

JAPANESE POLITICS 2012: RETURN OF THE RIGHT?

LAM Peng Er

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Executive Summary

1. In August 2012, Japanese Prime Minister Noda Yoshihiko successfully raised consumption tax despite considerable opposition within his Democratic Party of Japan (DPJ).
2. To secure the consent of the main opposition Liberal Democratic Party (LDP) for his tax hike, Noda promised to dissolve the Lower House for an early general election.
3. The defections of many DPJ MPs over the unpopular consumption tax contributed to the comprehensive defeat of the DPJ at the polls in December 2012. The LDP's landslide victory paved the way for nationalist Abe Shinzo to become prime minister again.
4. In the short run, Abe is unlikely to pursue any radical changes to avoid alienating the electorate before the July 2013 Upper House Election and the New Komeito, the pacifist junior partner of the LDP.
5. Japan's lean to the right was also marked by the rise of the Nippon Ishin no Kai (Japan Restoration Party: JRP) jointly led by former Tokyo Governor Ishihara Shintaro and Osaka Mayor Hashimoto Toru. Its debut at the 2012 Lower House Election almost eclipsed the DPJ as the number two party.
6. Prime Minister Abe may turn out to be a "pragmatic hawk". Abe backtracked on his earlier proposal to send public servants to the disputed Senkaku (Diaoyu) islands to bolster Tokyo's jurisdiction after the 2012 polls.
7. The Abe administration is likely to boost spending for the Self Defense Force and the Japan Coast Guard and to push Japan to engage in collective security — a role welcomed by its US ally.

8. Rising wages in China coupled with anti-Japanese demonstrations in 2012 have accelerated the “China Plus One” strategy of some Japanese companies which are investing more in emerging markets such as Vietnam, Indonesia and Myanmar besides China.
9. Japan’s rapid demographic decline and aging remain a thorny issue. No political parties have been able to offer any practical solution. There was a net drop of 212,000 in the country’s population in 2012.
10. These demographic trends, if left unchecked, will have grave implications for its pension system and Japan remaining a manufacturing powerhouse and a great economic power. Perhaps the greatest threat to Japan is its inability to address its demographic and aging problems rather than quarrelsome neighbors over territorial disputes.