

**ASIA TODAY**



# JAPANESE AND KOREAN POLITICS

**Alone and Apart from Each Other**

Edited by  
**Takashi Inoguchi**



## ASIA TODAY

Before 1820, Asia generated more than half of the world's gross domestic product. Since then, the region underwent a period of decay and decline. Today, Asia is in the midst of a great transformation, and it is estimated that by 2035, it will be responsible for more than one-half of the world's gross domestic product. Propelled by three decades of rapid economic growth, momentous political transitions, and intensified regional integration, Asia is no longer simply a fast-expanding and evolving region; it is increasingly the geopolitical epicenter for the global system itself. The goal of this series is to offer readers a front-row seat to view and better understand this kaleidoscope of regional change in all its dazzling dynamism and diversity. Who would have thought in 1978, when Deng Xiaoping came to power in Beijing, that China would soon begin a generation of double-digit economic growth? Who could have foreseen that Asia would become the region where the world's richest countries, Singapore and Brunei, would live shoulder-to-shoulder with the world's poorest, Afghanistan and Laos? The Asia Today series is designed to respond to the growing demand for sustained research and deep knowledge of contemporary Asia. It covers the full expanse of this vast region—from China to India, Japan to Pakistan, Kazakhstan to Turkey, Mongolia to Israel, Iraq to Indonesia. The series editors, Takashi Inoguchi and G. John Ikenberry, aided by a 44-member advisory board, are dedicated to identifying fresh and penetrating studies of Asia by the region's foremost experts.

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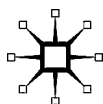
# Japanese and Korean Politics

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*Takashi Inoguchi*

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JAPANESE AND KOREAN POLITICS

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## Preface and Acknowledgments

Take any one pair of neighboring countries in the world. You find that some pairs are vehemently unfriendly to each other. Japan and South Korea are one of such pairs. The latest joint survey of the *Yomiuri Shinbun* and the *Hanguk Ilbo* reports that in 2014 both Japanese and Korean respondents have registered the worst scores toward each other about the bilateral relations: 87 percent in Japan and 86 percent in South Korea regard the bilateral relations as bad. For the question, Can You Trust Korea (or Japan)?: 73 percent in Japan cannot trust Korea, and 83 percent in Korea cannot trust Japan (Yomiuri, 2014). It is not that there is no interactions among both peoples and no transactions of goods and services take place. As a matter of fact, considering interdependence between two countries, and further among Japan, South Korea and China rank very high in economic, financial, and technological terms. East Asia comprising these countries has been one of the most highly interconnected economic zones for the last two decades. Also it is not that a war may start at any time triggered by some unfortunate correlation of forces evolving in both countries and their environments. Of late, the East and South China Sea have been sources of violent disputes among China, the Philippines, Vietnam, Japan, and the United States for instance. Also, the Korean Peninsula has registered North Korea's nuclear weapons development and skirmishes between North and South. Japan and South Korea have so much in common in terms of basic tenets of rule of law, freedom of expression, human rights, democracy, and market economy. Yet they are not enough to keep friendship among nations. This volume with Japanese and South Korean academics working together examines their domestic politics and foreign policy closely to help understand how this unfriendly relationship has come about.

I am grateful to the Japan-Korea Cultural Foundation and the University of Niigata Prefecture for their grants to enable us to carry

out this academic endeavor. At a time when things are not going well at the governmental level, it is our hope that academic and cultural interactions among academics often will go a long way in terms of improving the level of mutual understanding. Both the Japanese team and the Korean team distinguish themselves in one respect. Both teams as a team are capable of analyzing and discussing domestic politics and foreign policy of the two countries! In fact, the Japanese team has Korean-speaking members larger than Japanese-only members in number, whereas the Korean team has Japanese-speaking members larger than Korean-only members in number. I express my utmost gratitude to them and to those Japanese and Korean participants. Also I am grateful to the staffs of the University of Niigata Prefecture for their meticulous work of holding the conference, getting draft papers revised, and helping me to finish the editor's work: Chizuru Morita, Eri Kimura, Tomomi Okano, Fumie Shiraishi. I cannot fail to register my sincere gratitude to Dr. Farideh Koohi Kamali, former General Academic Editor (now Global Outreach Editor) at Palgrave Macmillan (New York), who established its "Asia Today" series with coeditors G. John Ikenberry of Princeton University and myself. In this book Japanese and Korean names follow the order of their practice of putting a family name first followed by a given name throughout, but not including the editor's and contributors' names.

TAKASHI INOBUCHI IN TOKYO

# Introduction: Are Japan and Korea Alone and Apart from Each Other?

*Takashi Inoguchi*

The aim of this volume is to examine the domestic politics and foreign policy of two countries that look alone and are apart from each other. The picture of the trilateral meeting among President Barack Obama of the United States, Prime Minister Abe Shinzo of Japan, and President Park Geun-hye of the Republic of Korea, which took place at The Hague in April 2014, vividly exposed Japan and South Korea as being alone and apart from each other even when they are geographically close. Obama was sandwiched by Abe and Park. Prodded, both Abe and Park spoke. Abe started in Korean, looking at Park. Abe's Korean is elementary, but he apparently wanted to ease the tension derived from the long nonmeeting of the two leaders by speaking in the other's language. Park did not look at him. Instead, she apparently remained intent on listening to the translation. Although Abe's Korean was neither intolerable nor incomprehensible, she apparently wanted to avoid something. The two leaders were alone and apart from each other.

Just as Abe and Park were alone and apart from each other, are Japan and South Korea geographically close but separate in their mindsets? In this introduction, I provide some background to the bilateral relations, which is often at odds with each other. Most visible is the similar background of Abe and Park. They are similar in the sense that both are descendants of either a prime minister or president. However, it is their differences that are much more important. Abe wants to inherit his grandfather's unfinished task whereas Park wants to depart from her father's policy line.

Kishi Nobusuke, Abe's maternal grandfather, climbed the ladder of Japanese central bureaucracy and exerted influence in running the Manchukuo, which Japan annexed. Also, Kishi was influential in mobilizing resources and soldiers for World War II and occupied ministerial positions in 1943–1944. He exerted his utmost influence in toppling Prime Minister Tojo Hideki's Cabinet in 1944, opposing Tojo's war policy. In 1945 he was sentenced as a Class A war criminal and served three and half years in jail. After jail in 1948, Kishi climbed the ladder of the newly established political parties, the Democratic Party and after its merger with the Liberal Party in 1955, the Liberal Democratic Party (LDP). In 1958, he became prime minister and was intent on executing revisions of the Japan-U.S. security treaty. After ratifying the revisions in the National Diet, he resigned as prime minister. Kishi's unfinished task was constitutional revisions. Abe wants to complete Kishi's unfinished task of constitutional revision. Abe was prime minister in 2006 for one year. He resigned disgraced, giving health reasons. For the next six years the LDP was out of power. The Democratic Party of Japan held power from 2009 until December 2012 when Abe returned to power for a second time. Abe's resolve to carry out his grandfather's unfinished task had intensified by 2012.

Park Geun-hye's father, Park Chung-hee, graduated from the Changchun Military Academy of the Manchukuo Imperial Army in 1942 and continued his studies in the Imperial Japanese Army Academy, from which he graduated third in the class of 1944. With his Japanese name, Takagi Masao was commissioned as a lieutenant in the Japanese Kwantung Army in 1944–1945. He enrolled and graduated from the Korean Military Academy after World War II. Subsequently, he became an officer in the constabulary army under the United States Army Military Government in South Korea. However, President Syngman Rhee arrested Park Chung-hee on charges that he had led a communist cell in the Korean constabulary. A military court sentenced him to death. Syngman Rhee commuted Park's sentence on the advice of high-ranking military officers. In 1953 after the Armistice Agreement, Park Chung-hee spent six months training at Fort Sill in the United States. His Korean military career advanced and he became a major general in 1958. In 1960, student protests led to the overthrow of Syngman Rhee. A new democratic government under President Yun Bo-seon and Prime Minister Chang Myon was installed. The economy deteriorated, chaos ensued. Park Chung-hee successfully led a military coup d'état in 1961. Park Chung-hee was

elected president in 1963. Park Chung-hee's policy line was authoritarian. He focused on a solid alliance with the United States with the United States taking supreme command vis-à-vis North Korea, a close economic relationship with Japan with financial and technological flows made easier by the conclusion of the Basic Treaty between Japan and the Republic of Korea, and chaebol manufacturing focused economic development. Park Geun-hye wants to carry out what her father disregarded. Her rival President Lee Myung-bak carried out a policy line of high-economic growth in an era of globalization. Park Geun-hye opposed, in every respect, President Lee from within the same governing party. Park Geun-hye won the presidential contest for the Saenuri Party. She won the presidential election over Moon Jae-in, the presidential candidate of the Democratic Party.

Abe and Park being alone and apart, even when they are geographically close, has been explained by examining, albeit briefly, their grandfather's and father's backgrounds. Needless to say, that is not the only major explanatory variable in understanding the "alone and apart together" relationship between Japan and South Korea. This is the task of the ensuing chapters.

What we see from both Japanese and Korean politics is the common resolve of both leaders to transform their internal politics: Japan seeks to depart from deflationary economics and politics to a period of rejuvenation, and Korea seeks to depart from developmental economics and politics to a more equitable society. Both Abe and Park want to be transformational at least based on their political platforms presented at the Japanese LDP presidential election and the Korean presidential election. The structural impetus of their resolve seems to stem from the depressive profiles of the stagnant economies.

Concomitant to their will to make a radical departure from the stagnant past and the unequitable past respectively, Abe and Park have chosen different foreign policy lines from each other. Abe has chosen a foreign policy line of defense consolidation and deterrence assurance from the United States, reinforced by vigorous diplomacy with the rise of China in mind. Park has chosen a foreign policy line of moving closer to China while maintaining US command of the US-ROK forces (not transferring it to the ROK in 2015 as once agreed). Park wants to see North Korea reunified somehow with South Korea. Meanwhile, the rift between Japan and China deepened from 2012 through 2014. The distance between Japan and Korea widened from 2012 through 2014 to the point of Obama trying to mediate reconciliation with Abe and Park in The Hague to little avail.

The chapters in this volume can be segmented into three parts: Part I (Chapters 1–4) examining Japanese politics; Part II (Chapters 5–8) Korean Politics; and Part III (Chapters 9–11) Foreign Policy of Japan and Korea.

Chapter 1 by Takashi Inoguchi provides the basic features of Abe Shinzo's Administration: Abenomics and Abegeopolitics. At home, Abe Shinzo wants to see the disappearance of deflation by transforming the shrunken mind-set prevailing after the collapse of the bubble in 1991, and that was further reinforced by the Asian financial crisis of 1997 and the Great American bubble collapse of 2008. Borrowing insights from the Nobel Prize Laureate Robert Schiller of Yale University, Abenomics is the quantitative easing of money that the Tokyo government initiated in March 2014. By doing so, Abe wants to trigger the rejuvenation of the Japanese economy. Abroad, Abe wants to achieve what is called Abegeopolitics, that is, to activate "pro-active pacifism" and carry out vigorous diplomacy around the globe by visiting 30-odd countries in one year. Having witnessed the steady rise of China to the point of overwhelming neighbors and beyond, Abe wants to see a strong Japan in terms of defense and deterrence, achieved by both alliance consolidation and constitutional revision that eases the constitutional ban of waging wars for the settlement of international disputes.

Chapter 2 by Yutaka Harada analyzes Japanese economic policy and points to the core difficulty of an expansionary monetary policy. That is, as an independent organization, the Bank of Japan's self-assigned mission was to protect and take care of those banks and financial institutions that purchased an enormous amount of the national bonds from the Bank of Japan. Not wanting them to fail, the Bank of Japan wanted to ensure that interest rates do not rise because that would negatively affect the fortune of all the banks who have shouldered interests associated with national bonds. In other words, the advent of Abenomics indicates the declining power of intermediate organizations sitting between the state and citizens.

Abe Shinzo triumphantly said to the press that Abe had returned. Chapter 3 by Cheol Hee Park asks if the dominance of the Liberal Democratic Party will return. With the results of the upper house election in July 2013, Cheol Hee Park gives a provisional answer to the question. He wonders whether the New Komei party, a junior coalition partner, albeit indispensable to bill legislation, may play a role in constraining Abe's policy of defense buildup and alliance coalition.

Chapter 4 by Seung-won Suh examines the impact of Japanese domestic realignments on bilateral relations between Japan and South Korea. Japanese realignments that took place in 2009 and in 2012 were very dramatic, and it must have had some reverberations in Korean politics. More specifically, Seung-won Suh asks why the Democratic Party of Japan failed to improve bilateral relations with South Korea.

