social change.

Structural Impediments

Japan's domestic political system is stuck in transition—stalled on the evolutionary path towards a competitive two-party democracy with a politically responsive bureaucracy and strong cabinet government. One party, the Liberal Democratic Party (LDP), is perennially in power, mostly on its own, although more recently in coalition with a junior partner. The LDP holds the all-time record for incumbency in global democracies—retaining power for all but 10 months of the last 54 years. The party's main support has traditionally been derived from business and farming. Individual LDP politicians tend to rely on a personal following in their local districts based on favors and loyalties built up over many years.

Japan still possesses powerful state agencies, which basically answer to no one on how they administer their own powerful bureaucratic fiefdoms. Officials in the Fisheries Agency subsidize a loss-making whaling industry in order to preserve their administrative and spending prerogatives and are in the forefront of international negotiations to protect Japan's "scientific" whaling in the International Whaling Commission. The final say on constitutional interpretation is largely up to bureaucrats in the Cabinet Legislation Bureau who usurp the formal

powers of the nation's Supreme Court. Their role in interpreting Article 9, the so-called "peace clause" of the Japanese constitution, allows them to rule on major issues of Japanese defense policy, including on what the Japanese military can and cannot do. Officials in the Imperial Household Agency extend their powers even to maintaining the imperial line, reportedly pressuring the crown princess to bear a male child and imposing a stifling conformity on members of the Imperial family.

Adding to the bureaucratic malaise, the elected executive—ministers, senior vice-ministers, and parliamentary secretaries—have insufficient control of the ministries they are supposed to oversee. Ministers who attempt to assert their authority over their ministries risk suffering the same fate as former Foreign Minister Makiko Tanaka, infamous for calling George W. Bush an "ass-hole" on a visit to the United States in June 2001. She got into a slanging match with officials in her own ministry, who ate away at her policies like termites and leaked information about her indiscretions. The very public squabble ended in her sacking by the boss, Prime Minister Junichiro Koizumi.

As for the cabinet as a whole, it is not the key decision-making body wielding unchallenged authority over the bureaucracy and the parliamentary party—as is customary in most other parliamentary cabinet systems. The LDP operates as a separate power center outside the cabinet, interacting directly with the bureaucracy in policymaking and asserting rights of prior approval over legislation. Periodic turnover of parties in government might have disrupted institutionalized patterns of political corruption and relations of mutual interdependence between LDP politicians and bureaucrats, together with their intimate connections with government contractors, particularly in the public works industry. But more than half a century of LDP leadership has weakened the



Wake me when something new happens.

potential for transparent government and structural reform of the political system.

A Divided Diet

Party politics in Japan is played out within the Diet, Japan's parliament, which consists of two houses elected separately, often at different times. The government must have a majority in the Lower House, but also needs the support of the Upper House to pass legislation (though it may override the Upper House if it can muster a two-thirds majority of the Lower House). Japan will have a Lower House election before mid-October, and for the first time, the LDP faces the real prospect of defeat. It's up against a genuine, possible alternative governing party, the Democratic Party of Japan, or DJP, which has held a near-majority of the Upper House since the last election in 2007, producing a divided Diet. If not quite the dawn of a new day, the DJP's stunning victory in that elec-

tion has provided it with a strong base from which to launch a bid for government in the Lower House and to attack the lackluster performance of a succession of LDP prime ministers who have followed the colorful and charismatic Junichiro Koizumi.

Despite the shared party affiliation, however, Koizumi's immediate successor, Shinzo Abe (who took over in September 2006), could not have been a greater contrast. Koizumi spent more than five years in office outmaneuvering his own party and the bureaucracy in order to attempt a comprehensive program of political and economic structural reform. By contrast, the hawkish Abe, who lasted precisely one year, was all smoke and mirrors. He might have been young by the standards of Japanese prime ministers, but he was pursuing a very old agenda. His desire to break away from the so-called "postwar regime," including its legal baggage—the U.S.-imposed

constitution—was close to the ideals of the conservative wing of the LDP in the late 1950s led by his grandfather, former Prime Minister Nobusuke Kishi. Constitutional revision, Abe's holy grail, was an implicit rejection of the premises of the post-war Japanese state, which is based on anti-militarism and pacifism. The burning issues for Abe, however, did not resonate with the Japanese public, who were far more concerned with having competent and effective government and with bread-and-butter issues, such as growing social disparities and public pensions, rather than with grand ideology and nationalism. Revising the constitution, pursuing international status for its own sake, and erasing the legacy of Japan's humiliating World War II defeat are all preoccupations of Japan's nationalistic political elites rather than of ordinary Japanese.

