

# WebMemo



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## The U.S. Needs a Real Partner in the New Japanese Prime Minister

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As dependable as the tide, a new prime minister has washed ashore in Japan. Finance Minister Yoshihiko Noda is the latest iteration of what has become an annual ritual of Japanese leadership change. Prime Minister Naoto Kan has been unceremoniously tossed aside, although his 15-month term will be remembered as relatively long by recent Japanese standards.

The future of Japan matters immensely to America's interests in the Asia Pacific. The seemingly interminable drift in its political leadership for that reason is very troubling.

**More of the Same in Japanese Politics.** The Japanese populace fervently hoped that the earthquake, tsunami, and nuclear disaster of March 11 would induce politicians to overcome their partisan and factional bickering. Alas, such was not the case. The opposition Liberal Democratic Party (LDP), aided by Democratic Party of Japan (DPJ) kingpin Ichiro Ozawa, became even more determined to bring Kan down.

Kan, who struggled to gain his footing throughout his time in office, lost the remnants of public favor for his administration's disastrous response to the March disasters. Kan's inability to make decisions or accept responsibility doomed his chances of remaining as leader.

In June, Kan beat back a no-confidence vote by agreeing to resign. Kan's hollow victory—the legislative equivalent of offering to quit before being fired—bought him some time, but it was for naught. During his subsequent tenure as dead man walking,

Kan frittered away the opportunity to be a bold and decisive leader for a nation yearning for action.

But Kan should not be singled out for excessive criticism. He was no worse than the parade of his predecessors—six within five years. One might assume the prime minister's nameplate is now affixed with Velcro to facilitate easy replacement. Indeed, Kan's wife admitted that she did not pack more than summer clothes when her husband was selected as prime minister last June.

**The DPJ Star Has Faded.** The DPJ was elected in August 2009 with euphoric expectations of bold new policies and a revolutionary transformation of the Japanese political system. However, the DPJ has proven to be as feckless and infested with factionalism as the LDP regime that it replaced. Neither of the DPJ prime ministers distinguished himself, which reflects poorly on the party.

In many ways, the DPJ was elected primarily because it was not the LDP. The discredited LDP, however, won a striking victory in last year's upper house elections because it was not the DPJ. Unfortunately for voters, Japan is running out of political parties to run against.

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**Noda Faces Daunting Agenda.** Even before the March 11 triple disaster, Tokyo was struggling with a stagnant economy, staggering public debt, deteriorating demographics, growing security threats from China and North Korea, and fading international influence. Japan is hindered in addressing these challenges by a political system unable to produce national leaders that actually *lead*.

Japanese prime ministers have come and gone chiefly because of an inability to bring the economy out of its two-decade slumber. Noda has offered encouraging words about general fiscal reform, which is long overdue. He has also generated some political controversy by arguing that higher taxes are inevitable in dealing with Japan's debt and reconstruction. Raising taxes is controversial for good reason, but it is a point in Noda's favor that he is willing to propose an alternative to the model of unceasing borrowing, long implemented by the Japanese political and bureaucratic classes.

The key, however, is what specific fiscal reform and tax increases Noda will advocate. The main objective must be to move the Japanese government toward living within its means and accepting that borrowing and spending has utterly failed as stimulus. In light of the necessary spending on earthquake reconstruction, other spending must be cut. Even more important, Japan's long-term obligations must be kept in check, a fact that Noda has acknowledged in calls for changes to the social security system.

On top of this, tax revenue needs to be increased. Ideally, this would be done through economic growth. In addition, it is possible to have pro-growth tax reform that includes certain tax increases but only if they are carefully designed. Noda has shown early courage on economic issues; he must soon show wisdom.

But neither can Noda ignore Japan's pressing security issues. China's growing assertiveness is infringing on Japanese territoriality. Beijing's heavy-handed actions during the confrontation in the Senkakus last year brought an abrupt end to the DPJ's original vision of regional harmony and balancing equal relationships with the United States

and China. Kan was heavily criticized for his weak response to China's belligerent stance.

Noda is supportive of the alliance with the United States, describing it as the "very foundation" of Japan's foreign and security policies. This is welcome news in Washington, which saw relations strained under DPJ Prime Minister Yukio Hatoyama. Noda also seems supportive of the 2006 bilateral Guam Agreement on U.S. military realignment in Japan, including relocating a U.S. Marine Corps air base on Okinawa.

But Noda should move behind mere words of support to actually making progress toward building the Futenma Replacement Facility (FRF) on Okinawa. Failure to do so would make proposed U.S. Senate funding cuts to required construction on Guam more likely, thus jeopardizing the entire Guam Agreement. If that were to happen, the Marine air unit would remain in a heavily populated region of Okinawa, 8,000 Marines would not redeploy to Guam, and no U.S. bases would be vacated and turned over to local control.

Noda must emphasize to Okinawa that Japanese national security and Asian peace and stability must trump local convenience. Tokyo should make clear that Japanese expenditures for Okinawan development (which are up for renewal) are conditional on FRF relocation. Non-compliance by Okinawa could result in reductions in Japanese subsidies.

#### **Recommendations:**

- If Japan actually begins to implement fiscal reform, the U.S. should strive to bolster Noda and encourage the reform process. An offer to start bilateral free trade negotiations or Japan's participation in the Trans-Pacific Partnership would be appropriate.
- Washington should press Tokyo to fully implement the Guam Agreement. The U.S. should emphasize that redeployment of 8,000 Marines to Guam and return of U.S. bases to local control is dependent on the construction of a replacement airfield on Okinawa.
- The U.S. should urge Japan to begin assuming additional security responsibilities in the long term. Tokyo's latest defense white paper,

issued last December, lays out the need to do so, but little has been done to implement the recommendations.

**Japan in Decline.** Neither the LDP nor the DPJ has displayed the vision or ability to govern Japan effectively. This does not bode well for the country's future. The two parties are like dazed sumo wrestlers bludgeoning each other but unable to push the other out of the ring. The result is political stalemate and policy gridlock.

Someday, Japan may experience a strategic political realignment that results in parties that offer real

choice between opposing political ideologies and policy objectives. In the meantime, the two combatant parties will continue to inflict considerable damage on each other, as well as the country's hopes of economic revival and international influence.

Here's hoping that Noda can break the mold and take charge. Otherwise, the Land of the Rising Sun seems doomed to fade into the sunset.

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