Chapter 5 by Won-Taek Kang examines the 2012 presidential election in South Korea and analyzes changing party politics. The picture he portrays is that although the contestation was very tight between two major presidential candidates, the conservatives rallied solidly whereas the liberals and the Left were in disarray. How electoral politics will unfold is a question Won-Taek Kang answers.

Chapter 6 by Jongryn Mo asks the question, Whither will South Korea go? He lists three political-economic alternatives, the developmental state, the neoliberal market-oriented state, and the advanced social welfare state. Deeply dependent on the rest of the world in terms of food and energy supply and in terms of market for South Korean products, South Korea seems to continue to operate as a developmental state. The dramatic rise of China as the number one trading partner of South Korea, replacing the United States and Japan, may be also a factor in the continuation of the developmental state. Yet South Korea needs to accommodate a fairly large number of immigrants given the dangerously low birth rate of Koreans and the proclivity of higher income South Koreans to migrate to the United States.

Chapter 7 by Satoru Miyamoto examines President Park's policy toward North Korea. It is deeply part of domestic policy and politics. Yet North Korea's existence makes South Korea deeply and dangerously entangled with great power politics. Satoru Miyamoto's argument is that South Korean policy toward North Korea is driven by domestic politics.

Chapter 8 by Yuki Asaba examines South Korean presidential electoral politics as if it were a four-person game. It is not just a contest between the governing and opposition parties. Presidential aspirants must compete with three rivals of number one and number two candidates of the governing and opposition parties. From the perspective of those who support a candidate in a presidential campaign, spoils and perks should be obtained as early as possible. As the presidential term is constitutionally set for a five-year term, not to be renewed, the first half is spent pleasing supporters and the second half of the term is spent implementing policies the president supports. His supporters



have left him alone while they search for a next presidential-hopeful. Yuki Asaba examines the political dynamics of Korea in a bicameral setting today and the near-chaotic period of 1960–1961.

Chapter 9 by Kazuhiko Togo examines Japanese foreign policy as it unfolds under Abe Shinzo's leadership. He focuses on the history issue as it is an intriguing matter for Japan and as it ties South Korea and China and Japan with the United States. A set of relationships originates from World War II.

Chapter 10 by Chung-in Moon and Seung-Chan Boo examines Korean foreign policy as it unfolds under Park Geun-hye's leadership. South Korea is torn between the United States as its ally and China as the largest partner in trade and investment. Park Geun-hye is deterred from moving closer to Japan because she is the daughter of Park Chung-hee, a military dictator in the 1960s and 1970s. Being close to both the United States and China when both powers are heading toward cool-war-like confrontation requires first-rate diplomacy.

Chapter 11 by Takashi Inoguchi compares the calculi of three leaders, Abe Shinzo, Kim Jong-un, and Park Geun-hye in the board political-economic setting of global monetary flows surrounding Japan and the Korean Peninsula.

Introduced by the metaphorical meeting between Abe Shinzo and Park Geun-hye at The Hague in April 2014, highlighting the "Alone and Apart from Each Other" feature of the bilateral relations even when in a face-to-face meeting, the volume examines the incredibly complex and ineluctable relationship between Japan and South Korea. In the course of examining both domestic politics and foreign policy of Japan and South Korea through these 11 chapters, you will recall the "Alone and Apart from Each Other" feature and the reason that causes this feature to be saliently manifested.

# Japanese Politics

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## Abenomics and Abegeopolitics\*

*Takashi Inoguchi*

### Abe Has Come Back

On December 26, 2012, a general election took place in Japan. The outcomes were astounding. As Takashi Inoguchi<sup>1</sup> describes in his year-end article for 2012, the voters “swing, and then swing away soon.” It was in 2005 that the Liberal Democratic Party (LDP), then the major governing party, won a dramatic electoral victory. During the couple of months in 2005 after Prime Minister Koizumi Junichiro’s triumphant victory and the couple of months in 2006 before his resignation from the prime ministership and politics, he held a garden party in Shinjuku Gyoen in Tokyo where his keynote speech reiterated a poem of Hosokawa Galasha, a sixteenth-century Christian wife of a feudal lord. She was besieged by her husband’s rivals in his absence and committed suicide after composing and singing a poem<sup>2</sup>:

Like the sakura (cherry blossom), which knows when to bloom and when to fall, men become men only when they know when they should put an end to their life.

Koizumi’s resignation was because the LDP prohibits three consecutive terms of two years for its president. His determination looked like Galasha’s. A year and half after Koizumi’s disappearance, the LDP, though in power, was dealt a severe electoral blow in the upper-house election in 2007. It lost an upper-house majority and subsequently encountered difficult times. Another year and half later the party lost

the general election, dropping its majority in the lower house and out of power. Voters swing, then they swing away soon.

In 2009, the Democratic Party of Japan (DPJ) captured power in an overwhelming number of seats. It remained in power for the following three years. The irony of its end in power is that Prime Minister Noda Yoshihiko called a general election during a fierce debate in the National Diet with the opposition leader Tanigaki Sadakazu. Noda's popularity hit its nadir, and no one expected his call for a general election: defeat for the ruling party loomed crystal clear. But Noda called the election as if knowingly committing political suicide. The LDP won an overwhelming majority in the lower house. Abe Shinzo won an LDP presidency contest against rivals in December 2012 and Prime Minister Abe was reborn.

When Noda early in December 2012 called for a general election, Japan's stock price index began to soar. The country's two-decade-long recession, aggravated by the great earthquake of March 11, 2011, lingered tenaciously. But once a leadership change was imminent, it was natural for the Nikkei index to rise. Abe's key message was: I have come back to rejuvenate Japan, with two key agendas: (1) to reactivate the long-stagnated economy and (2) to restore national pride and strength. His medicine for economic reactivation was referred to as "Abenomics." His medicine for national spiritual restoration might be called "Abegeopolitics."

## Abenomics

The key to Abenomics is quantitative and qualitative easing of money (QEM). Operationally the Bank of Japan, which saw a leadership change in March 2013, immediately started to swiftly and massively purchase government bonds. Abenomics assumed that QEM would help the market depart from chronicle deflation and mild austerity for a long period of time. The large bubble triggered by the Plaza Accord of 1985 collapsed in 1991. Since then, the long recession continued as the Heisei bubble (1985–1991) expanded so much that its collapse dug deep and long. Domestic market demand for consumption and investment have been feeble at best since then. With feeble domestic market demand, the Bank of Japan's leadership group headed by Dr. Shirakawa Masaaki took the policy line of protecting commercial and other banks under the umbrella of the Bank of Japan by letting them purchase government bonds.<sup>3</sup>

The government accumulated deficits astronomically by successively failing to legislate consumption tax hikes. The deficits have been in large part made up for by government bonds purchases. When there are extremely large government deficits, fiscal policy does not work very well. When interest rates are long kept very low, as a matter of fact 0 percent for ordinary accounts, monetary policy does not do very much. The orthodox approach was an austerity policy with interest rates kept low and price stability kept assured. This policy line was adhered to basically from 1991 to 2012 except for a big diversion in 2001–2003, when QEM was done without notable success under Prime Minister Koizumi Junichiro and Cabinet Minister Takenaka Heizo. The Koizumi-Takenaka antiausterity policy was carried out without fanfare and far less dramatically than Abenomics carried out by the combination of Abe Shinzo and Kuroda Haruhiko, a new Bank of Japan governor. Since the latter's failure, the Bank of Japan has taken a low-key, mild austerity policy, keeping a very low-interest rate.

In between the failure of the antiausterity policy in 2001–2003 and the advent of Abenomics, the Lehman Brothers–triggered economic bubble collapse occurred globally in September 2008. US president Barack Obama has adopted a slightly more moderate antiausterity policy than Abenomics since his inauguration in 2009. Helped by the exploitation of shale gas and by the upward movement of wages in rapid-growth areas such as coastal China, US manufacturing by 2013 had apparently returned to compete with emerging economies. The capital made available by Abenomics has gone abroad and helped the United States recover from austerity, and the European Union (EU) minimally recover. In June 2013, the Nikkei price index soared and foreign currency exchange rates reached nearly their levels prior to September 2008. By August 7, 2013, when the National Diet ordinary session closed for the summer, Abenomics was graded as A-minus, with many unknowns expected to unfold.

## Abegeopolitics

Prime Minister Abe's other policy wing dealt with international relations. Let us call this wing Abegeopolitics. As with Abenomics, regarding Abe's reputation, many have said that Abegeopolitics have performed well thus far. Japanese public opinion supports resisting China's threatening actions around the Senkaku/Diaoyu Islands in

the East China Sea, as well as rejecting South Korean claims on the Takeshima/Dokdo Islands. Some apprehensions have been expressed. First, mobilizing patriotism and nationalism may not be the primary concern of the nation as a whole but of a fraction of the extreme Right. Former ambassador to China Niwa Uichiro is among them. He was referring to Prime Minister Noda's nationalization of the Senkaku/Diaoyu Islands in response to metropolitan Governor Ishihara Shintaro's plan to purchase them. Abegeopolitics has followed the Noda line as far as the Senkakus are concerned.

Second, can Japan afford to accommodate the Chinese policy of making Japanese investment in China more difficult? Some business leaders quietly question Abegeopolitics' intense anti-Chinese and anti-Korean streaks. Third, inflaming patriotism might lead some to anti-Americanism, whether from the Right or the Left. Unconfirmed rumors say that Koizumi confidentially advised Abe not to push the United States to express its concern about the American red line on the Senkaku/Diaoyu issue. Fourth, some analysts abroad (e.g., Ian Bremmer<sup>4</sup>) comment that Abenomics itself is excellent when G7 economies have not been in good shape for some time, but that Abegeopolitics combined with Abeconomics may mean materializing Japan's political ambition beyond certain lines.

When Abe was named prime minister of Japan for the second time, he had a very clear picture of what he should do for his diplomacy as well as his economics. Indeed, 2012 was the year when all the major powers in East Asia experienced leadership change: Obama II for the United States, Abe II for Japan, Xi Jinping for China, and Park Geun-hye for South Korea. These followed in the wake of key developments in 2011: Kim Jong Un for North Korea and Ma Ying-jeou (re-elected) for Taiwan. In Abe's view, the planned order of Japanese summitry was first, the United States, then the Republic of Korea, and third, the People's Republic of China. But at the outset, Abe found the overall diplomatic environment was not particularly favorable to him. The scheduling of what he thought was the first meeting with President Barack Obama went awry. Instead Deputy Foreign Minister Kawai Chikao visited Washington, DC to no avail. Rumors persisted that Obama had some apprehensions about the tone of Abe's revisionist policy and that Abe did not trust Kawai because he was appointed under the DPJ Administration.

Second, Abe wanted to meet President Park. Before South Korea had replied to Japan's approach, Japanese Finance Minister Aso Taro visited the Yasukuni Shrine (where class A Japanese war criminals

as well as 2.5 million ordinary war dead are memorialized). This visit prompted Park to reply: “I do not want to meet someone who is not future-oriented but busy talking about a distorted history.”<sup>5</sup> In January 2014 at the World Economic Forum meeting in Davos, Abe listened from the front row to Park’s speech without any exchange between them, but he had a brief word with South Korean Foreign Minister Yun Byung-se, sitting in the same row.

Third, Abe sought to meet President Xi Jinping. China’s position on such a meeting was that both parties should first agree that the issue of territorial sovereignty of the Senkaku/Diaoyu Islands be suspended. Since Noda made clear in 2012 Japan’s position that the islands are not disputed but are Japanese sovereign territory, Abe has not been able to meet Xi. What will happen in the APEC Meeting to be held in Beijing in November 2014 remains to be seen.

From 2007 until the end of 2012, Abe pondered in his political wilderness, determining eventually to achieve what he could not in 2006–2007. His belief system had been revealed in his book, *Utukushii Kuni e* (Toward a Beautiful Country), published in 2004, in which he propounded a set of policy goals. First, Japan should be proud of itself, its landscape and culture, its human resources, its economic achievements, its peace-loving nature, its technological advancement. Hence Japan is a beautiful country. Second, Japan should be a fully fledged sovereign country and should not be humiliated by foreign countries. To defend its honor, its territory, and its properties, Japan should strengthen its Self-Defense Forces.