The political difficulties of Abe's successor, Yasuo Fukuda, who came to power in September 2007, stemmed directly from Abe's leadership failings. In the July 2007 Upper House election, the LDP was handed its biggest-ever drubbing. Yet the DJP's resurgence frustrated the government's legislative program and made the Fukuda administration look perpetually weak and ineffective—which also hurt Japan's global image as a strong, unified power.

The impasse in Japan's parliamentary politics remains. The only way of decisively resolving the political stalemate is for the DJP to win this year's Lower House election. If the DJP wins, it will be the dominant party in both houses. If the LDP-led government loses its two-thirds majority, but retains a simple majority, it would create almost complete gridlock in the Diet. The Upper House would be able to vote down every piece of government legislation and the ruling coalition would be powerless to act. This would call a halt to the passage of all laws except for the budget and interna-

tional treaties, which the Upper House is not constitutionally empowered to reject.

Divided Parties

While Japan's internal party politics may seem like a debate over how many angels can dance on the head of a pin, in fact such internecine, often bitter battles can and do shape the nation's ability to confront an increasingly globalized world that often seems to be leaving Japan in its wake. It's parliament may be divided by houses, but not into political groupings with completely different policy agendas. The LDP and DJP, as the two major parties, are by and large organizations of individual politicians whose views hardly coalesce at any single point on a policy spectrum. A broad distribution of political preferences segregates political groupings within both parties, with progressives and conservatives on both sides of the political aisle.

The primary axis of policy difference between progressives and conservatives centers on the size of government and the extent of government intervention in the economy. The division between pro-market advocates of structural reform and old-style economic interventionists is particularly prevalent in the LDP. Interventionists are now back in the majority in the party, with the pro-market advocates temporarily silenced by the global economic downturn, which has made more widely acceptable a huge increase in government spending through fiscal stimulus packages.

Internal dissent characterizes both parties, extending in the LDP's case to disagreements between cabinet ministers and the prime minister—demonstrating disarray in the heart of the government. As for the DJP, while officially rejecting LDP-style pork barrel politics, it has eagerly engaged in the “distributive” politics typical of the LDP. In the 2007 Upper House elections, it was the DJP's offer to provide direct income support

to small farmers that did so much to unseat LDP legislators in rural prefectures.

But the two principal political parties do differ when it comes to foreign policy, where distinctions between the two are somewhat clearer, at least with respect to ties with the United States. The LDP has officially hewed to a more or less uniformly America-centric view of its obligations to the international community, while some of the DJP's contingent in the Diet favor a more UN-centric view and want Japan to adopt a more balanced posture between the United States and Asia. However, when it actually comes to protecting Japanese security, the DJP is divided on whether to rely on the United Nations or the United States. At the same time, the LDP includes a group of hard-core nationalists who favor a third path—self-reliance in defense, including the option of developing nuclear weapons. North Korean nuclear and ballistic missile tests provide this group with regular opportunities to press for reopening the domestic political debate about whether Japan should develop its own nuclear deterrent.

The issue of revising the “peace clause” in the Japanese constitution, which prevents the Japanese military from using armed force to settle international disputes, provides a key axis of policy difference. Here, status quo advocates and revisionists segregate into different groupings. In the LDP, some Diet members (such as former Prime Minister Fukuda) want to retain the existing interpretation of Article 9 to exclude collective defense in keeping with the views of a majority of the Japanese public. The revisionists, on the other hand, are divided into advocates of “revision by reinterpretation”

versus constitutional reformists. The former, such as Prime Minister Aso, want to reinterpret Article 9 to allow Japan to play a collective defense role with a view to strengthening the U.S.-Japan alliance and enabling the defense forces to make a greater international contribution. Some of the constitutional reformists want to reword Article 9 for the same reason—to reinforce Japan's

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commitment to the U.S. alliance and guarantee a greater American security commitment in return. The group of hard-core nationalists, however, see revision as a means of striking a blow for military autonomy and a free hand in national and regional security policy.

