

**JAPANESE PRIME MINISTER KAN NAOTO:
A ROCKY ROAD AHEAD?**

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Executive Summary

1. To avoid a political vacuum and with an eye on the forthcoming Upper House Election in July 2010, the ruling Democratic Party of Japan (DPJ) moved swiftly to install Kan Naoto (菅 直人) as Prime Minister on 4 June 2010 just two days after the resignation of his unpopular predecessor Hatoyama Yukio.
2. A recent public opinion poll showed that 57.6 percent of respondents have high expectations of Kan as Prime Minister compared with the 19.1 percent approval rate in the previous poll for the Hatoyama-led Cabinet.
3. The Futenma issue was an albatross around the neck of the Hatoyama administration. Fortunately for Kan, relations with the Washington will no longer be strained over this issue because Tokyo will abide by the original agreement to relocate the US marine base from Futenma to Henoko, Okinawa.
4. To maintain good relations with China, Kan plans to appoint Niwa Uichiro, former president of trading company Itochu Corporation, to the post of ambassador to China.
5. Niwa has close connections within the Chinese government and with China's business leaders, and is a member of the International Business Leaders Advisory Council to the mayor of Beijing and advisory council to Jiangsu province.
6. Kan's immediate challenge is to deal with Ozawa Ichiro (the reputed power behind the Hatoyama administration) without rupturing the ruling party. Ozawa leads a parliamentary group of 150, the largest faction within the DPJ.
7. Ozawa and his supporters have intimated that they may support their own candidate when Kan stands for election when his tenure as party president ends in September 2010. If the new Prime Minister were to perform poorly in

the forthcoming Upper House Election, Ozawa's supporters will be emboldened to get rid of him.

8. Kan and his ruling coalition must avoid an electoral defeat in the forthcoming Upper House Election which will lead to policy gridlock in Japan. Such an electoral setback and a split parliament between both Houses controlled by different parties will probably lead to a short tenure as Prime Minister for Kan.
9. The ruling coalition's majority in the Upper House is precariously reduced to only one after its junior partner, the Social Democratic Party, quit after Hatoyama's broken promise over Futenma.
10. However, it is conceivable that Kan can forge a new and stable ruling coalition with the Mina no To (Your Party) or the Komeito (Clean Government Party) after the Upper House Election by offering ministerial positions to these potential allies.

JAPANESE PRIME MINISTER KAN NAOTO: A ROCKY ROAD AHEAD?

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Kan: Japan's fifth Prime Minister in four years

- 1.1 To avoid a political vacuum and with an eye on the forthcoming Upper House Election in July 2010, the ruling Democratic Party of Japan (DPJ) moved swiftly to install Kan Naoto (菅 直人) as Prime Minister on 4 June 2010 just two days after the resignation of his predecessor Hatoyama Yukio.
- 1.2 Earlier, Hatoyama squandered his party's popularity due to his weak and wavering leadership (Appendix One), financial scandal, and abject failure to keep an electoral promise to shift the US marine base at Futenma out of Okinawa prefecture. Hatoyama lasted barely nine months in office. This follows a pattern of weak Prime Ministers (Abe Shinzo, Fukuda Yasuo and Aso Taro) who consecutively could not survive at the top post for more than a year.¹
- 1.3 The DPJ hopes that Kan, who is neither tainted by political corruption nor embroiled by the Futenma fiasco, can arrest the freefall of its popularity and lead it to victory in the forthcoming July 2010 Upper House Election.
- 1.4 A public opinion poll taken on the day of Kan's inauguration as Prime Minister showed that 57.6 percent of respondents have high expectations of him compared with the 19.1 percent approval rate in the previous poll for the

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¹ Aso, Fukuda and Abe were from the Liberal Democratic Party (LDP), the former ruling party. Although the LDP then had a solid majority in the Lower House, they found it difficult to govern after Abe lost the 2007 Upper House Election to the DPJ which resulted in a policy gridlock. Aso had to quit after losing the 2009 Lower House Election to the DPJ.

Hatoyama-led Cabinet. The support rate for the DPJ also surged by 15.6 points to 36.1 percent while that of the main opposition Liberal Democratic Party (LDP) stood at 20.8 percent.² According to another opinion poll, 59 percent support Kan as Prime Minister.³

- 1.5 However, it is unclear whether Kan's political honeymoon with the general public can last till the Upper House Election next month. A month can be a long time in Japanese politics. Nevertheless, everyday news will no longer be dominated by the Futenma impasse and political corruption after the departure of Hatoyama. A lack of negative news would be advantageous to the DPJ's electoral campaign.