Third, to navigate in the jungle of nations, Japan should enhance its US ties. (Because this book does not go deeply into policy details in any sense of the word, one should not worry too much about the seeming contradiction between goals two and three). Since the US-Japan Security Treaty and its associated arrangements made following Japan’s defeat in World War Two, the basic contract is that Japan remain disarmed while the United States manages the vacuum. The United States subsequently modified its own strategy because of what was regarded as the intensification of the Cold War—democracy versus communism in Asia. Japan suddenly was given a supporting role. It should be armed to help the United States carry out its own hegemonic task in Asia. Most tangibly, Japan has supported the United States in its wars—Korea, Vietnam, and most recently, the wars in Iraq and Afghanistan as far as Japanese domestic politics and the US-drafted 1946 Japanese Constitution allow. The degree of self-defense force enhancement was not only constrained constitutionally



and politically but also financially. Retrospectively, the year 2008 was a benchmark in this regard: the global financial crisis erupted, indirectly paving the way to the fall of the LDP in 2009.

The period between 2008 and 2012, when Abe felt alone in the wilderness, was no less important in shaping Abe's cognitive map, or Abegeopolitics. Most importantly, the global environments surrounding Japanese diplomacy were changing fast. More structurally, the high degree of instability of Japanese domestic politics between 2006 and 2012 perturbed Abe. The period in relations with the United States was bookmarked by Obama's request to Japan under Prime Minister Fukuda Yasuo (2007–2008) to send its Self-Defense Forces to Afghanistan, Fukuda's refusal, and Obama's swift dispatch and engineering of rescue operations in the wake of the March 11, 2011, Great East Japan earthquake, tsunami, and nuclear disaster. However, Abe's reaction to these two events is not publicly known. Of China's policy, what looked to him like dramatic changes included the 2010 maritime disputes between Japan and China in which a Chinese trawler operating in disputed waters collided with Japanese Coast Guard's patrol boats near the Senkaku/Diaoyu islands, which resulted subsequently in the Japanese detention of the skipper and, through a major diplomatic dispute, the Japanese release of the detained Chinese crew members. In 2012, confronted by the imminent prospect of Tokyo Governor Ishihara Shintaro's purchase of three of the largest Senkaku/Diaoyu islands, Prime Minister Noda Yoshihiko nationalized the islands, causing China most vigorously to denounce Japan. What is disputed is the diplomatic conversations between Japan and China over the disputed islands, which is not formally registered with consensus of both sides. Watching these two incidents from afar, Abe Shinzo must have felt angry about what were extremely humiliating. Thereafter it appears that Abe reinforced his resolve to counterbalance China and his determination to enhance Japan's arms' buildup.

## Resounding Victory in the Upper House Election

With Abenomics and Abegeopolitics, Abe contested the upper-house election in July 2013 with a clarity of speech rarely found among Japanese politicians. A far-right wing party, *Nihon Ishin no kai* (Japan Restoration Party), lost miserably and will shrink to become a small, primarily Osaka-based regional party. Liberal and reformist, Your Party did retain its seats. But its influence on economic policy, deregulation, and trade liberalization remains to be seen. (In December

2013, dissenters from Your Party formed *Yui no To* (Yui Party).) Two single-issue parties, the People's Life First Party and the Green Party, were defeated completely.

Similarly, the Social Democratic Party of Japan was not able to garner even a single seat. It opposed the constitutional revision, nuclear power plants, and defense buildup. The Communist Party of Japan did remarkably well. It was against a consumption tax hike, social security budget cuts, nuclear power plants, defense buildup, and constitutional revision. It looks as if conservative and middle-of-the-road voters tilted en masse to the LDP, ignoring the DPJ and the People's Life First Party. One cannot fail to note that the electoral participation rate was very low. Nearly one-half of the voters both at home and abroad did not vote. It may be that many judged they would not need to vote LDP when its victory was clear, and that although many were uncertain about some of Abe's policies, they found no real alternative to the LDP.

It was Abe's plan to generate a resounding victory on July 21, 2013, after taking power in late December 2012. Until the upper-house election, the LDP should focus on Abenomics, (i.e., on how Abenomics would bring economic benefits to the nation). People watched indicators every day, such as the Nikkei stock index, demand for job placement, consumption price index, and foreign exchange rates vis-à-vis US dollars, to suppress apprehension first and then with some satisfaction with tangible positive economic indicators. The annual economic growth rate forecasted by the OECD (Organization for Economic Cooperation and Development) registered some 2.8 percent; these and other indicators contributed to the LDP victory.

Currently for the Abe Administration, free from the need for a general election for the next three years, policy prioritizing is of the utmost importance. First priority is collective security, for which an important step has been taken. The Cabinet Legislation Bureau director-general used to be recruited from among the Bureau's senior bureaucrats familiar with legal and legislative matters. Prime Minister Abe apparently intervened here to appoint Ambassador Komatsu Ichiro from the Ministry of Foreign Affairs' International Law Bureau. Komatsu is known for his positive views of the concept of collective security. Abe's view of collective defense is that Japan counterattacks when the United States is attacked because Japan's is a close ally. This would be unconstitutional according to the Cabinet Bureau. Abe has been trying to change the constitution; if this proves fruitless, he hopes to change the Bureau's interpretation through Komatsu's appointment.

The goal is to stipulate a policy of scrapping Japan's ban on collective self-defense with a new basic defense program to be completed by the end of 2014. Aside from the US apprehension about and resistance to Abe's move, domestic politics makes it hard for him to act within the year. The Bureau has been continuously of the opinion that collective security is unconstitutional under the current Constitution of 1946. Abe's appointment of Komatsu is a clear step forward toward constitutional revision and collective security. Within the National Diet, the requirement for constitutional revision is at least a two-thirds' majority. For that purpose, the government coalition holds more than two-thirds of both the House of Representatives and of the House of Councilors. But the coalition partner, the New Komei Party, under the current leadership of Yamaguchi Natsuo, is against constitutional revision and collective security.

Second, Japan has been moving toward tougher safety standards for nuclear power plants in the wake of the Fukushima disaster. Most local governments with nuclear power plant sites have approved resuming operations, except for the Kashiwazaki-Kariwa nuclear power plant. The mayor of Kashiwazaki has approved this, but the governor of Niigata Prefecture has been vociferous in opposition without a full investigation of the circumstances of the Fukushima disaster. Since resumption must be approved locally, but not by prefectures, Tokyo Electric Power is likely to resume once it has the Abe Administration's nod. The dilemma is real; Tokyo Electric forecasts a substantial power shortage unless nuclear power production resumes at Kashiwazaki-Kariwa. The February 9 Tokyo metropolitan gubernatorial election chose Masuzoe Yoichi as a governor of Tokyo after Inose Naoki resigned for the corruption scandal. Abe wants Masuzoe Yoichi, former welfare minister to win, but Koizumi persuaded another former prime minister, Hosokawa Morihiro, to run with the idea of putting as a key agenda item the antinuclear power plant idea.

Third, a consumption tax hike is a high-priority issue that needs careful handling. Given Japan's accumulated government deficits, any policy that ignores the deficits risks a Greek tragedy—a government budget collapse. Hence the scheduled hike to 8 percent in April 2014 and to 10 percent in October 2015 seem to be viewed as necessary but not very comfortable policy. Arguments have been made to the effect that GNP growth is still too feeble for a tax hike and that it should be cancelled or carried out gradually, say, 1 percent a year until the consumption tax reaches 10 percent. Abe went ahead with the 8 percent tax hike in October 2013, to take effect in April 2014.

Fourth, social security is a critical issue inescapably linked to the consumption tax debate. When the DPJ was in power, it agreed with the opposition LDP and New Komei Party to tightly link social security and the tax hike. In a nutshell, it was argued that to save the social security system, the consumption tax should be used. Once the LDP retook power in December 2013, its thinking has been moving in the direction that social security expenditure should be curtailed as much as possible. A consumption tax hike would be seen as demonstrating that the Japanese government has the will to reduce the astronomically accumulated government deficits. How this tripartite agreement will be handled remains a moot question. After all, both the DPJ and the New Komei Party tout as a key slogan their support for the economically and socially weak members of Japanese society.

Fifth, deregulation and liberalization are perceived by the government as effective ways of achieving a higher economic growth rate. Yet it has been hard to break the rocks of regulation protecting vested interests, especially when the annual economic growth rate has ranged around 0 percent or 1 percent for the past two decades and when deepening globalization has crippled the global competitiveness of many Japanese businesses. One impetus comes from free trade negotiations. The World Trade Organization (WTO) has long stumbled in accelerating free trade, and bilateral free trade agreements (FTAs) have proliferated globally. Broader efforts to standardize them with a multilateral FTA have been gathering momentum: the Trans-Pacific Partnership (TPP, US-led, for Pacific countries); the Regional Comprehensive of Economic Partnership (RCEP, Japan-led, for East Asian and Pacific countries); and the Trans Atlantic Trade and Investment Partnership (US-led, for Atlantic countries), among many others that are competing with each other. Japan joined the TPP negotiations in 2013 and hopes that liberalizing demands from abroad will not drastically impact Japanese business sectors such as insurance, agricultural products, automobiles, and medical and pharmaceutical products.

Another impetus is to make science and technology one of the country's highest priorities. The Japanese government formulates incentives to increase new scientific discoveries and to invent new ways of creating products and organizations. It has decided to give a huge amount of money to some 22 universities, hoping to upgrade them to rankings among the top 100 universities in the world. As of now, only two universities, the University of Tokyo and Kyoto University, are ranked, twenty-seventh and fifty-fourth, respectively.<sup>6</sup>

Sixth, on the diplomatic front, Abe has been a record-making prime minister, visiting 30 countries in his first year. The figure is substantial, especially when one recalls the total of zero visits registered by his maternal granduncle, Prime Minister Sato Eisaku (in office 1964–1972), in his first year. In those days, domestic politics held the highest priority; next was maintaining stable Japanese-US relations. As if to make up for the void created by refusal of Park Geun-hye and Xi Jinping to meet him, Abe has made it a high priority to make friends afar when neighbors set up conditions for meeting. The Chinese condition is that both agree that the territorial sovereignty issue of Senkaku/Diaoyu Islands be set aside; the Korean requirement is that Seoul and Tokyo agree that they are future-oriented. Abe's frenetic visits to foreign countries are viewed by China as being a China-encirclement policy.

Japan is not like Britain, which boasted of containing the European continent under the hegemony of France with the deep fog over the English Channel. Japan led by Prime Minister Abe has been eager to make up for the 20-year long recessionary economy, for the three-year long Democratic Party-controlled diplomacy, and for the Fukushima nuclear disaster. At the same time, Japanese diplomacy led by Abe has been enhancing the focus on normative diplomacy. This is a phrase used by Zaki Laidi<sup>7</sup> in characterizing the EU's diplomacy as a normative power, a power that induces others to be persuaded to emulate a certain set of norms and to become normative allies of a sort. The EU's norms include freedom of expression, freedom of trade, freedom of movement, respect for human rights, democracy, open and free markets, and gender equality. Japan's normative diplomacy stresses the rule of law, free trade, free navigation of open seas, human dignity and rights (with emphasis placed on education, health, and social capital), and nonviolent resolution of disputes. Japanese normative diplomacy is based on its own experiences since 1945: achieving affluence from out of the ashes, achieving the record of no war-related deaths (civilian or combatant alike), and building a safe and decent society amid the rising tide of globalization.

Seventh, security situations globally and regionally have two mutually contradictory features. External war-related deaths have been on the steady decrease since 1945 and especially since 1989. If we focus on East Asia, war-related deaths since 1979 have been almost zero: Timo Kivimäki<sup>8</sup> calls this the East Asian long peace. In great contrast to this portrayal, the arms buildup has been most vigorous in East Asia. Globally since 1989, an arms build-down has been the

norm. To be more accurate, arms build-down means the increase of obsolete weapons, conventional and nuclear alike. In East Asia, an arms buildup is the norm, at least on the surface. But the East Asian buildup too contains the key feature of the global arms build-down: accumulating obsolete weapons. It is important to recognize that East Asia, an economic dynamo, can afford to accumulate obsolete weapons because of its room for slacks. Yet, one cannot forget that frontier weapons need staggering amounts of research and development expenditures before they can be deployed. It is not very clear whether the East Asian long peace is based on an accumulation of obsolete weapons or not. In other words, what may be called the paper tiger phenomenon (production and accumulation of obsolete weapons) might well serve to assuage the observing mind of insecurity about such weapons. Japan's defense budget as a proportion of gross domestic product was 0.96 percent in 2011 and has been below 1 percent for the period between 2000 and 2014. Only with the advent of Prime Minister Abe has the fiscal 2014 defense budget grown a bit. How to fathom this East Asian long peace in relation to the East Asian arms buildup needs closer scrutiny. With regard to Japan, Abe has given high priority to science and technology in budgeting the fiscal 2014 budget, with special priority to the life and medical sciences.

