

**KISHIDA ADMINISTRATION 2022-2023:
COPING WITH CHALLENGES
AT HOME AND ABROAD**

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Executive Summary

1. Prime Minister Kishida Fumio's pick of Ueda Kazuo as the Bank of Japan's new governor may lead to a gradual shift away from Abenomics and ultra-loose monetary policy. Apparently, many members of the Abe faction (the most powerful faction within the ruling Liberal Democratic Party [LDP]) oppose any major change to Abenomics.
2. To balance the Abe faction, Kishida (leader of the fifth largest faction) sought support from LDP Secretary-General Motegi Toshimitsu and LDP Vice President Aso Taro, leaders of the second and third largest LDP factions, respectively.
3. According to public opinion polls, the popularity rating of the Kishida administration dipped to a record low of 22.9% in December 2022, even though it rebounded by early 2023.
4. Many Japanese were upset by Kishida's decision to hold a controversial state funeral for former Prime Minister Abe Shinzo following his assassination due to his links to the Unification Church. That at least half of the LDP members of parliament have murky ties with the said Church (for organisational, financial and electoral support) also angered the public.
5. Prime Minister Kishida's focus is on first, the sharp demographic and rapid ageing of the country. Second, the deteriorating security environment in the region due to North Korea's ballistic missile tests and Chinese challenges to Japanese sovereignty over the disputed Senkaku (Diaoyutai) Islands and alarming Chinese military exercises against Taiwan.
6. The Kishida administration is planning to hike its defence spending to an unprecedented 2% of gross domestic product (GDP) within five years. Hitherto, around 1% of GDP was the post-war norm for the defence budget. The administration will also consider pre-emptive strike measures against imminent threats to Japan from abroad.

7. Japanese defence policy will cross the Rubicon if these two policies are implemented. Japan is gradually shifting away from its post-war pacifism mandated by Article 9 (the no-war clause of its constitution) to become a “normal” state which may resort to military means to defend its interests.
8. However, the strengthening of the Japanese military will be done within the robust framework of the US-Japan alliance. Presumably, a more muscular Japan will be welcomed by its US superpower ally but viewed with greater suspicion by China.
9. Kishida seeks to double the government’s childcare budget from the current 2% of the GDP, which is, however, unlikely to reverse the country’s inexorable demographic decline because better educated Japanese women are either marrying later, choosing to have fewer children or not marry at all.
10. Social and cultural norms of mainstream Japan are not to have children out of wedlock. Japan’s total fertility rate stands at 1.3 in a woman’s lifetime—far below the 2.1 needed for a stable replacement of the population.