Kan: A tough guy with an unusual political background

- 2.1 Unlike many members of parliament from the ruling DPJ and the opposition LDP, Kan is not a hereditary politician with the advantage of money, name recognition and an inherited political machine in the local constituency. He made it to the top only after three decades of political struggle and setbacks in the opposition ranks.
- 2.2 Simply put, Kan is a political survivor with a reformist and populist bent. Presumably, he is tougher than many hereditary politicians such as Hosokawa Morihiro, Abe Shinzo, Fukuda Yasuo and Hatoyama Yukio who gave up too easily as Prime Ministers after encountering setbacks.⁴

² "Support for DPJ Surges, High Hopes Cited for New Leader Kan: poll" in *Mainichi Daily News*, 6 June 2010. But there is little room for complacency for the DPJ because public opinion is often ephemeral. A reality check is that when Koizumi Junichiro took over from Mori Yoshiro as Prime Minister in 2001, the Cabinet support soared from 9 percent to 78 percent. That was a support rate which the Kan administration is most unlikely to match by a long distance. See "Will a new face be enough for DPJ?", *Asahi Shimbun*, 4 June 2010.

³ "Survey: 59 percent support Kan as Prime Minister", *Asahi Shimbun*, 8 June 2010.

⁴ Kan's local base is Tokyo electoral 18th district which is predominantly urban and middle class. Kan also survived the 2005 Lower House Election (which was a referendum on then Prime Minister Koizumi's postal reforms) when he retained the only DPJ seat out of 25 single seat districts in Tokyo. He is locally very popular.

- 2.3 Kan was a student radical in campus protests. He started his political career in 1974 as a civic activist and helped to organize the campaign of Ichikawa Fusae, a noted activist for women's political rights, for an Upper House seat.⁵ He failed in a few attempts to enter national politics but was elected in a Tokyo constituency in the 1980 Lower House Election on the ticket of a leftist mini-party, the Social Democratic League (SDL: *Shaminren*). Kan then made a name for himself as an activist in civic movements in the 1980s.
- 2.4 In 1994, Kan left the SDL and joined the small reformist New Harbinger Party (NHP: *Sakigake*). The NHP became a junior partner to an LDP-led ruling coalition in the same year. For a while, Kan was the most popular politician in Japan after becoming Minister of Health and Welfare in the first Hashimoto coalition government in January 1996 when he reversed years of bureaucratic denial of responsibility by publicly apologizing to the victims of an HIV-tainted blood scandal.
- 2.5 In September 1996, Kan established the Democratic Party of Japan (DPJ) with Hatoyama Yukio and they became its joint representatives. The DPJ then rapidly became the number one opposition party. Since its inception, the DPJ has had 16 presidents. Kan sought the party presidency ten times but only won six times.⁶
- 2.6 In 2003 when he was DPJ President, Kan forged a merger with the Liberal Party led by Ichiro Ozawa, the outgoing Secretary General of the DPJ. The enlarged DPJ through this merger made it a genuine contender for power with the then ruling LDP.
- 2.7 When the DPJ captured power after its historic win, ending 54 years of LDP one party dominance in the August 2009 Lower House Election, Kan became

⁵ On Kan's biography, see "Kan Naoto" in J.A.A. Stockwin, *Dictionary of the Modern Politics of Japan* (Routledge, London, 2003) p.133. See also "Kan: Activist, politico, mahjong lover", *Yomiuri Shimbun*, 5 June 2010, "From lowly stock, a rise to the top: Profile of Naoto Kan, new Prime Minister" in *Ashai Shimbun*, 7 June 2010 and "Editorial: Now, it's Kan's turn", *Asahi Shimbun*, 8 June 2010.

⁶ "All Things have Finally Come to Veteran who Waited", *Japan Times*, 5 June 2010.