## Conclusion

Abe Shinzo was sworn in as prime minister in late December 2012 after the resounding victory of the LDP. The year 2013 was dominated by Abenomics, his scheme of transforming austerity into a vibrant Japan. But the year was no less dominated by Abegeopolitics, Abe's scheme of transformative diplomacy. By visiting 30 countries, he carried out his network diplomacy to induce unfriendly neighbors (China and Korea) to resolve disputes, to normalize bilateral relations, and to stabilize East Asia and the Pacific. As the year ended, Abe's success in Abenomics is best described as "so far, so good." This does not mean that Abe Shinzo will not face difficult issues ahead. Rather, issues no less difficult will keep him busy. After the success of Abenomics' first arrow (quantitative easing of the Bank of Japan's issuing of yen notes), how to weigh the pro-growth line versus the pro-fiscal health policy line comes up. After all Abe's dream haunts him whenever he attempts to move ahead incrementally with his project for of a beautiful country. His visit to the Yasukuni shrine in late December 2013 spurred greater negative repercussions and ramifications, especially abroad,

than he may have anticipated. After the success of Abegeopolitics' first arrow (not visiting China and Korea but visiting and networking with more than 30 other countries), the prime minister is preoccupied with how to induce those unfriendly neighbors to normalize relations and how to alleviate the concerns of Japan's most important ally. After the initial big success of Abe Shinzo, the year 2013 ends as Brechtian: suddenly one finds oneself surrounded by an even larger number of challenges, suggesting all windows are open.

## Notes

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## Expansionary Monetary Policy Revised\*

*Yutaka Harada*

### Introduction

On April 4, 2013, Kuroda Haruhiko, the newly appointed governor of the Bank of Japan (BOJ), decided during a meeting of the BOJ's Monetary Policy Committee to double the monetary base—which is the sum of cash in circulation, BOJ reserves, and money that BOJ can directly control—from 138 trillion yen at the end of 2012 to 200 trillion yen at the end of 2013 and to 270 trillion yen at the end of 2014 in order to realize a 2 percent inflation target. The governor noted that this will enable Japan to overcome 15 years of deflation.

The monetary base just before the 2008 Lehman shock was 88 trillion yen, so the BOJ's policy means that Japan's monetary base will increase three fold between 2008 and 2015. This is the monetary policy that the US Federal Reserve has pursued since the Lehman shock.

Why did the BOJ drastically change its monetary policy? The BOJ has the same staff, and six of the nine members of its Policy Board have remained unchanged. Nine members—six committee members, one governor, and two vice governors—decide Japan's monetary policy. Governor Kuroda is a former Ministry of Finance (MOF) official and Asia Development Bank governor who has been an outspoken critic of the BOJ's reluctant attitude toward monetary expansion—unusual for a former MOF official.

The new deputy governor, Iwata Kikuo, a Gakushūin University professor, has also been a prominent critic of the BOJ's deflationary



policy for over 20 years. The other new deputy governor, Nakaso Hiroshi, though, is a career BOJ official, and as such has been a longtime supporter of the BOJ's policy. The other six members of the Policy Board have also supported the BOJ's policies. This means that seven of the nine board members are supporters of BOJ's past policies, and only two are opponents. Governor Kuroda, however, was able to change the BOJ's policy in just one day, with all board members agreeing to the new drastic expansionary policy on April 4, 2013.

This somewhat puzzling phenomenon has a parallel in politics as well. Many legislators were strongly and vociferously opposed to the Trans-Pacific Partnership (TPP) until March 2013, when Prime Minister Abe Shinzo announced his intention to join the TPP negotiation on March 15, 2013. Today, only a few continue to voice their opposition.

It appears that the BOJ board members were chosen for their inclination to obey the governor. The new governor's policy is essentially following the world standard, simply embracing the monetary policy of the Federal Reserve.

Because of Abe's expansionary monetary policy—including the anticipation of it after he took office—stock prices increased by 50 percent and the yen depreciated by 20 percent between November 2012 and April 2014, whereas export volume and production each increased by 5 percent and 3 percent, respectively, over the same period.

The profit forecast is bright. A securities company projected that corporate profits after taxes in fiscal 2013 will increase by 84.8 percent for large companies (295 companies, excluding financial institutions) and by 75.9 percent for small companies (1,029 companies, excluding financial institutions) compared to the previous year, and it also forecasted that profits will increase by 8.5 percent for large companies and by 8.6 percent for small companies in fiscal 2014.<sup>1</sup>

The question then arises as to why Japan did not adopt an expansionary monetary policy earlier?

This chapter analyzes why Japanese politics cannot recognize the power of monetary policy, and use it. This chapter is divided into six parts. The first section explains the BOJ's mistaken monetary policy and its results in the last quarter century. The second section analyzes why politicians before Abe could not recognize the efficacy of monetary policy. The third section illustrates historical events that caused the BOJ to take mistaken monetary policies. The fourth section

describes how the BOJ can control the intellectuals. The fifth section reveals why the BOJ continued to pursue a tightened monetary policy. The last section discloses why the new BOJ was able to change the policy easily. Sections four and six include comparisons with Korea.

## The BOJ's Mistaken Monetary Policy and Its Results

### *Effects of Monetary Policy*

Many economists argue that monetary policy has only a temporary effect and that Japan needs to restructure the economic system and make the economy strong. No economist, however, has created a concrete program for such changes and calculated their effects. Even, according to conservative government estimates, TPP would increase GDP by only 3.2 trillion yen, or 0.66 percent of GDP.<sup>2</sup>

### *The Phillips Curve Still Applies*

The effect of monetary policy, by contrast, is certain, manageable, and calculable. There is a relationship between unemployment rate and inflation rate called the Phillips curve. The curve shows that unemployment rises if the CPI inflation rate is lower than 2 percent. It also shows that unemployment will decline to around 2.5 percent, if the inflation rate becomes 2 percent<sup>3</sup>.

Japan's unemployment rate was slightly over 4 percent in November 2012, before Abe entered office, but the rate had been artificially reduced by the *koyo chosei joseikin* (an employment adjustment subsidy paid to companies that do not fire workers when sales decline sharply). The effect of this subsidy on lowering the unemployment rate is estimated to be between 0.5 and 1.0 points.<sup>4</sup> Actual unemployment can thus be considered to be 5 percent, decreasing to 2.5 percent, if inflation rises to 2 percent. Unemployment can thus be expected to decrease by 2.5 points.

How much will GDP increase, if unemployment rates decrease by 2.5 points? For an indication, we can examine Okun's Law.

### *Okun's Law*

Okun's law shows relation between real GDP growth rate and change of unemployment rate. The slope of Japan's Okun's law is minus 3 from 2001 to 2007 according to Kurosaka (2011). This means that

real GDP increases by 3 percent if the unemployment rate decreases by 1 percent. Real GDP will thus increase by 7.5 percent ( $2.5\% \times 3$ ) if the unemployment rate decreases from 5 percent to 2.5 percent.

Some economists, known as reflationists, advocate an expansionary monetary policy to decrease unemployment and may assert that this estimate is too small, as Okun's Law does not consider the effect of the decline of investment caused by deflation.

Other economists, who believe in the real business cycle theory, might also oppose the modest 7.5 percent estimate, arguing that monetary policy can affect nominal variables but not real variables in the long run.

Most economists, though, admit that monetary policy does affect real variables in the short run. Japan's unemployment increased from 3.6 percent (July 2007) before the Lehman shock in September 2008 to 4.3 percent at the end of 2012. However, the rate is artificially reduced by 0.5 percent to 1 percent by the employment adjustment subsidy. The global financial crisis caused Japan's unemployment rate to increase by 1.2 to 1.7 percentage points ( $0.7\% + 0.5\%$  or 1 percent), and GDP declined by 3.6 percent to 5.1 percent (Okun's coefficient 3 times 1.2 percent to 1.7 percent).

Then, I believe Japan's real GDP should have increased by at least 5 percent.

### *Why Japan's Monetary Policy May Affect Real Variables for Many Years*

I am an economist who advocates reflation policy, and I believe Japan's poor monetary policy is to blame for Japan's "Great Recession" or the "Two Lost Decades." My belief is that while monetary policy normally only affects real variables for the short run (that is, at most several years), it can have an effect for 20 years if the wrong monetary policies are repeated.

In fact, the BOJ did not expand the money supply in response to the negative shocks that repeatedly occurred; it excessively expanded the money supply in the late 1980s and sharply contracted the money supply in the early 1990s. In the mid-1990s, the BOJ did not pursue an expansionary policy in response to the excessive appreciation of the yen. During the financial crisis of 1997–1998, the BOJ did not expand the effective monetary base.<sup>5</sup> Just before the collapse of the IT bubble in 2000, the BOJ increased interest rates. And the BOJ lifted the quantitative easing monetary policy even though the inflation rate

was not continuously positive in 2006. In response to the Lehman shock, other central banks aggressively expanded the monetary base, but not the BOJ, resulting in an excessively strong yen.<sup>6</sup> These misguided monetary policies continued to reduce Japan's growth rate.

These wrong monetary policies could be the cause behind Japan's "Two Lost Decades."<sup>7</sup> Here, I argue that Japan's real GDP can register substantial growth, that is, 5 percent to 7.5 percent, but only with an expansionary monetary policy.

### *Why is 5 Percent So Important?*

A growth rate of 5 percent is a large number. Japan's average real growth rate from 1990 to now is only 1 percent. Incidentally, the average number of years in office of a Japanese prime minister has been only 2.1 years prior to and after World War II, Yoshida Shigeru, Sato Eisaku, and Koizumi Junichiro are notable exceptions to the average.<sup>8</sup>

To achieve a real growth rate of more than 1 percent, which is the average for the last 20 years, could boost a prime minister's chances of remaining in office beyond the average 2.1 years.<sup>9</sup>

Additionally, reflation policy increases the inflation rate from zero or a negative number to 2 percent, which means that 2 percent real GDP growth would result in 4 percent nominal growth (2% real growth rate + 2% inflation rate). The average nominal growth rate has been negative since 1990. Nominal GDP growth would produce a lot of fiscal revenue. Politicians could then use the increased revenue for their pet projects or what their supporters want, and might even succeed in decreasing the budget deficit, although I do not believe that politicians would choose to do so. At the same time, the government would also have to pay more in higher interest rates.

## **Why Politicians Before Abe Failed to Recognize the Efficacy of Monetary Policy**

Why have prime ministers since 1990 failed to recognize the potency of monetary policy (even Abe did not fully recognize this during in his first term in 2007<sup>10</sup>)? Even now, members of the Democratic Party of Japan (DPJ) do not seem to understand it.

Lack of understanding applies to influential members of the Liberal Democratic Party (LDP) as well. Aso Taro, minister of finance, reportedly favored a new BOJ governor that both the BOJ and MOF supported and who would not pursue a bold expansionary monetary policy.<sup>11</sup>

The effect of a monetary policy on the Japanese economy would have been the same under either the DPJ or the LDP. Stock prices would have increased and the yen would have depreciated under a DPJ prime minister had he succeeded in persuading the BOJ to adopt an expansionary policy.

The BOJ is independent from the government (following the 1998 reform of the BOJ Act). The government can appoint the governor, but the governor can make monetary policy according to his own ideology, thoughts, and interests. Abe was fortunate, inasmuch as the term of the former governor, Shirakawa Masaaki, was scheduled to expire in March 2013, enabling Abe, who took office in December 2012, to appoint a new governor favorably disposed to taking an expansionary monetary policy.

Does this mean that DPJ prime ministers were unlucky? Obviously not. They had the opportunity to appoint members to the Policy Board. By law, monetary policy is decided by the nine members of the board, so they, too, could have changed monetary policy. Of course, BOJ bureaucrats recommended to DPJ prime ministers and finance ministers candidates who were inclined to toe the line, but prime ministers could have rejected the recommendations and appointed their own candidates. In the final analysis, the DPJ accepted the BOJ's prescriptions for fighting deflation.

So Abe did what nobody before him was able to do. He should be lauded for advancing an expansionary monetary policy despite stiff opposition to such a policy. This bold step convinced people that Japan could finally rid itself of more than 15 years of deflation and stagnation.

### *The DPJ and the BOJ*

The DPJ tried to deprive central government bureaucrats of their privileges, such as the practice of golden parachuting to leisured and high-paying jobs after retirement (*amakudari*, descending from heaven), and ignored their policy proposals. But DPJ administrations instead implemented budget cuts proposed by bureaucrats, especially those in the Ministry of Health, Labor, and Welfare and the Ministry of Land, Infrastructure, Transport and Tourism, while increasing child allowances and introducing subsidies for individual farming households, at the same time eliminating highway tolls to revitalize local economies.

