

Japan's Upper House Elections: A New Test for Shinzo Abe

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Campaign officially kicked off on July 4 for elections to Japan's Upper House of the Diet on July 21. A total of 367 candidates are scheduled to run for half of the total 242 seats for which elections will be held. The ruling Liberal Democratic Party (LDP), headed by Shinzo Abe, and its junior coalition partner, New Komeito, together hold 59 seats in the Upper House that will not be contested on July 21. Between them, they will need to win 70 seats out of 121 up for grabs to achieve a majority of seats in the Upper House and form a coalition government.

Prior to the forthcoming elections on July 21, elections were held for the Tokyo Metropolitan Assembly on June 23, and the LDP took majority control of the house from the Democratic Party of Japan (DPJ). Not a single candidate from Abe's ruling LDP lost in the Tokyo area, while the biggest national opposition party lost further ground, even falling behind the Communists in many districts. Abe's political dominance could bring an end to Japan's stretch of political instability. Still, the country's economic future remains shaky. The lack of any meaningful opposition to the LDP can only bode ill for the country's longer-term prospects as in a democracy opposition plays the critical role of a balancer.

This landslide victory will give the LDP a boost for the July 21 date when voters are expected to cast judgment on Abe's handling of the seven-month-old government.

The LDP and its junior partner in the national Diet, New Komeito, succeeded in getting all their candidates – 59 from LDP and 23 from New Komeito – elected. Now they control the 127-seat Tokyo Metropolitan Assembly. The DPJ, which used to control the Assembly, won only 15 seats and tumbled to fourth position. It had won 43 seats in the 2009 election. To some extent, the LDP benefitted from the DPJ's unpopularity.

The contest was expected to focus on a mix of fiscal stimulus, radical monetary easing, and other measures aimed at pulling Japan out of chronic deflation. His reforms being dubbed as "Abenomics", Abe had to win the Tokyo Assembly elections "at any cost" as it would set the tone for the Upper House elections. Now the Tokyo election results are injecting momentum into the governing coalition's campaign for the July 21 elections.

The LDP drubbing in the 2009 Tokyo elections, which paved the way for the DPJ to take the reins of the nation for the first time, is still fresh in the memory of many in the party, and it now looks prepared to avoid a repeat of such an embarrassing experience.

Though the Tokyo Assembly results are indicative of the likely outcome of the July elections, the LDP must answer some tricky questions on voters' minds. Notwithstanding the much-hyped Abenomics that has restored Japan to positive growth, ordinary citizens and local economies



are yet to reap the fruits of Abe's reforms. In particular, rural area peoples are wary of Abe's decision for Japan to join the Trans-Pacific Partnership free trade pact. The anti-nuclear lobbyists also disapprove of the Abe administration's decision to restart of nuclear power plants given safety procedures are complete. They also point to the idea of weakening the constitutional procedure designed to prevent imprudent constitutional changes.

If the LDP secures control of the Upper House in July, it will ease the current legislative gridlock and give Abe free rein to push through the painful reforms that Japan desperately needs. However, detractors warn that with a majority in both houses, Abe will take his eye off the economy and push a conservative social agenda, for which he was known before the election, that may include the possible rewriting of Japan's wartime history, and the Constitution. Critics say this would risk further irritating Japan's inflamed ties with China and South Korea. The present analysis takes into consideration the domestic factors influencing the outcome of the elections and does not cover foreign affairs in a major way.

Background

Japan's Upper House of the Diet is known as the House of Councillors. Councillors serve a six-year term in a staggered cycle that puts half of the total 242 seats up for election every three years. Given that the House of Councillors cannot be dissolved, there can be no snap elections, which means elected members are guaranteed a full six-year term.

Why is the election scheduled for July 21 important for Japan's future? Japan's Upper House has become, since the introduction of proportional representation to the Lower House or the House of Representatives, increasingly powerful within the bicameral legislature. The Lower House could traditionally override most votes made by the Upper House, provided they got a two-thirds majority of members present. But since the switch to proportional representation, the Upper House has gained a lot more power to block legislation, with the government failing to gain the vital two-thirds threshold time and again. The Postal Privatization Act of 2009 was a perfect example of the newfound political muscle of the Councillors.

Up to 73 of the available 121 Councillor seats, at each triennial vote are to be filled by the 47 prefectural, electoral district winners and the other 48 fall under the nationwide party list system that uses proportional representation. This means that voters cast two votes. Unlike in the Lower House, Upper House candidates cannot run in the proportional representation system and the electoral district system at the same time. Seats are granted to parties based on the number of votes they received as per the candidates on their lists or their names. They are then given to candidates depending on the amount of votes obtained under party names.