Political Renewal

Japan has not yet undergone the most momentous political change of all: a change of major party government voted on by a realigned electorate. To remain in office over so many decades requires either being a very good government or confronting an inadequate and dysfunctional opposition. In Japan's case, it's the latter—the single most potent element supporting the LDP's longevity in power has been the lack of a strong and unified opposition capable of forming an alternative government that voters can respect and embrace. In this respect, Japan has stalled on the evolutionary path towards a competitive party democracy.

Japan has no single “leader of the opposition.” It has many, which undermines the

strength and coherence of political forces standing against the LDP. Alongside the DJP is an array of smaller opposition parties, including the Social Democratic Party, the People's New Party, and the Japan Communist Party. Apart from providing fodder for possible coalition governments (except for the Japan Communist Party, which is unacceptable to virtually the entire political spectrum), these smaller political groupings have no prospect of ever attaining government on their own. Only the DJP, because of the momentum created by its 2007 victory, is within reach of this goal. If it wins office in the next Lower House election, either as a single-party government or in coalition, Japan would take a big step towards the formation of a two-party democracy. Moreover, victory in the election due by mid-October might work to cement rather than fracture the DJP along its many ideological and factional fault lines.

Land of the Rising Son

The LDP's status as a semi-permanent governing party is the cause of what is increasingly acknowledged as one of the most serious deficiencies of the Japanese system—hereditary politics. The entrenched tradition that lets LDP Diet members contemplate political careers lasting decades, then hand their seats on to their sons and grandsons, locks politicians into the obligations, loyalties, and policy orientations of their political forebears. Beyond that, there is no guarantee that the most capable politicians will win office. Family connections and personal relationships count for more than innate political talent, policy competence, ability to communicate, and qualities of leadership.

The last four Japanese prime ministers have all been hereditary politicians, as are some 40 percent of all LDP members. The current prime minister, Taro Aso, 68, has been in the Diet since 1979 and is the grandson of Japan's most famous postwar

prime minister and elder statesman, Shigeru Yoshida. In addition, the seniority principle, which is a deeply ingrained feature of Japanese society generally, favors longevity in the Diet as a qualification for party and government posts. As a result, the LDP and government leadership strata tend to be overpopulated with political dinosaurs who find it difficult to connect with many voters. The political system has few mechanisms for fast-tracking outstanding new political talent like a Japanese Barack Obama.

Nor is the DJP immune from hereditary politics and the seniority principle. Executive positions in the party are held by a long-serving group of failed or scandal-tainted leaders, who continually reshuffle the top party posts amongst themselves. The two most recent leaders of the party, Ichiro Ozawa and Yukio Hatoyama, are both hereditary politicians. Ozawa inherited his seat from his father while Hatoyama comes from a political lineage almost as long as the Japanese parliament itself.

As DJP leader, Ozawa was a protégé of former Prime Minister Kakuei Tanaka, the master of money politics and the original architect of the LDP pork-barrel tradition, based on intimate financial ties with construction companies bidding for public works. Ozawa was primarily bent on removing the LDP from office, successively hounding the Abe, Fukuda, and Aso governments to call an early Lower House election. In the end, however, Ozawa was brought down in May by a political funding scandal of the sort that has dogged his entire political career. No longer the face of the DJP, Ozawa nevertheless remains the party's chief election strategist, while Hatoyama, widely viewed as Ozawa's puppet, has been reshuffled into the leadership role.

A DJP Government?

Beyond personality politics, it is difficult to predict what might emerge from the DJP's

hodgepodge of policy differences. Its 2007 election manifesto, Ozawa's long-standing policy agenda, and Hatoyama's proposals offered in the May 2009 party leadership contest provide some clues.

The wish list includes centralizing executive power within the cabinet; bringing the bureaucrats under political control by cutting their numbers, divesting them of certain powers, perks, and privileges, and politicizing appointments to the upper ranks; shrinking the vast bureaucratic empire of public corporations; and decentralizing central government authority and revenue sources to local government. The DJP might also broach political reforms such as banning corporate and organizational donations to individual politicians and restricting the hereditary system to reduce political nepotism and money-controlled politics. At the same time, it might aim to restructure the Lower House electoral system to make it less friendly to smaller parties. Reflecting its liberal social orientation, the DJP might also offer more generous social benefits and (in a gesture to pure populism) abolish tolls on highways.