Bureaucrats turned against the DPJ and became unsupportive of politicians serving as ministers, vice ministers, and parliamentary secretaries.

Given this context, why were DPJ politicians not antagonistic to the BOJ? It appears that the DPJ was not that hostile toward the Ministry of Finance and the Ministry of Economy, Trade and Industry, perhaps because the party needed some friends in government ministries and agencies. The DPJ was also not antagonistic toward the BOJ.

But why did the DPJ accept the ineffective anti-deflation policies of the BOJ bureaucrats, and yet it did not listen to the bureaucrats in other agencies? Why was the DPJ unable to change monetary policy, even though influential DPJ politicians advocated an expansionary monetary policy?<sup>12</sup> Had the party done so, there would have been a recovery in 2009 instead of 2013.

Kaneko Yoichi, a member of the House of Councilors, Secretary General, Diet Members Caucus for Stopping Deflation, said in an interview to me, “Most leaders in the DPJ do not think about increasing nominal GDP, and are only interested in distributing income under a fixed GDP. They also accept the explanation of MOF’s and BOJ’s officials that an expansionary monetary policy would immediately increase interest rates, decrease the price of Japanese Government Bonds, and cause lots of problems.” Kaneko also pointed out, “They still do not understand that the strong support for Abe in the polls is because of his expansive monetary policy to end deflation.”<sup>13</sup>

### *The LDP and the BOJ*

The LDP, meanwhile, has a tradition of not controlling the BOJ. Kato Koichi, a former LDP secretary general who was expected to become prime minister from the end of 1990s to 2000, once told an interviewer, “Macroeconomic policy isn’t conducted by politicians. Administrative vice ministers of the Ministry of Finance, and the Ministry of International Trade and Industry [became the Ministry of Economy, Trade, and Industry in 2000] and the governor of the BOJ would meet at the Hikawa House in Akasaka, Tokyo, as night fell to decide on the policy, and then they would propose it to politicians. Politicians would then slightly modify it, after which it would become policy.”<sup>14</sup> When asked, “Aren’t politicians interested in monetary policy?” Kato replied, “No, because politicians aren’t allowed to conduct monetary policy.”<sup>15</sup>

On February 27, 1992, Kanemaru Shin, the head of Keiseikai faction (the biggest in the LDP at that time) and LDP vice president, said, “The official discount rate should be reduced, even if we have to fire the Bank of Japan Governor.”<sup>16</sup> By March 1993, Kanemaru had lost

all political power after being charged with tax evasion and receiving illegal money.

Ten years later, we realize that his judgment on monetary policy was right. A study on Japan's monetary policy by the Federal Reserve Bank (FRB) notes that Japan would not have entered a period of deflation if an expansionary monetary policy had been taken in the early 1990s.<sup>17</sup>

Nonaka Hiromu, minister for state and chief cabinet secretary in 1998 and 1999, and LDP secretary general in 2000, who was considered a potential candidate for prime minister in 2000, challenged the BOJ. He asked the BOJ to purchase more Japanese Government Bonds to inject money into the economy from 1999 to 2001.<sup>18</sup> His attitude was not consistent, though, supporting the end of the zero interest rate policy while continuing to ask the BOJ to purchase more bonds.<sup>19</sup> The BOJ sidestepped his pressure and did not continue to expand the money supply.<sup>20</sup>

The LDP did not continuously try to force the BOJ to take an expansionary monetary policy. Only Yamamoto Kozo, an LDP member of the House of Representatives, has consistently criticized the BOJ's policies since 1994,<sup>21</sup> but his colleagues have not supported his efforts, especially mainstream LDP politicians. The LDP was not interested in a monetary policy, and those in the mainstream believed that good, powerful politicians were those who listened to the Ministry of Finance and the BOJ, as Kato suggested. Abe Shinzo was the first mainstream and influential politician to think that the BOJ was wrong.

Yamamoto said to me, "Fiscal expansion is an achievement for a politician because it creates roads, bridges, and halls, but monetary expansion cannot be an achievement for them, but it can be an achievement for a prime minister because electorates think that good business conditions can be credited to the PM." He also pointed out that this recognition became common, and even political contenders to Abe in the LDP thought they should have advocated an expansive monetary policy in 2012.<sup>22</sup>

Masuzoe Yoichi, elected as Governor of Tokyo in April 2014 and a member of the House of Councilors who left the LDP in April 2010, is a prominent politician who many viewed as a potential prime minister in the first decade in the 2000s.<sup>23</sup> He, too, has been critical of the BOJ's monetary policy since 2000, but he later slightly changed his position. And in early 2013, he has become critical again.<sup>24</sup>

As explained by Kato, the hands-off attitude toward monetary policy remained strong, despite the failure of the BOJ's post-bubble

policy. Politicians might have been afraid of being criticized for putting too much pressure on the BOJ, which some believed was responsible for causing the bubble in the first place in the late 1980s.

### *The Bubble and Its Aftermath*

The Japanese economy experienced speculative bubbles in the late 1980s. Stock and land prices soared. The Nikkei Stock Price Average increased three fold from 1985 to the end of 1989. The land price index (6 Major Cities, Index of Urban Land Price, All Use) increased threefold from 1986 to 1991.<sup>25</sup>

Journalists criticized rising land prices arguing that the average salary worker was now unable to afford a home even if they worked all their lives. BOJ Governor Mieno Yasushi aggressively shrunk the money supply in 1989 and 1990. He raised the official discount rate (the symbolic Japanese policy rate at that time) from 2.5 percent in May 1989 to 6 percent in August 1990, and as a result, land prices sharply declined, while income remained constant. But, because of monetary contraction and a decline in annual household income, the ratio of land price to income also increased later.<sup>26</sup>

It is said that the Japanese people were not that concerned about stock prices because many did not have stocks. But, the ratio of Japanese households (excluding single households) owning stocks to all households was 19.6 percent in 1991 (the ratio of people owning stock to all people is 7.4 percent in 2012).<sup>27</sup> The number cannot be denied.

Governor Mieno was portrayed as a hero in the Japanese media because he was able to lower land prices. He realized, though, that nonperforming assets were becoming a serious problem in the early 1990s. During the bubble era, Japanese banks extended loans taking land as collateral. The loans turned bad as land prices dropped.

Mieno lowered the call rate (the BOJ's policy interest rate) from 8 percent in 1991 to 3 percent in 1992. Takemori Shumpei of Keio University questioned, "Why did the BOJ abruptly have to decrease short-term interest rates by half while doubling it just the previous year? The BOJ should not have increased the rate. It recognized its own error and lowered the rate, but then it was too late."<sup>28</sup>

### *Japanese Politicians Were Satisfied with Fiscal Expansion*

In the early 1990s, the ratio of gross government debt to GDP was 67 percent, and the ratio of net debt was only 13 percent, which was



the lowest among the countries of the Organization for Economic Cooperation and Development (OECD).<sup>29</sup> Japanese politicians were satisfied with massive fiscal stimulus, as it allows them to distribute money for public work projects, such as roads, bridges, and halls, which their constituents want. Politicians cannot earn votes with a monetary policy.

Abe, as president of the LDP, pledged during the December 2012 election campaign to adopt an expansionary monetary policy, an exceptional promise for a Japanese politician. He created a new image of a prime minister who controls monetary policy. Other politicians who ran against Abe in the election for LDP president in September 2012 were not interested in monetary policy at all.<sup>30</sup>

### *A Hero for Escapists*

The BOJ was reluctant to expand the money supply. The reasons were as follows:

Governor Mieno shrank the money supply and lowered land prices, and the media praised him as a hero.<sup>31</sup>

Mieno realized that he had made a mistake, however, according to Takemori's book. Because of his monetary policy, Japanese banks accumulated huge bad assets, but he could not change the situation. Japanese price levels started to gradually decline, which made the bad asset problem more serious.

### *Escape to Real Bills Doctrine*

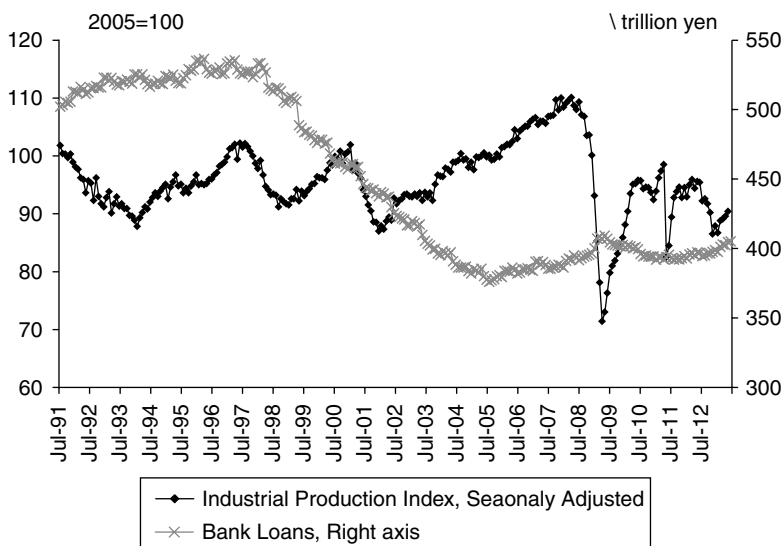
Governors since Mieno have tried to skirt their responsibility, asserting that the BOJ cannot control the money supply, exchange rate, price levels, and arguing that monetary policy is not effective if bank loans do not expand. This is a kind of an old real bills doctrine that BOJ officials have become used to.

The real bills doctrine asserts that money stock can be neither undersupplied nor oversupplied if the central bank accepts and discounts commercial bills assured by the demand of decent business activities (real bills) because decent commercial bills create both supply and demand simultaneously. This doctrine suggests that the central bank only responds to correct demand and is not responsible for addressing economic fluctuations, inflation, and deflation. The BOJ,

however, forgot that demand depends on the discount rate and the monetary base decided by the central bank. The central bank can control demand through interest rates and by changing the ease with which bills are accepted.

The modern version of the real bills doctrine states that the central bank only responds to the demand of commercial banks that extend loans to businesses and that the economy will be stable if banks make loans to meet prudent demand for business activities. It is the main idea of the real bills doctrine that the central bank is not responsible for economic fluctuations, and this is the position of the BOJ.<sup>32</sup> Consequently, the BOJ asserts that monetary policy cannot stimulate the economy if bank loans do not increase. However, Figure 2.1 shows that bank loans do not affect production, and production can increase without the help of bank loans.

Journalists and academics have tended to agree with the BOJ's assertions, even though they are very different from the roles and functions of monetary policy that are taught in textbooks, in which the money supply, price levels, and exchange rates (and growth rates) are viewed as being controlled by monetary policy.<sup>33</sup>



**Figure 2.1** Production and Bank Loans

Sources: METI, "Mining and Industry Index," The BOJ, "Main Time Series Statistics"

### *Debates over the real bills doctrine*

Some economists oppose the real bills doctrine. Iwata Kikuo, prior to his appointment as deputy governor of the BOJ in March 2013, pointed out as an academic in the early 1990s that the BOJ can control the money supply and that it should increase the monetary base.<sup>34</sup> Yet many economists chose to side with the BOJ.

The media also supported the BOJ's argument. Newspaper editorials noted that arguing that deflation is a monetary phenomenon is to shift the blame for deflation from politics to the BOJ. Low-interest rates continued, and monetary policy remained excessively relaxed.<sup>35</sup> The question remained: How can politics affect price levels without using monetary policy?

## **Power of the BOJ and Intellectuals**

Economists hired by financial institutions and academics are dependent on the BOJ in many ways. The BOJ can affect the market through monetary policy. Economists of financial institutions have incentives to follow what the BOJ says in order to get information on monetary policy changes. Economists in academia have similar incentives to get data, information, and prestigious positions, such as a visiting scholar at the Institute for Monetary and Economic Studies of the BOJ.

Journalists also have incentives in seeking information and explanations about activities related to monetary policy.

Intellectuals in any country have a tendency to conform to authority. They might have an idea of what they want to achieve, but in order to realize it, they have to rely on authority and say what authority wants to hear.

This is a tendency seen not just in Japan but all over the world, including Korea. Whereas Japanese political leaders change frequently, Japanese bureaucrats do not change, and intellectuals tend to rely more on government bureaucrats and the BOJ than politicians.