If the ruling bloc wins 129 seats, it will secure all of the Upper House's top posts on standing committees as well as half of the committee posts. At present the LDP and New Komeito hold a majority in the more powerful Lower House, while the Upper House is controlled by the opposition. The LDP has decided to field 80 candidates, while New Komeito will officially endorse 11 candidates. The opposition DPJ, still reeling from its devastating rout in the Lower House poll in December 2012 and the drubbing in Tokyo Assembly polls on June 23, has so far approved 54 to run on its ticket. The Nippon Ishin no Kai, Japan Restoration Party, led by embattled Osaka Mayor Hashimoto Toru and former Tokyo Governor Ishihara Shintaro, will field 41 candidates, while Your Party, the Japan Communist Party and the Social Democratic Party, will back 23, 51 and eight candidates, respectively.

Support Base for the LDP

The ruling LDP has an edge over its rival DPJ, if survey results are to be believed. According to a nationwide telephone survey conducted by *Kyodo* on June 23, the LDP enjoys the highest support rating, leaving the DPJ far behind. The survey found that 28.8% of the respondents intend to vote for the LDP in the proportional representation section, against only 8.2% for the DPJ. The New Komeito drew 6% support, followed by 4.8% for the Japan Restoration party, 3.9% for Your Party, 3.2% for the Japanese Communist Party, 0.6% for the Social Democratic Party, 0.2% for Kokumin no Seikatsu Daiichi (People's Life Party), and 0.1% apiece for New Party Daichi and Green Wind.

However, the outcome is far from certain, because 37.7% of the respondents said they have not decided who to vote for. Politics in Japan has become extremely volatile and the media poll results can be a general guide, at best. This is because the support rate for the Abe's cabinet has declined to 65.6% from the 68% recorded from June 1 to 2, while its disapproval rate has jumped to 23.6% from 16.3%. The *Kyodo* survey drew responses from 1,224 eligible voters, with 56.4% saying they want the LDP-New Komeito ruling coalition to gain a majority in the Upper House, and 27.9% saying they do not. The survey also found that 35.4% of the public will scrutinize the politicians' economic proposals, especially on jobs, for clues on how to vote. While 28.3% said they will examine social security-related policies, in particular pension and health care measures, 8.9% mentioned the consumption tax hike and 7.7% brought up plans to amend the Constitution. Worthy of note was 50.4% expressed support and 33.5% expressed opposition to the issue of revising the Constitution.

Abenomics

How will the Abe administration tackle the host of issues it faces at home and abroad, six months after the LDP returned to power? The LDP's campaign platform



emphasizes advancing Abenomics and pledging to seek tax incentives for capital investment and drastic cuts in the corporation tax. The party's aggressive stance can be surmised from campaign pledges, but the party has failed to present concrete measures. Abe claims that the nation's economy has recovered through Abenomics and he hopes to capitalize on this momentum. However, the DPJ could stand in his way, with its leader Banri Kaieda vowing to halt Abe's reforms.

Abenomics promises drastic tax changes to help rebuild businesses and increase private sector investment, with the aim to achieve the twin goals of eradicating Japan's chronic deflation and restoring its fiscal health. Cabinet approval of Abe's economic strategy preceded specifics on tax and corporate sector reform. The absence of radical steps such as corporate tax cuts and liberalization of labor market and the farming sector disappointed the investors and economists, leading to a retreat in Japanese stocks. This led to disappointment and a sell-off in Japan's stock market. Abe was forced to pledge a second version in order to boost investors' morale. As Japan's sixth Prime Minister in five years, Abe has designated the next three years as an "intensive reform period" and this shows his determination to remain in office so that he can oversee the implementation of his rightist policy platform. With this aim, Abe is determined to lead the LDP to victory on July 21.

The growth strategy is the last of Abenomics' "three arrows". The first two arrows, large-scale public works and aggressive monetary easing by the Bank of Japan, drove up stocks amid expectations that the weaker yen would boost exports, a key driver of economic growth. Abe also plans to establish special economic zones in which deregulation will be encouraged, with an eye toward bolstering investment and attracting overseas businesses and human resources to Japan. By adopting this strategy, Abe plans to revitalize Japan. Abe's growth strategy aims to augment the level of business investment by 10% in total over the next three years to raise it to around 70 trillion yen; it also aims to double direct investment from foreign firms to 35 trillion yen by 2020.