Deputy Prime Minister in the Hatoyama administration. When concurrently Minister of Finance, Kan called for a cap to Japan's runaway public debt (at almost 200 percent of GDP), a hike to the consumption tax and a weaker yen to facilitate Japanese exports.⁷

Kan's Immediate Challenges: Domestic Politics and not Foreign Relations

- 3.1 The Futenma issue was an albatross around the neck of the Hatoyama administration. Fortunately for Kan, relations with the US will no longer be strained over this issue because his predecessor belatedly decided to abide by the original agreement between the US and Japan to relocate the marine base to Henoko, Okinawa.⁸
- 3.2 Kan has categorically said that he will accept this agreement and has reiterated that the US-Japan alliance is the cornerstone of his country's foreign policy.⁹ The new Prime Minister has also reaffirmed good relations with China and Korea, a commitment to build an East Asian Community, and efforts to mitigate global warming.
- 3.3 He said: "I think that Japan's diplomacy is founded on Japan-US relations, (but) at the same time, Japan is in East Asia and we are seeing a historic

⁷ Japan's combined central and local debt is projected to reach 949 trillion yen (US\$10.3 trillion) at the end of 2010, 1.97 times its GDP. Kan had earlier described the current fiscal situation as a "quagmire". He said: "We can build a strong economy, a strong fiscal structure and a strong social security system, all together". The media noted that in May 2010, Kan said that the new government bond issuance for fiscal 2011 should not exceed the unprecedented 44.3 trillion yen issued this year. The same article remarked: "However, he has yet to spell out a detailed plan setting out how this can be achieved by increasing government revenues or limiting expenditure". See "Kan pledges to pull Japan from public debt 'quagmire'", *Asahi Shimbun*, 5 June 2010.

Another article also noted: "The DPJ plans to finalize its manifesto for the Upper House election early next week. It is likely that the party will have to make a difficult decision as to whether it should prioritize intraparty harmony and put a lid on discussions of a tax hike, or modify the manifesto and come up with a plan to raise the consumption tax". See "Tough Battle on Fiscal changes: DPJ Faces Serious Intraparty Differences over Consumption Tax Hike", *Yomiuri Shimbun*, 5 June 2010.

⁸ The Kan administration will have a tough job trying to convince the governor of Okinawa and the mayor of Nago to accept the relocation of the US base in Futenma to Henoko. Given the priority to the US-Japan alliance, the Kan administration will be forced to impose the agreement forged with the US on the long suffering Okinawans much to their chagrin.

⁹ "Kan, Obama Agree to Make Efforts to Fulfill Japan-US Base Accord", *Mainichi Daily News*, 6 June 2010.

development in Asia. Japan needs to go in the direction of building a trusting relationship with the US while placing particular importance on China. I think that is the correct way for Japan's future."¹⁰

- 3.4 Regardless of who is at the helm in Japan, there is little maneuver space for Japanese foreign policy towards the US and China.¹¹ The US is an indispensable ally which provides a nuclear umbrella to Japan while China is a rising power which offers market opportunities to a stagnant Japanese economy. Between these two giants, Japan will have to flesh out its proposal of an East Asian Community which Kan is supportive of.
- 3.5 Since the era of Prime Minister Koizumi Junichiro, no Japanese Prime Minister whether from the LDP or DPJ has visited the Yasukuni Shrine (the symbol of Japanese militarism to the Chinese and Koreans) to keep Sino-Japanese relations on an even keel. Prime Minister Kan will do likewise.
- 3.6 As incoming Prime Minister, Kan plans to appoint Niwa Uichiro, former president of trading company Itochu Corporation, to the post of ambassador to China. Itochu was among the first of Japan's major trading companies to resume trade with China after World War II, doing so before Tokyo and Beijing normalized diplomatic relations in 1972. Niwa has close connections within the Chinese government and with China's business leaders, and is a member of the International Business Leaders Advisory Council to the mayor of Beijing and advisory council to Jiangsu province.¹²
- 3.7 Kan's political focus and forte, thus far, is domestic politics and is not known to be associated with any strong views or ideas about managing Japan's

¹⁰ "Kan Needs to Balance US Ties, China's Clout", *Japan Times*, 5 June 2010.

¹¹ The Chinese media responded to Hatoyama's resignation as follows: "Chinese experts said that they believe Japan's China policy will not change much". See "Resignation may not Affect Sino-Japan Relations" in *China Daily*, 3 June 2010.