In Korea, though, intellectuals rely on politicians rather than bureaucrats, because a president remains in office for five years and is replaced by another president, usually from a different faction and with a different ideology. In this situation, intellectuals have a strategy of sticking to what they believe is true or pursuing their own ideology. This creates dynamism in politics and the intellectual world in Korea.

*Independence of the BOJ*

The BOJ gained greater independence in 1998. Academic studies prompted this shift by showing that an independent central bank is more effective in avoiding inflation and arguing that an advanced industrial country should have an independent central bank. At that time, Japan was struggling to overcome deflation. The BOJ Act was revised in 1998, giving the BOJ more independence. Yet deflation in Japan became worse in the ensuing period. The five-year annual average inflation rate prior to 1998 was plus 0.6 percent, but after the BOJ Act the rate became minus 0.6 percent.<sup>36</sup>

The BOJ became more powerful following its independence, but the real bills doctrine meant that the BOJ could not do anything—it could not affect the money supply, exchange rate, or price levels. It was left to itself, as the government cannot give a role to an institution that cannot do anything.

The central banks, including the BOJ, cannot be completely independent, as they continue to be tied to the interests of financial institutions.

Joseph Stiglitz writes, “Research suggests that if central banks focus on inflation, they do a better job at controlling inflation. But controlling inflation is not an end in itself: it is merely a means of achieving faster, more stable growth, with lower unemployment. These are the real variables that matter, and there is little evidence that independent central banks focusing exclusively on price stability do better in these crucial respects.”<sup>37</sup> This statement is interpreted that central banks are more concerned about stability of interests than real variables such as unemployment rate.

This analysis applied George Stigler’s captured theory<sup>38</sup> to relations between central banks and financial institutions. Financial institutions can expect stable bond price if central banks search for interest rate stability by sacrificing a decrease of employment rate.

*The BOJ’s strange price level theories*

Since the end of the 1990s, Noguchi Yukio and other economists have asserted that deflation is caused by a massive inflow of cheap products from China.<sup>39</sup> The BOJ embraced this assertion, and many economic professors followed the BOJ. This led economists to create many theories that monetary policy does not decide the price level. The BOJ welcomed any theory asserting such an explanation.

But, China’s cheap products have been exported to everywhere in the world, but only Japan has suffered deflation.

Until the end of the 1990s, the BOJ's strange theory of price levels focused on the impact of global mega competition, such as the influx of cheap Chinese products. Following independence, many other strange monetary theories emerged, including at least four regarding price levels—the good deflation theory, deep-rooted theory, low-growth theory, and population theory.

### *Good Deflation Theory*

Hayami Masaru, who was BOJ governor from March 1998 to March 2003, advocated a “good deflation theory,” which states that IT innovation causes price declines in products like computers, TVs, and cell phones and reduces distribution costs and that the decline of prices is good. The media welcomed this theory,<sup>40</sup> but the *2001 White Paper on the Economy and Public Finance*<sup>41</sup> refuted the theory of good deflation, stating that the theory is about changes in relative prices, and that deflation is the decline of the general price level, the latter adversely affecting outstanding real debt. Prior to publication, the white paper requires the approval all governmental ministries and agencies, including the BOJ.

### *Deep-rooted Deflation Theory*

Fukui Toshihiko, BOJ governor from March 2003 to March 2008, said in an interview before his appointment, “Japan's prevailing deflation is deeply rooted beyond monetary phenomena. Because of severe international competition, prices are declining all over the world, and the adjustment of Japan's high cost structure and arrangement of industries cannot be avoided. Therefore, it is wrong to think that monetary policy alone can redress deflation.”<sup>42</sup>

He also said in another interview, “In addition to monetary phenomena, which monetary policy can deal with, there are changes in the Japanese and global economy that are causing Japan's deflation. It is difficult to think that we can deal with deflation with just one policy.”<sup>43</sup> This statement is vague, failing to explain what changes in the Japanese and global economies are causing Japan's deflation.

### *Low-growth Theory of Deflation*

Governor Shirakawa Masaaki, who served from March 2008 to March 2013, made a presentation at a meeting organized by Kyodo News on November 4, 2010, in which he said, “Long-term stagnant demand and deflation are fundamentally caused by weak expectations

for mid- and long-term growth (caused by a declining population).<sup>44</sup> Economic textbooks, though, usually view a declining growth rate as causing inflation, according to the simple AD-AS model.<sup>45</sup> A decline in future growth may lower expenditures, but so does supply. If demand is the same, a decrease in supply should cause inflation.

### *Population Theory of Deflation*

Shirakawa appears to have been influenced by a best-selling book that asserted that deflation is caused by a declining population.<sup>46</sup>

The BOJ hosted an international conference on population and macroeconomy on May 30, 2012. Shirakawa in his conference speech said, “A comparison of advanced economies reveals intriguing evidence: Over the decade of the 2000s, the population growth rate and inflation correlate positively in 24 advanced economies. A closer look at the case of Japan confirms the increasingly positive correlation between inflation and population growth since the 1990s. That would reflect the momentum toward real income creation being undermined by population aging.”<sup>47</sup>

### *Shirakawa’s Excel Spreadsheet*

Takahashi Yoichi, professor at Kaetsu University, pointed out that among the 34 OECD member countries, Slovakia, Chile, Slovenia, and Estonia are excluded in Shirakawa’s cross-country comparison. These countries’ population growths were negative or low, and yet inflation rates were high. The correlation is deduced by excluding these countries. Additionally, the study excludes several other countries, but does not explain why they are excluded.<sup>48</sup>

Takahashi also pointed out that the population theory of deflation is a way for the BOJ to shift responsibility to Japan’s declining population, as demographics is not within the purview of the BOJ.

This was Shirakawa’s “Rogoff and Reinhart paper.”<sup>49</sup> Economists widely debated the mistakes two Harvard professors made,<sup>50</sup> but Shirakawa’s assertions were simply forgotten after his term ended.

### *The Big Rock Theory of Monetary Policy*

Among BOJ supporters, the big rock theory was popular. It states that it is better not to throw a big rock because it cannot be stopped once it starts to roll. Big rock theorists argue that the BOJ should not expand the money stock because inflation cannot be stopped if prices start

to rise and that the BOJ should not buy long-term government bonds because such purchases cannot be stopped once they are launched.<sup>51</sup>

If the big rock theory is correct, the central banks of other countries can neither stop inflation nor limit purchases of government bonds, and the budget deficits should soar. The fact is that they are able to control the rate of inflation. Inflation in other developed countries is around 2 percent, and their ratios of the budget deficits to GDPs are lower than that of Japan. The big rock theory has no empirical basis.

### *Memory of Trade Frictions*

In this connection, the inactive monetary expansion may be partially explained by the Japanese elite's thinking that exports are somehow wrong, based on the experiences of US trade friction. Indeed, even in the early 1990s, the United States continued to try to change Japan's economic system. Such negotiations caused much frustration in Japan.<sup>52</sup>

The yen's sharp appreciation in the first half of the 1990s exacerbated Japan's deflation. Japan's CPI inflation rate declined from 3.1 percent in 1990 to minus 0.1 percent in 1995 (year average). Japan's reluctance to stop the sharp appreciation can be partly explained by the memory of trade conflicts.

The acceptance among the Japanese elite of the yen's appreciation at the time is understandable, but this acceptance continued toward the end of the first decade of the 2000s, when Japan had been in a recession for more than 20 years. By then, the United States was no longer afraid of Japan's economic might. The BOJ's failure to respond to the yen appreciation after the Lehman shock was simply absurd.

### *Different Monetary Policies in Japan and the United States*

After the Lehman shock, the FRB, Bank of England, European Central Bank, and the Bank of Korea increased the monetary base by two to three times, but Japan increased it by only 30 percent in 2010, even though the exchange rate is affected by the ratio of money of a country to that of another country. Because the yen appreciated, Japan's recovery was slow. The US and German GDPs exceeded peak levels from before the Lehman shock in September 2008, but Japan's had not as of the January–March 2013 period.

### *Competitive Devaluation?*

Some economists argue that if all countries try to expand their money supply and devalue their own currencies, then the result would be

a currency and trade war, which reportedly occurred in the 1930s. Competitive devaluation did not occur, however, for if all countries competitively pursued an expansionary monetary policy, then some would experience higher inflation rates, and they would have to shrink the money supply to satisfy the people of their countries.

Some history textbooks say that a currency war in the 1930s made the Great Depression more severe,<sup>53</sup> but this interpretation is incorrect. Many countries persisted with the gold standard and thought that they could not adopt an expansionary monetary policy because it would mean leaving the gold standard. Some countries did leave, and the sooner they left, the sooner they recovered.<sup>54</sup>

Barry Eichengreen and Jeffrey Sachs showed that an exchange rate depreciation offers a chance to recover because devaluation means monetary expansion.<sup>55</sup>

### *Imports Also Increase When Exports Increase*

Additionally, there is another reason that devaluation competition does not occur. If a country increases exports, then it increases its imports too. And net exports (exports minus imports) decrease as exports increase.

The economy is not a zero-sum game. In order to increase exports, Japan would need to import raw materials and intermediate goods. And if income increases through exports, consumers are bound to purchase items in which imported materials or parts are included.

### *Inflation Targeting*

The BOJ has been opposed to inflation targeting. The reason is simple. If the government provides a target, it has a responsibility to meet that target. Bureaucratic organizations dislike such pressure. And the BOJ has asserted that it cannot control the money supply, exchange rate, and price levels, and has argued that monetary policy is not effective if bank loans do not expand.

BOJ Governor Kuroda, appointed in March 2013, has clearly accepted an inflation target of 2 percent for the consumer price index, excluding the effect of the scheduled consumption tax hike—from 5 percent to 8 percent in April 2014 and from 8 percent to 10 percent in October 2015. The BOJ, under Kuroda, will seek to expand the monetary base twofold by the end of 2014 to meet the 2 percent inflation target.

Still many economists are skeptical, and many assert that monetary expansion will only cause an increase in stock prices, not inflation,



and will not expand real exports, production, or employment.<sup>56</sup> Production and employment, however, have risen and prices have also increased as the unemployment rate has declined in 2013 and 2014.

The results could soon appear. I believe Japan can overcome its many years of deflation and stagnation. Japan's two lost decades may soon end.

## Two Decades of a Tightened Monetary Policy

Why did the BOJ tighten monetary policy based on groundless monetary arguments? The answer is that monetary expansion ultimately increases interest rates.

Because of long-sustained deflation, the economy has continuously been shrinking, and interest rates have declined to an almost abnormal level. Ten-year government bond yields are less than 1 percent. With such low-interest rates, the Japanese government has been issuing large amounts of government bonds to finance public construction projects to stimulate the economy. Japanese banks and insurance companies, unable to identify good investment opportunities, have been buying and holding huge amounts of government bonds. What would happen, then, should the BOJ take an aggressive expansionary monetary policy?

The economy may recover, but prices and interest rates will increase. If interest rates increase, the market price of bonds will decrease. The banks and insurance companies holding these bonds could be hit badly by such a decline.

### *Worrying about Banks' Balance Sheets*

The losses in the financial sector as a whole will not be substantial. Government bonds do not represent a large portion of the assets held by Japan's so-called megabanks and major regional banks, which also hold equities and foreign assets, enabling them to cancel out any bond losses with the increased value of equities and profits from foreign assets caused by the yen's depreciation. But some smaller financial institutions have invested too much in government bonds and do not hold equities and foreign assets. As the BOJ is the guardian of the banking sector, it is natural to think that it wants to avoid losses for private banks. Therefore, the BOJ has continued to pursue a deflation policy that does not raise interest rates. BOJ bureaucrats have admitted to this logic. A former high-ranking BOJ official has verified as much.<sup>57</sup>

### *The BOJ Is a Co-op for Banks*

The BOJ is not the guardian of the currency but of banks. This is why the BOJ is hesitant to pursue an expansionary monetary policy. As chief of the banking sector, the BOJ cannot ignore the banks' fears. The BOJ has to protect banks and cannot take risks that might hurt some of them.

There are many small interest groups in Japan that politicians have been unable to consolidate effectively. The paralysis in Japan's monetary policy has been caused by Japan's political system. Japanese politicians are usually afraid of breaking up small interest groups, and the result is an inactive monetary policy.

### *Avoiding the Tragedy of Three Decades of Deflation*

Japan's outstanding public debt is 1,107 trillion yen as of the end of fiscal 2013.<sup>58</sup> This is two times larger than Japan's GDP in fiscal 2012 (470 trillion yen). Moreover, Japan's population is declining and aging. The burden of pension benefits and medical care will soar. Under deflation, nominal GDP has been shrinking; Japan's nominal GDP hit a peak 521 trillion yen in 1997, and ever since it has been in decline.

