JAPAN'S POLITICS IN 2011: UNDER THE SHADOW OF THE TRIPLE DISASTERS

LAM Peng Er

EAI Background Brief No. 688

Date of Publication: 13 January 2012

Executive Summary

1. In March 2011, Japan suffered its worst postwar crisis when a magnitude 9 earthquake triggered a massive tsunami which devastated northeast Japan, and a nuclear melt-down of a power plant in Fukushima.

2. Japan's GDP is expected to grow at a real 2.2% in fiscal 2012 from this April, up from an estimated -0.1% in fiscal 2011. Contributory factors to Japan's poor economic performance in 2011 included the March triple disasters, the Eurozone financial crisis and the yen's appreciation.

3. The triple disasters exposed the poor crisis management of then Prime Minister Kan Naoto and the ruling Democratic Party of Japan (DPJ). Kan quit as Prime Minister in August 2011 after failing to galvanize the nation in the wake of a national catastrophe.

4. The rise of 52-year-old Noda Yoshihiko as Prime Minister signals the changing of the guard in Japan. However, given that Japanese prime ministers held office for only one to three years in the past two decades, there is no certainty that Noda (even if he were to perform better than his two DPJ predecessors) will last beyond 2012 as Prime Minister.

5. A factionalized DPJ and a split parliament (with the Lower and Upper Houses in the hands of different parties) make governance difficult despite the critical need for strong leadership after the March triple disasters.

6. A consequence of voter discontent with the two major national parties (the ruling DPJ and the opposition Liberal Democratic Party) is the rise of regional parties in the Osaka and Nagoya regions possibly leading to a major political realignment in Japan.

7. In November 2011, Hashimoto Toru (leader of *Osaka Ishin no Kai* [Osaka Restoration Party]) won the mayoral race of Osaka city while his party's secretary general Koshiishi Azuma won the Osaka governor's election.

8. To boost the economy, Prime Minister Noda Yoshihiko may propose the doubling of the consumption tax in stages from five to ten percent by 2015 but a tax hike will be unpopular with the electorate.

9. On the external front, Chinese Premier Wen Jiaobao visited tsunami-struck Fukushima as a gesture of goodwill and support to Japan a month after March 11. But bilateral relations remain ambivalent even though China is Japan's most important trading partner with total trade valued at US$301.9 billion in 2010.

10. Tokyo's *2011 Diplomatic Bluebook* noted: "While China, which is realizing rapid economic growth, is stressing peaceful development and coming to play an important role in the world and the region, the increase in its military strength, which lacks transparency, and its more active maritime activities are of concern to the region and the international community".

11. Nevertheless, Prime Minister Noda and Premier Wen agreed in December 2011 to step up cooperation in international finance with Japan purchasing Chinese government bonds and both to increasingly use their own currencies (instead of the US dollar) when settling bilateral trades.