On foreign policy, a DJP-led administration might engineer a subtle shift in Japan's security interests away from lockstep support for the United States, including its military presence in Japan. Ozawa pointedly remarked that the three U.S. Seventh fleet bases in Japan are enough of a military presence in the Far East to guarantee Japan's safety, implying that the removal of all U.S. naval bases from Okinawa was desirable. Revisiting existing agreements between Washington and Tokyo on U.S. base realignment in Japan is another possibility.

Policy on overseas deployments of Japan's military forces could shift from ges-

tures of alliance solidarity towards a greater commitment to UN-sponsored peacekeeping operations. Such moves would herald a retreat from progress toward Japan's assuming a collective defense role—an ambition of the Aso government—by making collective security a priority over collective defense.

These policies would be most appropriate in conjunction with a more independent

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Japanese foreign policy and diplomacy. Nevertheless, a DJP government might be open to cooperation with the Obama administration in novel areas, such as action on global warming and nuclear disarmament, given the DJP's interest in creating a nuclear-weapons-free zone in Northeast Asia in order to counter the potential nuclear threat from both China and North Korea.

Yet another possibility is a change in Japanese government policy on buying U.S. government bonds, which might threaten the dollar's value. At \$661.9 billion, Japan holds the second-largest amount of U.S. Treasury bonds, after China. An off-the-cuff remark by the DJP's shadow finance minister in May suggested that Japan could stop buying dollar-denominated U.S. government bonds (preferring yen-denominated ones). This promptly led to a short-lived run on the dollar.

However, voting patterns in recent Japanese general elections make the outcome of the next Lower House poll harder to predict than usual. Most old certainties are gone. The support bases of both major parties are under reconstruction and remain fluid. Reflecting a popular disillusionment

with politics, voters who refuse to declare allegiance to any particular party have reached 40 percent of the total electorate.

By mid-2009, the LDP has managed to turn what was almost certain defeat earlier this year into the possibility of victory, while the DJP, hurt by the taint of scandals, might still snatch defeat from the jaws of victory. The Aso-Hatoyama confrontation is a dream duel of nepotism since Hatoyama's grandfather, Ichiro, was also a prime minister. Their contest pits the younger Hatoyama, known as a "chameleon" because of his readiness to trim his political sails to the shifting political currents, against Aso, the "perpetual adolescent," with his personal predilection for comic books and hotel bars.

Foundations Eroding

The post-war foundations of the Japanese state as an international actor with its unique combination of quiet pacifism and economic power are eroding, but nothing clearly definable is replacing them. Japan lacks a clear strategic direction and a positive vision of its future. Its continuing economic and political travails have left it unsure of its place in the world and what kind of power it wants to be. Far from being more assertive and more self-conscious of its own identity in world affairs, Japan risks turning inward as it deals with a palpable sense of national decline and loss of vitality. No nation has lost so much stature so quickly. Still, Japan is in no sense on the verge of becoming a small Pacific island nation like Tonga. It remains the second-largest economy in the world, after the United States, with dozens of major multinational corporations in leadership industries ranging from electronics and automobiles to steel, textiles, and food.

Moreover, the new uncertainties for Japan cannot be pinned entirely on the rise of China. To be sure, China's rapid growth

is one of the major reasons the regional and international power structure is changing so quickly, making it harder for Japan to re-think its place in the regional and global order. Retreating ever deeper into China's shadow, Japan can no longer automatically think of itself as the most important country in Asia in economic and security terms even for its alliance partner, the United States where openings to China are the top priority. Yet Japan's economic size and military heft still make it a core element in any regional balance-of-power equation. It is widely seen by its allies and neighbors in Southeast Asia as providing ballast against China and as the key to preventing the rest of East and Southeast Asia from coming under China's exclusive influence.

According to the same balance of power calculus, the rise of China makes Japan and the bilateral alliance even more important to the United States. As America looks to old and new allies to shore up its power and presence in East Asia, Japan figures as a potentially significant player and adjunct to U.S. military forces in the region. In particular, Japan's naval and ballistic missile defense capabilities are critical assets in shaping the future military balance in the Western Pacific. However, a substantial upgrading of Japan's military capabilities would immediately engage the convoluted politics of Article 9, injecting interminable delays into the policymaking process.

Even for minimalist international gestures, the snags that domestic political problems inject into the policy process risk Japan being marginalized in world affairs. Unless Japan soon figures out how to resolve the current domestic political impasse and restore its political leadership's ability to govern and rule, it will face the prospect of diminishing international power and recede ever farther from its long-held goal of being a major player on the international scene. ●