Meanwhile, debt has been increasing by more than 40 trillion yen every year. The debt will be 1,900 trillion yen 20 years on, and 2,300 trillion yen three decades from now. By then, the ratio of debt to GDP will be 500 percent, as nominal GDP shrinks. Is it possible to continue with deflation? Something big might or might not happen over the next 10 to 20 years, but it will inevitably happen in 30 years.

Banks that hold long-term government bonds will go bankrupt and interest rates will increase. The BOJ will have to buy the bonds from moribund banks to save them as the guardian of the banking sector. This means that the BOJ will expand money while inflation occurs. Unless the BOJ does so, banks will not be able to withstand the withdrawal of deposits.

### *It Is Only Now that the BOJ Should Expand the Money Supply*

The inflation rate will only slightly increase to 2 percent if the BOJ takes an expansionary monetary policy now. Prices and interest rates will increase, but real interest rates will decrease, and as the yen depreciates, profits, exports, production, and employment will increase. The yen value of foreign assets will rise, and tax revenues will soar for a while, steadying to a moderate increase thereafter.

Japanese companies ravaged by deflation will be unable to hire workers 30 years from now. Indeed, even if prices rise and the yen depreciates, fewer people will be available to hire due to the aging population. By then, Japan may have depleted all of its foreign assets to become a net international debtor. Many companies may go bankrupt after borrowing from abroad.

Rampant inflation 30 years later would be a tragedy. And in order to prevent such a scenario, Japan must end deflation now.

Recently, the BOJ has begun to confess the truth. It now admits that the reason it has not pursued monetary expansion is to prevent rising interest rates. BOJ officials have been arguing that reflation is dangerous because it increases interest rates and decreases bond prices. Such a possibility cannot be denied, but the problem is not as serious now. The balance sheets of some small banks may be damaged by a decline in bond prices. Capital injections of hundreds of billion yen might be needed to protect deposits. But the benefits of ridding deflation would be an increase of 100 trillion yen to GDP, and this means tens of trillion yen of additional tax revenue. The cost of capital injection can be easily financed by a small part of the increase in revenues.

Additionally, there would have been no need to save such banks if the BOJ had aggressively expanded the money stock in the early 1990s. At that time, Japanese banks did not hold as many bonds as they do today.

## Changes in the BOJ Policy

Two decades after Japan's bubble burst at the end of the 1980s, for the first time, Japan has a prime minister who is serious about monetary policy and who has appointed a new governor to change BOJ policy. Are there any risks?

There is no risk of hyperinflation because there is a 2 percent inflation target. The target has been set so that inflation will not significantly exceed 2 percent.

There might be a risk of creating new bubbles because they occur when the inflation rate is low at around 2 percent. Japan's previous bubble occurred when the inflation rate was 0.8 percent in 1988 and 2.2 percent in 1989. But at that time, unemployment had declined to 2.5 percent and 2.3 percent, respectively. The purpose of the reflation policy is to increase price levels in order to expand employment. There is no need to adhere to the 2-percent-inflation rate if employment sufficiently recovers.

Of course, an increase in interest rates after an economic recovery might hurt some financial institutions, but the cost can be easily financed with increased revenue from the recovery.

Abe has appointed only two advocates of reflation—Governor Kuroda and Deputy Governor Iwata—to the Policy Board, with six members remaining unchanged. Some wonder why the BOJ has changed its policy all at once.<sup>59</sup>

The reason is simple. They knew that they had been wrong. The members understood that Japan could not continue with deflation for another 30 years.

### *Comparisons with Korea*

Weak politics, bureaucratic interests, and the “Galapagosization” of Japanese intellectuals had caused Japan’s two decades of deflation and stagnation. According to Kitagawa Fumikazu, Galapagosization refers to a phenomenon in which technologies and technical standards developed by Japanese companies are overly concentrated in the Japanese market, which results in creating standards that are applicable only in Japan.<sup>60</sup> Japanese economic professors, too, tend to create theories that are circulated only in Japan.

Japanese prime ministers have changed so frequently that those not fully prepared for the job have found themselves in office without policy solutions for all issues. They thus tend to rely on bureaucrats and are unable to change course if the bureaucrats are making mistakes. Intellectuals are needed to offer alternative policies, but they tend to go along with the bureaucrats, embracing the Galapagosized theories created by Japan’s bureaucrats, including those in the BOJ. Until a strong politician like Abe Shinzo emerged, Japan had been unable to correct its monetary policy to overcome deflation.

I believe that Korea has been free of such mistakes. Presidents are assured five-year terms, which enable them to control the bureaucrats. Korean intellectuals cannot be Galapagosized because of the pressure of globalization. According to *Chosun Ilbo*, the ratio of classes taught in a foreign language is 2.9 percent at national universities and 20 percent to 30 percent at private universities.<sup>61</sup> If the textbooks are in English, then it is difficult to teach economic theories that do not conform to global standards.

Japanese economic and monetary theory academics agree with the BOJ and disagree that the central bank can control the money stock and manage general price levels, the exchange rate, and nominal GDP, and also affect production, employment, and real GDP in the short

run through changes in nominal variables. Korean professors with the same expertise would never disagree with these global norms.

Korean politicians also understand the role of monetary policy.

Japan's leftists and liberals are antagonistic to an expansionary monetary policy, whereas those in the United States and Europe tend to support the policy because they understand the dangers of contracting monetary policies. Japan's Left still does not. The DPJ, which is composed of the old Left and conservative politicians, is now critical of Abenomics, especially its monetary expansion.

## Conclusion

Japan can overcome deflation and protracted stagnation if the BOJ takes an expansionary monetary policy. This is not the first time that the BOJ has been under political pressure, but it has refused to act in the past. What were the reasons for this BOJ policy?

This time, past BOJ policy has finally been exposed as groundless ideology and an attempt to win public support. An expansionary monetary policy caused the late 1980s bubble, and so a feeling has prevailed that the money supply should not be expanded. The media praised the contractionary approach of Governor Mieno for deflating the bubble and lowering land prices. Such praise prevented the BOJ from realizing that its policy was wrong.

Prices started to decline, and the economy floundered under an inactive monetary policy. As a result, Japan's interest rates decreased to a world and historic low—long-term interest rates even dipped below 1 percent after the Lehman shock. The Japanese government was able to issue a tremendous amount of bonds because of low-interest rates and to provide fiscal stimulus to counter the stagnation caused by the inactive monetary policy. Banks, which worried about the lack of loan opportunities, came to hold a huge inventory of government bonds. In this situation, what will happen when the BOJ boldly takes an expansionary policy?

The economy will recover, but at the same time prices and interest rates will rise. The price of government bonds will decline. Some banks might be seriously hurt by the higher interest rates, and they might need to be bailed out in order to protect deposits.

The BOJ is not the guardian of the currency but of banks. It is natural for the BOJ to think that expanding the money supply would cause a lot of problems. BOJ bureaucrats have admitted that much. Therefore, the BOJ was reluctant to expand the money supply even

when it was under political pressure, and the Japanese economy remained stagnant. The power of the BOJ emanates from these banks (which are just a small part of the financial community), whereas politicians are supported by the much broader public.

Politicians with a popular mandate to end deflation and stagnation can push for monetary policy that will serve the people, and they will support those politicians who can put monetary policy on a right course. Prime Minister Abe is the first to have been able to do this in 20 years.

## Notes

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2. Cabinet Secretariat, “Kanzei Teppai shita Baai no Keizai Kōka nitsuite no Seifu Toitsu Shisan” (On Governmental Unified Experimental Estimate of Economic Effects of Tariff Abolition), March 15, 2013.
3. The Phillips curve in Japan is shown in Yutaka Harada, “Chapter 13 Abenomikusu wo furikaeru (Reflecting Abenomics), Figure 13–2, p. 238, in Yutaka Harada and Makoto Saito ed., *Tettei Bunseki: Abenomikusu* (Sweeping Analysis of Abenomics), (Tokyo: Chuo Keizai-sha, 2014).
4. Cabinet Office, *Japanese Economy 2012–2013*, Figure 1–3–15.
5. Harada Yutaka, “Policy Issues Regarding the Japanese Economy—the Great Recession, Inequality, Budget Deficit and the Aging Population,” *Japanese Journal of Political Science* 13:2 (June 2012): 223–253.
6. Harada Yutaka, “Part 2.2 Economics Takes Command,” Takashi Inoguchi, ed, *Japan and Russia: Polar Opposites or Something in Common?* (New York: Palgrave Macmillan, 2015) forthcoming; Harada, “Policy Issues Regarding the Japanese Economy,” pp. 225–239.
7. *Ibid.*, these papers deal with this topic in detail.
8. Naikaku Soridaijin no Ichiran (The Successive PMs), <http://ja.wikipedia.org/wiki/>, (accessed on June 19, 2014).
9. Chapter 3, Cheol-Hee Park in this book argues that the Abe Administration will continue more than the average term for another reason.
10. Abe was Chief Cabinet Secretary under Koizumi Administration, when quantitative easing monetary policy was lifted in March 2006, and later he told Yoichi Takahashi Counselor, Cabinet Secretariat, at that time (Professor of Kaetsu University at present) that the lift was a failure. This is written in Takahashi Yoichi, *Abenomikusu de Nihon Keizai Daiyakushin ga yattekuru* (Japanese economy made rapid progress by Abenomics) (Tokyo: Kodansha, 2013), p. 175.

11. “Nichigin Sosai no Konin Zaimusho OB haijo sezu” (A Ministry of Finance Official Is Not Excluded as Successor of the BOJ Governor), *Asabi Newspaper*, January 5, 2013. In this context a Ministry of Finance official does not mean Kuroda.
12. “Maehra Keizaisho kyouryokuna Kinyu Kanwa unagasu” (Maehara, Minister of State for Economic and Fiscal Policy urged the BOJ to take strong expansive monetary policy), *Nikkei Newspaper*, October 10, 2012. Maehara is a leader of a strong faction in the DPJ.
13. I interviewed Mr. Kaneko on July 26, 2013, at the Diet Members’ Office Building.
14. Shigeru Matsushima and Harutaka Takenaka, *Nihon Keizai no Kiroku* (Documents of Japanese Economy), Economic and Social Research Institute, Cabinet Office, Saeki Shuppan, 2011, p. 432.
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## Return to the Liberal Democratic Party Dominance?\*

*Cheol Hee Park*

### Introduction

Japanese party politics shows a pattern of instability and fluidity particularly after mid-2000s. It is undoubtedly unstable: there have been changes of the ruling party and cabinet shuffles are frequent.

Electoral fortune of Japanese political parties over the last ten years shows complexity and fluidity within the changing political landscape. On the one hand, major political parties in Japan have experienced both high hopes and deplorable despair in a short period of time. In 2005, the ruling Liberal Democratic Party (LDP) had a landslide victory in the general election, which people named as the postal privatization election. The LDP earned 296 seats. If 31 seats obtained by its coalition partner, New Komei, are added, the ruling coalition secured 327 seats in total. It seemed as if other opposition parties had been weakened and the LDP predominance was returning after a decade of political upheaval. However, in the July 2007 upper house election, the LDP gained only 46 seats, a miserable defeat. The LDP, for the first time, failed to get a majority in the upper house even in coalition with the New Komei. The ruling coalition had only 102 seats in total, while the first opposition party, Democratic Party of Japan, gained 109 seats. Rather than talking about the return of the LDP dominance, political commentators began debating on whether the LDP was doomed. Their predictions came true when a general election was called in July 2009. The Democratic Party of

Japan (DPJ) obtained a remarkable 308 seats whereas the LDP gained only 119 seats. The longtime ruling LDP handed over its power to the DPJ for the first time.<sup>1</sup> Failure of the LDP was so drastic that people expected the demise of the LDP regime. However, in less than three and half years, at the next general election in December 2012, the LDP returned to power by securing 294 seats. The DPJ not only lost power but managed to secure only 57 seats, comparable to the 54 seats won by the newly formed conservative party, *Nihon Ishin no Kai*. The DPJ had been so dwarfed by the LDP that political commentators expected even the possibility of party split. Table 3.1 illustrates the electoral fortunes of major Japanese political parties over the last ten years.