Because of Abe's initial reforms, Japan came out of recession and posted an annualized growth rate of 4.1% in the first quarter. The Bank of Japan's aggressive monetary stimulus contributed to the weakness of the yen, which helped exports and improved consumer and business confidence. To Abe's relief, the yen first weakened to 102-103 a dollar – from 80 a dollar when he took office in December 2012 – but then strengthened again, hovering around 94-95 yen a dollar. This was because of absence of the expected big measures. Now Abe realizes the importance of steady implementation of the proposed measures, and if his party wins the July 21 elections the political climate will be favorable for him to go to the next step. It is possible that Abe with this self-imposed constraint to include reforms in his growth

strategies in consideration for the upcoming elections but once he crosses that hurdle, his second round of reforms will put Japan back on track for growth.

Consumption Tax

After taking office in December, Abe announced his top priority was to revive the deflation-battered economy, but he has demurred on many specifics. Japan's real problem is how to deal with the massive public debt. For the time being, the government plans to leave untouched its goal of achieving a primary balance surplus by the end of fiscal 2020, and avoid issuing new bonds to finance expenditure other than debt-servicing costs. The issue of doubling the consumption tax is also likely to be shelved, though the reform draft mentions the advisability of having a reappraisal. As per the proposal, the 5% tax rate is set to climb to 8% in April 2014 and to 10% in October 2015. Abe will have to contend with public fury when this additional burden is imposed on the people, even though such measures are in the long-term interest of the Japanese economy.

Trans-Pacific Partnership

Abe's economic policies focus on massive monetary easing by the Bank of Japan that has pushed up stock prices and caused the yen to weaken versus other currencies. Surely voters will carefully consider if Abe's policy will generate employment, raise wages, and revitalize local economies. Abe has initiated negotiation on Japan's participation in the 11-nation US-led Trans-Pacific Partnership (TPP) free trade scheme. The voters will consider if this decision will help the economy and truly enhance well-being. There is no universal endorsement within the LDP on the TPP issue as LDP members from rural areas oppose it. The voters will be confused if Abe pushes the TPP when there is strong opposition to it within the LDP.

The farming industry is deeply opposed to Japan's participation in TPP negotiations. In Hokkaido, a political wing of the Japanese Agriculture Group, a traditional support base for the LDP, has decided to allow its members to vote at their own discretion, a warning to the party leadership ahead of the July election. The LDP leadership reflects the views of anti-TPP elements in a policy package dubbed "J-File 2013", which was compiled as a supplement to the campaign pledge. In the package, the party clearly mentioned that the government "will not hesitate to pull out from the negotiations unless it is certain five agricultural items will be treated as exceptions to free trade". The J-File presents medium- and long-term policy targets. Such exceptional treatment can be regarded as a desperate measure to secure farmers' votes.

The LDP counts the farm community in its traditional support base. Abe has promised to double the income of farmers over the next decade if Japan joins the TPP, but how he



plans to protect domestic agriculture if Japan is flooded by cheap food imports remains unclear. In principle, the TPP aims to scrap all tariffs, though the draft makes it clear that Japan will strive to win tariff exemptions for sensitive products like rice, wheat and sugar. If Japan is given such exemptions, it will open the gates for other TPP members to make similar claims for exemptions.

Article 96

What else do political parties promise the electorate? So far as the LDP is concerned, it might play down the call to change Article 96 of the Constitution as part of its campaign platform, as it would undermine the foundation of constitutional democracy. Altering the clause, which is designed to prevent an imprudent revision of the Constitution, is on Abe's mind as this will be the first step to attempt amending Article 9 of the Constitution.

Amending Article 96 would fundamentally diminish the status of the Constitution almost to the level of ordinary law, thereby weakening or scrapping the most fundamental protections of freedom of expression, freedom of assembly and association, freedom from arbitrary arrest, as well as the no-war principle.

What does Article 96 say? It says that amendments to the Constitution must be initiated by the Diet through a vote of at least two-thirds of all the members of both houses and then they must be submitted to the people for ratification, which requires an affirmative vote by a majority of all votes cast in a special referendum. The LDP, the Japan Restoration Party and Your Party are in favor of changing Article 96 so that amendments to the Constitution can be initiated with a simple majority vote in each house.

Abe is surely aware that it is impossible for the LDP and New Komeito alone to secure a two-thirds majority in the Diet only through the July election. By this logic, he should not hesitate to seek support from the DPJ and other opposition parties. However, Abe's task is not so clear. His LDP-New Komeito bloc may already enjoy more than two-thirds of the seats in the Diet, but the Buddhist-backed alliance partner New Komeito does not support amending the Constitution, particularly its war-renouncing Article 9. Constitutional revision is one of Abe's major policy goals and he wants to start by trying to amend Article 96 to ease the rules for initiating constitutional change.