¹² Niwa will be the first private sector person to fill that post since Sino-Japanese relations were established in 1972. "Kan to Appoint Businessman as Ambassador to China", *Mainichi Daily News*, 7 June 2010, "Private Sector Pick for Envoy to China", *Yomiuri Shimbun*, 8 June 2010 and "Ex-Itochu Chief Eyed as Envoy to China", *Asahi Shimbun*, 8 June 2010.

relations with the US or China. However, as Deputy Prime Minister, Kan has earlier noted that the Japanese Self Defense Forces (SDF) had been expanding overseas and that the SDF would contribute to global peace and stability on “Japan’s own initiative and under democratic control”.¹³

Ozawa’s Potential Challenge to Kan

- 4.1 Rather than US bases in Okinawa or looming crisis with Japan’s neighbors, Kan’s immediate challenge is to deal with Ozawa Ichiro (the reputed power behind the Hatoyama administration) without rupturing the ruling party. Ozawa’s financial scandal was a contributory factor to the plunge in the popularity of the Hatoyama administration.
- 4.2 Presumably, Kan’s most challenging political opponent (Ozawa) is within rather than outside Japan. The adage “all politics is local” is especially true in Japan. Indeed, Kan has no intention of rocking the boat and has opted for personnel and policy continuity by reappointing most ministers of the ex-Hatoyama cabinet. This includes politicians who are close to Ozawa.¹⁴
- 4.3 When Hatoyama resigned as Prime Minister, Ozawa quit as Secretary General of the DPJ. But Ozawa remains a powerful and formidable politician because he leads a parliamentary group of 150 supporters (35 percent of the ruling party’s 423 members of parliament) — the largest faction within the DPJ.¹⁵

¹³ See Japan Ministry of Defense, “Tokyo Defense Forum”, October 2009. <<http://www.mod.go.jp/e/jdf/no16/current.html>> (Accessed 3 June 2010).

¹⁴ “Kan to Reappoint most Ministers of Hatoyama Cabinet” in *Mainichi Daily News*, 7 June 2010. The media noted: “In preparation for the launch of his cabinet Tuesday, Kan also decided to assign Banri Kaieda and Koichiro Gemba, both House of Representatives members, to key positions in his cabinet or top DPJ posts. ... Kaieda, who belongs to an intraparty group led by outgoing Prime Minister Yukio Hatoyama and is acting chairman of the DPJ’s election campaign committee, is said to have been close to outgoing DPJ Secretary General Ichiro Ozawa, who has the largest faction in the ruling party.” See “Renho seen Getting Post in Cabinet: Top Positions for Kaieda, Gemba Likely” in *Yomiuri Shimbun*, 7 June 2010.

¹⁵ See “Kan Wary of Splitting Party over Ozawa”, *Yomiuri Shimbun*, 6 June 2010 and “Ozawa aims to regain clout after election”, *Yomiuri Shimbun*, 6 June 2010. See also “Kan Picks Key Execs, Appeases Ozawa”, *Asahi Shimbun*, 8 June 2010.

- 4.4 Moreover, Ozawa was the wily campaign strategist behind the DPJ's success in the 2009 Lower House Election. It is unclear whether Ozawa will play a key role in the July 2010 Upper House Election now that Kan is the new DPJ president. Even if Ozawa does not, he remains the bigwig in the DPJ.
- 4.5 Indeed, many of the DPJ candidates for the forthcoming election were personally handpicked by Ozawa and presumably loyal to him. It is not inconceivable that Ozawa's faction may grow in numbers after the Upper House Election and pose a greater problem to Kan.
- 4.6 To avoid public opprobrium, Kan cannot maintain a dual power structure with Ozawa which characterized the Hatoyama administration.¹⁶ When he stood for party president, Kan said: "I think Ozawa should stay quiet for the time being, and that would be good for himself, the DPJ and Japanese politics."¹⁷ He definitely wants a cleaner image in terms of money and politics for the DPJ.
- 4.7 However, Ozawa and his supporters have intimated that they may support their own candidate when Kan stands for election when his tenure as party president ends in September 2010. If the new Prime Minister were to perform poorly in the forthcoming Upper House Election, Ozawa's supporters will be emboldened to get rid of him.
- 4.8 In this worst scenario, Kan will last merely four months as Prime Minister if he were to lose in the election for the party's presidency.¹⁸ But this will surely damage the credibility of the DPJ as a responsible party among the Japanese public and the reputation of Japan abroad as a country led by weak and short-

¹⁶ See "Editorial: DPJ must Shed 'Dual Power' Structure", *Yomiuri Shimbun*, 5 June 2010. Even though Ozawa did not hold any formal governmental position, he was reputed to be the most powerful politician in the Hatoyama administration.

¹⁷ "Editorial: Kan must Revive Economy, Restore Alliance with the US", *Yomiuri Shimbun*, 6 June 2010.