While aiming for constitutional amendments, the LDP realizes that parliamentary requirements for initiating revision should be relaxed. This will "make it easier for the people, with whom sovereign power resides, to have the opportunity to take part in constitutional judgments through national referendums". The LDP must explain its stance more thoroughly to the people. The LDP has postponed efforts to revise Article 96 ahead of other provisions due to its coalition partner's wariness. The LDP has no alternative but to give up its plan to work out

common campaign pledges with New Komeito because of the differences on the constitutional issue. It is likely that after the election, New Komeito will hold the key to deciding how the constitutional revision will proceed. Unless Abe is able to get the endorsement of New Komeito, his dream for constitutional change will never become reality.

The DPJ, the Japan Communist Party, the People's Life Party and the Social Democratic Party, are against changing Article 96 of the Constitution. If these opposition parties want to prevent the ruling coalition from controlling the House of Councilors, they must find a way to cooperate. But given their sharp differences on basic policy issues, a united front against the LDP-New Komeito coalition is unlikely.

While the people seem to back Abe's attempt to revive the economy, voters are less supportive of his constitutional agenda. With bond yields rising and stocks fluctuating, the debate over how to amend the document is a distraction for the LDP as the party aims for a majority in the House of Councilors. For the time being, Abe is expected to take a safer path: win the July election, get rid of the hung parliament, then pass various bills. If he starts to push Article 96 now, it could sully his image and shrink the scale of victory.

During a visit to Turkey on May 3, Abe told reporters that revising Article 96 "will be a public pledge in the upcoming upper house election". It is easy to discern that Abe wants to revise Japan's post-war constitution for the first time as part of plans to strengthen the military as Japan confronts a territorial conflict with China and threats from North Korea's nuclear program. The US-drafted document was imposed on Japan after World War II and the LDP has advocated changing it since the party was founded in 1955. In an April 23 *Mainichi* newspaper poll, 7% of respondents said constitutional reform was the most important issue in the July election, compared with 35% who cited the economy. No margin of error was provided. The DPJ has also vowed to block every move by Abe to amend Article 96, which most people believe will lead to the amendment of Article 9.

Nuclear Issue

With regard to energy policy, the LDP pledged to make utmost efforts to obtain the understanding of local governments concerned as it seeks to restart nuclear reactors pending approval of their safety by the Nuclear Regulation Authority. It is reasonable for the party to clearly mention a policy to restart nuclear reactors, which is indispensable for the country's economic growth. But the party's platform is far too vague in defining nuclear power generation and the nuclear fuel cycle in its medium- and long-term energy strategy.

While acknowledging the plight of the victims of the Fukushima nuclear accident, Abe has attempted to promote nuclear power and pledged to make efforts to enhance



safety at atomic energy facilities. He has urged his countrymen to change this greatest crisis that Japan faced during the post-war years to reform the energy market. There is a growing anti-nuclear sentiment with the Japanese people due to the Fukushima disaster of 2011. Though Abe seems bent on restoring the 48 nuclear reactors that are currently offline, the opposition DPJ believes that their promise – to end all nuclear power plants by 2030 – will sway the public in their favor. The LDP claims to determine within three years whether the plants can be restarted. The loss of nuclear power has forced electric utilities to concentrate more on thermal power generation. Shuttling of nuclear power has also cranked up imports of fossil fuels, weakening the nation's trade balance, as the aggressive monetary easing touted under "Abenomics" drives down the yen, making fuel purchases even more expensive.

Conclusion

As we await the July 21 election, the outcome seems to be a foregone conclusion: the LDP-New Komeito will emerge victorious. Yet the margin of victory is difficult to gauge. Japan under Abe is already undergoing an economic revival and Abenomics will be tested further during the remainder of his term, unless an unexpected political tsunami engulfs him and the LDP.

Abenomics has brought great benefit to Japanese exporters, but it has also created some unwanted results, such as higher prices of daily necessities and rising interest rates on home loans. The question is whether the public as a whole is feeling hopeful or disappointed about Abe's economic policies. The verdict on July 21 will show how Abe's administration will manage the country's economy. Under normal circumstances, the results of Tokyo Metropolitan Assembly elections foreshadow prospects for the national election. Although the July election is for the Upper House, the general mood of the people can easily be discernible. Recall that four years ago the DPJ became the largest voting bloc in the Metropolitan Assembly for the first time; it went on to unseat the LDP from power in the Diet. Twelve years ago, the LDP won a landslide in the Tokyo election and then earned a handsome victory in the Upper House poll by riding the huge popularity of then-Prime Minister Junichiro Koizumi. This time, an Upper House election will be held just one month later. It remains to be seen if LDP, which returned to power in December, has real political momentum now. Can one expect the DPJ to recover from the devastating defeat it suffered in the December election?

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