¹⁸ Although the Japanese media has speculated that the Ozawa faction will mount a challenge to Kan when his tenure as DPJ president ends in September 2010, the author is not totally convinced that such a scenario will unfold. Since 1993, Ozawa's political mission has been the destruction of the LDP and its one-party dominance. To split the DPJ and allow the LDP to creep back to power seem to negate what Ozawa has been trying to achieve for so long. Whatever its shortcomings the DPJ must become a functional political party necessary for Japan's political stability.

lived leaders who cannot build long term relationships and understanding with their international counterparts.

Kan's Electoral Challenge: July 2010 Upper House Election

- 5.1 Kan and his ruling coalition must avoid an electoral defeat in the forthcoming Upper House Election which will lead to policy gridlock in Japan. Such an electoral setback and a split parliament between both Houses controlled by different parties will most probably lead to a short tenure as Prime Minister for Kan.
- 5.2 After then Prime Minister Abe Shinzo lost the 2007 Upper House Election, Japan suffered from a split parliament with the Upper House controlled by the DPJ and the Lower House by the LDP. Until the DPJ captured the Lower House in August 2009, Japan suffered from two years of political gridlock. Given the mounting economic and demographic problems faced by Japan against the backdrop of a rising China, another round of policy gridlock will be disastrous for the country.
- 5.3 The ruling coalition's majority in the Upper House is precariously reduced to only one after its junior partner, the Social Democratic Party, quit after Hatoyama's broken promise over Futenma.¹⁹ However, it is conceivable that Kan can forge a new and stable ruling coalition with the Mina no To (Your Party) or the Komeito (Clean Government Party) after the Upper House Election by offering ministerial positions to these potential allies.²⁰

¹⁹ The DPJ is still hoping that the SDP will cooperate with the ruling coalition "from outside" in passing legislation through the Upper House. The DPJ Upper House caucus leader Koshiishi Azuma said that the Upper House is now in "a situation where a bill passes or fails to pass by a margin of one vote" and that is why he wanted the SDP to cooperate. See "DPJ Commits to 60 Seat Target for Upper House Election" in *Japan Times*, 7 June 2010.

²⁰ Your Party has only six members of parliament — five in the Lower House and one in the Upper House. However, the party has gained prominence recently because it was ranked third in recent voter preference polls behind the ruling DPJ and the main opposition LDP. It may well gain more seats in the proportional representation component of the forthcoming Upper House election. See "Your Party wants to become 'gatekeeper'" in *Yomiuri Shimbun*, 4 June 2010.

- 5.4 Of the 242 Upper House seats, the DPJ and its remaining junior partner, the People's New Party (*Kokumin Shinto*) hold a combined majority of only 122 seats. Half (121) of the Upper House seats are due for elections every three years. The DPJ which gained 62 seats in the 2007 Upper House Election will have to win more than 60 seats to obtain a single-party majority. But this target appears difficult to meet because public support for the DPJ has plunged.
- 5.5 Fortunately for Kan, the former ruling LDP is utterly ineffectual and dispirited as an opposition party; it is unable to reform and transform itself, and seems to be in disarray. It is a party used to be perennially in power with access to public spending and pork barrel politics but appears clueless as to how to act as a good opposition party. Moreover, the LDP has suffered from many defections by some of its most prominent leaders who went on to establish new conservative parties.²¹
- 5.6 Indeed, the LDP has failed to benefit from the DPJ's rising unpopularity. It is also not inconceivable that the proliferation of breakaway parties from the LDP may hurt the LDP more than the DPJ in the forthcoming Upper House Election by further fragmenting the conservative votes.
- 5.7 It remains to be seen whether the DPJ dares to include a proposal to hike the consumption tax in its manifesto for the July Upper House election.²² Interestingly, its LDP opponent has proposed a hike to the consumption tax in its manifesto for the same election to appear as a responsible party.²³
- 5.8 But it is difficult to raise the consumption tax significantly without being punished by voters in future local and national elections to pay for expensive

²¹ The most prominent defectors from the LDP who have established new conservative parties are former Minister of Health Masuzoe Yoichi (the New Reform Party: *Shinto Kaikaku*), former Minister of Administrative Reform Watanabe Yoshimi (My Party: *Minna no To*) and former Finance Minister Yosano Kaoru (Sunrise Party of Japan: *Tachiagare Nippon*).

²² The DPJ's new manifesto may include something innocuous like a willingness "to consider" raising the consumption tax but may well pursue it seriously after the July 2010 Upper House election.

²³ "LDP Poll Pledge: 10 percent Sales Tax", *Japan Times*, 4 June 2010.

welfare programs promised by the DPJ. The centerpiece of its 2009 Lower House election manifesto is a monthly allowance of 26,000 yen for each child or a total spending of around 5.4 trillion yen in fiscal 2011.

- 5.9 Earlier, to fulfill an electoral promise made in the August 2009 Lower House Election, the Hatoyama administration had committed itself to disburse half of the amount envisaged, a monthly 13,000 yen allowance for each child 15 years old or younger, at a total cost of 2.255 trillion yen.²⁴ There are serious doubts whether Japan can afford to disburse such amount for child rearing without a hike to the consumption tax due to severe financial constraints.²⁵ While such welfare spending was meant to win votes for the DPJ, it was also offered as an incentive for married women to produce more babies to mitigate Japan's demographic decline.

Kan's Long and Arduous Road Ahead

- 6.1 Even if Kan survives the electoral test in the July Upper House election and the anticipated challenge from the Ozawa faction when his tenure as DPJ president ends in September 2010, he has unenviable tasks ahead of him which appear too big for any Japanese politician to chew. These include reviving Japan's stagnant economy, and arresting the decline in Japan's demography and the resultant ageing problem.
- 6.2 More doable perhaps is for Kan to improve relations between the ruling DPJ and the bureaucrats. Earlier, the DPJ came to power on a populist anti-bureaucratic platform and insisted that politicians decide and bureaucrats implement.²⁶ Increasingly, the DPJ realizes that cooperation with bureaucrats (who have technocratic abilities) is necessary to implement their programs.

²⁴ See "Editorial: Use Child-Rearing Funds Wisely", *Japan Times*, 1 June 2010.

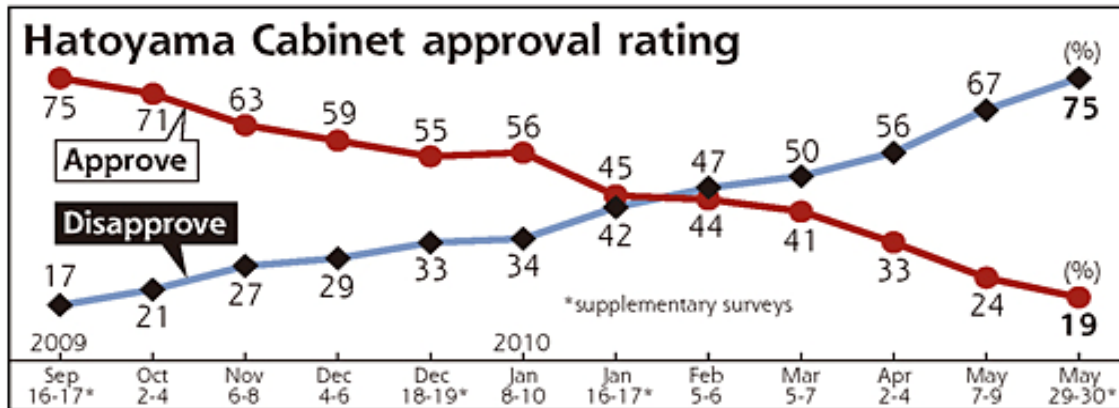
²⁵ According to the press, a DPJ committee working on the party's manifesto for the July 2010 Upper House Election has proposed that the DPJ give up the proposal of paying the full amount it promised in monthly child rearing allowances. There is simply not enough money in Japan's coffers for such a scheme. See "DPJ draft: Abandon Full Child Allowances", *Yomiuri Shimbun*, 12 May 2010.

²⁶ In recent months, the DPJ has toned down its "anti-bureaucratism" stance quite significantly. The main problem now is *amakudari* (literally "descent from heaven") or the institutionalized practice

- 6.3 Also doable but tricky is the earlier mentioned issue of raising consumption tax which is unpopular among the public but inevitable given the parlous condition of Japan's public debt.
- 6.4 The foreign policy challenge for Prime Minister Kan and his successors is a perennial one: how to balance good but less than equal relations with its US superpower ally and a rising China. The Kan administration must also repair its relations with the Obama administration and its image with the US media after the Futenma fiasco. Conceivably, Japan can opt for an upper middle power status like France, Germany and Britain by forgoing geopolitical competition with China for great power status in East Asia, and concentrate on domestic reforms.

for retired senior bureaucrats to secure cushy jobs in the public and private sectors for themselves. In other words, the DPJ's problem is not with the still active bureaucrats. Kan has benefited considerably by working with bureaucrats at the powerful Ministry of Finance.

Appendix One



Source: *Yomiuri Shimbun*, 1 June 2010.