Another startling political quality of Japanese party politics is the frequent change of national leader, that is, the prime minister, over the last 15 years. Since Koizumi Junichiro's five-and-a-half-year tenure as prime minister in the early 2000s, almost all the ensuing Japanese prime ministers have served the post for a year or less. After Koizumi, the LDP had Abe Shinzo, Fukuda Yasuo, and Aso Taro as prime ministers, but all of them served for only a year. After the DPJ won power, Hatoyama Yukio, Kan Naoto, and Noda Yoshihiko became prime minister, but again their time in office was only for about a year. Change of Japanese prime ministers became almost like an annual event. A Japanese political commentator even labeled the period as an era of prime ministerial hardship.<sup>2</sup> The high frequency of changing national leaders suggests that Japanese politics has been immensely volatile.

In the context of these electoral ups and downs of Japanese political parties and the high frequency of change of Japanese prime ministers, this chapter addresses two interlinked questions. Considering the landslide victory of the LDP in 2012, one question is whether

**Table 3.1** Electoral Fortunes of Japanese Political Parties

<i>Year</i>	<i>Election</i>	<i>LDP</i>	<i>Komei</i>	<i>DPJ</i>	<i>Others</i>	<i>Total Seats</i>
2005	Lower H.	296	31	113	40	480
2007	Upper H.	83	19	109	30	241
2009	Lower H.	119	21	308	32	480
2010	Upper H.	84	19	106	33	242
2012	Lower H.	294	31	57	98	480

*Source:* *Asahi Shimbun*, September 12, 2005; July 30, 2007; August 31, 2009; July 12, 2010; December 18, 2012.

Japanese politics has returned to a period of revived single-party pre-dominance. This line of inquiry deals with the changing nature of interparty competition. Another question this chapter addresses is whether the return of Abe as prime minister demonstrates a new pattern of long-term tenure and whether the return of the LDP serves as an opportunity to break the short cycle of prime ministerial tenures.

In the academic search for an explanation on the unstable nature of Japanese political party dynamics, this chapter takes a closer look at the evolving nature of interparty competition in the contemporary era. Two dimensions of interparty competition are highlighted. One is the convergence and divergence of policy ideas as an explanatory variable for ruling-party status change. The other dimension is the fragmentation of competitive political parties.<sup>3</sup> Also, in order to explain shifting policy positions within the ruling party, this chapter looks at solidarity and fragmentation among factional groups within the party as a main variable. This chapter supposes that the degree of intraparty solidarity affects the electoral fortune of the party.

I argue in this paper that the LDP returned to power because the former ruling party, DPJ, made a political blunder and, as an extension, the opposition camp has been extremely fragmented and divided. I claim that, despite its resilient outlook, the LDP has not returned to the good old days of single-party dominance. Still, I also claim that a divided opposition will help the LDP to maintain its lead for the next few years. The LDP's dominance is likely to continue even after 2016, when the next Upper and Lower House elections are scheduled unless opposition parties are united and provide formidable challenge against the LDP by then. However, institutional incentives driven by the single-member district (SMD) system will eventually lead to a reintegration of opposition parties, causing electoral fortunes to shift again, probably against the LDP in the long-term future.

## Is the LDP's Victory a Return to Its Dominance?

The LDP made a splendid comeback in the December 16, 2012, general election. The LDP secured 294 seats, dwarfing the former ruling DPJ that obtained only 57 seats. The LDP more than doubled its 118 seats from the previous election. Conversely, the DPJ lost 176 seats. Even though *Ishin no Kai*, led by Osaka Mayor Hashimoto Toru and former Tokyo governor Ishihara Shintaro, was newly formed, it won 54 seats, which is more than 31 seats won by New Komei. The DPJ won only 27 seats out of 300 single-member districts. In contrast, the

LDP won 237 seats in the single-member districts, which recorded the largest seats any party gained under the current electoral system. In Tokyo, only two DPJ members, Nagashima Akihisa and Nagatsuma Akira, were elected in single-member districts, while the LDP swept all the other 23 districts.

A casual look at the electoral outcome leads us to think that the LDP came back as a predominant party by overshadowing all other parties. The LDP is the only political party that gained more than 100 seats in the lower house. Other political parties cannot challenge the status of the LDP as a ruling power. The electoral outcome seems to support the proposition that there is a Japanese gene that favors the long-term ruling LDP more than others. Though the Japanese electorate handed over power to the DPJ, they realized only a few years later that the traditional, experienced, reliable LDP is preferable. However, electoral data does not necessarily support the premise that the Japanese electorate returned to the LDP out of love for the party.

Then, why is the LDP's overwhelming victory not a sign of the electorate's preference for the return of LDP dominance?

First of all, the Japanese electorate showed decreasing interest in the election. Voting rate for the 2012 election was 59.32 percent, an all-time low since the introduction of the new electoral system. It was even lower than 59.65 percent in the 1996 general election. Compared to the previous general election in 2009, where the voting rate was 69.28 percent, the voting rate dropped by almost 10 percent.<sup>4</sup> In other words, the Japanese voters were not fascinated by the LDP. The reason may be that the DPJ supporters were disappointed by the performance of the party during its tenure, but they are not inclined to support the former ruling party, the LDP. Opinion survey results show that 39 percent of the DPJ supporters switched their preference from the DPJ to the LDP or other parties. This shows that the former DPJ supporters feel betrayed by the DPJ and left the party. However, the opinion survey does not tell us what percentage of former DPJ supporters gave up going to the ballot.

Second, though the LDP secured an incredible number of seats in the lower house, this was magic created by the institutional logic of the SMD system. In the SMD, the LDP mobilized 43 percent of the votes, but in actual number of seats the LDP received 61.25 percent of the seats. In comparison, the DPJ, who mobilized 22.8 percent of the votes in the SMD, could occupy only 11.87 percent of the seats.<sup>5</sup> Of course, this is an expected institutional effect of the SMD system, but

a narrow margin in the districts can be reversed at any time as the last three general election results illustrate. It is not surprising that the LDP won 294 seats this time, because the LDP won 296 seats in the 2005 general election but secured only 119 seats in the 2009 general election. The DPJ, which won 113 seats in the 2005 election, obtained 308 seats in the 2009 general election. However, it became a party with only 57 seats in the 2012 general election. Hence, the electoral fortunes of a party can drastically change at any time. The large number of seats the LDP won in the 2012 election is not surprising, but the extremely reduced number of seats for the DPJ is unexpected.

Moreover, the LDP failed to obtain more votes in its proportional representation (PR) section. If the LDP had been an attractive option to the electorate, it would have mobilized more votes than the previous election. However, even in a situation in which political parties are so fragmented, the LDP's share in the PR section decreased rather than increased. On the one hand, the LDP mobilized 18.8 million votes in the PR section of the 2009 general election whereas the DPJ mobilized 29.8 million votes. On the other hand, votes for the LDP in the PR section in 2012 decreased by 2,200,000 votes rather than showing an upward trend. This suggests that the Japanese electorate did not show increasing sympathy for the LDP or return to the LDP. Instead, a remarkable number of voters cast their votes for a new party, *Ishin no Kai*, which collected 12,262,228 votes in 2012. DPJ's loss was also remarkable in that the party mobilized only 9,628,653 votes. Table 3.2 suggests that the LDP was not strongly favored by the Japanese electorate, though it succeeded in mobilizing its supporters consistently. Considering that the DPJ gained 18,450,139 votes in the

Table 3.2 Major Parties' PR Vote Mobilization in the 2009 and 2012 Elections

	2009 Election		2012 Election	
	Votes	Share	Votes	Share
DPJ	29,844,799	42.40%	9,628,653	16%
LDP	18,810,217	26.70%	16,624,457	27.60%
Komei	8,054,007	11.50%	7,116,474	11.80%
Minna	3,005,199	4.30%	5,245,586	8.70%
Ishin	–	–	12,262,228	20.40%
Others	10,656,255	15.10%	9,301,190	15.50%
Total	70,370,477	100%	60,178,588	100%

Source: *Asahi Shimbun*; September 1, 2009; December 18, 2012.



2010 upper house election, the DPJ lost roughly 9 million votes to other parties between 2010 and 2012. The LDP gained 2.6 million votes in the same period.<sup>6</sup> This indicates that the Japanese voters were not so fascinated by the LDP as they were extremely disappointed by the performance of the DPJ.

If the 2012 election result does not indicate a return to LDP dominance, then what explains the LDP's return to power? How did the LDP, which gained only 119 seats in the 2009 general election, secure 294 seats three and half years later? At the same time, why did the DPJ, which acquired ruling party status with 304 seats in 2009, become a small party of 57 seats in the same period?

The easiest explanation of why the LDP returned to the ruling party position is that contending parties have been extremely fragmented without any electoral cooperation. The 2012 election was unusual in that 12 political parties fielded their candidates to the districts without any coordination among them. In addition to the two traditional opposition parties, the Japanese Communist Party (JCP) and the Social Democratic Party of Japan (SDPJ), four political parties ran the campaign competitively to win seats in the districts: the DPJ, *Ishin no Kai*, *Mirai*, and *Minna no Party*. It was predicted even before the election that *tomotaore*, or collapsing together, would take place in each district. Given the fragmentation of political parties, the LDP by maintaining its party solidarity could run an electoral campaign to effectively defeat the opponents.

However, fragmentation of parties does not necessarily and automatically explain the LDP's victory. It begs the deeper question of why the DPJ provided room for party fragmentation. Why could the DPJ not maintain party solidarity? Why was the DPJ divided in the first place? If the DPJ was divided from within because of disagreements on party management and party policy line, what was the main reason that the DPJ faced such a difficult impasse?

The DPJ contained a possibility of internal divisions from the start of its time as the ruling party. However, internal party division is not necessarily a unique phenomenon found in only the DPJ. The LDP has long been known for internal divisions led by factional groupings within the party. Though the DPJ did not call them factions, everybody acknowledged the existence of so-called groupings within the DPJ.<sup>7</sup> Until the 2009 general election, the DPJ revealed a relatively high degree of party solidarity for the purpose of defeating the ruling LDP. However, interestingly enough, internal strife among the party groupings intensified after the DPJ came to power.

Within the DPJ, there existed two cleavage lines: one was between the pro-Ozawa Ichiro group and the anti-Ozawa groups; and the other was between principled manifesto implementers and manifesto revisionists. Roughly speaking, pro-Ozawa groups and principled manifesto implementers overlapped. Most of those groups belonged to the Ozawa group and the Hatoyama group. The Maehara Seiji and Noda groups represented the strongest anti-Ozawa groups within the DPJ. The Kan groups stood in-between.

From the start of the DPJ regime, it was expected that the party would have difficulty keeping the promises they had made in the manifesto. The DPJ made social welfare promises to the public that required an immense budget. Though the DPJ had planned to squeeze money from a closer screening of bureaucratic bodies and public sector reforms, they faced a continuous deficit in the national budget. The reality prompted a debate within the party about whether they should revise the manifesto and take a realistic approach or stick to the original promises. The Ozawa group and intraparty groups close to Ozawa took a stance that the manifesto should be observed as promised, because they had made a public commitment. On the other side, the Okada Kastuya, Maehara, and Noda groups became more flexible on the issue.

Trends of the times and situations ran against the DPJ. It was expected that, from around 2017–2018, Japan will face fiscal deadlock because of a snowballing government deficit. Even though the deficit was not the DPJ's making they had no choice but to deal with it. Because of an aging society and smaller children, the social welfare burden of the government was constantly on the increase. However, due to a long-lasting recession, government revenue was on the downhill slide with no hope of reversing its trend. Furthermore, unfortunately and unexpectedly, Japan encountered the Great East Japan Earthquake on March 11, 2011. In order to recover from the earthquake and Fukushima nuclear plant accident, Japan under the DPJ had to pour an unprecedented amount of money into these efforts. All these situations expedited the discussion about a consumption tax increase, which had been on the political table from the time of the LDP. As the ruling party, the DPJ was forced to deal with the issue.

Noda's strong drive for a consumption tax increase eventually divided the DPJ. Prime Minister Kan had first put it on the table. Raising the consumption tax was a formidable intraparty policy challenge as the DPJ had promised during the 2009 electoral campaign

that they would not raise taxes over the next four years in the name of people's life first policy. In particular, Ozawa and his supporters opposed the consumption tax increase vehemently, arguing that public sector reform should be first considered before placing more burden on the people. However, Noda, after assuming power, argued that he would pass the consumption tax increase bill even at the risk of his political life.<sup>8</sup> Noda pushed the agenda through despite strong opposition within the party. He did not realize the LDP's scheme to divide the DPJ before the next general election. The LDP leaders repeatedly told the DPJ executives that they would cooperate on the consumption tax increase bill if the DPJ kicked out Ozawa and his supporters.<sup>9</sup> With the support of the LDP and Komei, Noda pushed the bill through despite open criticism from 48 members of the Ozawa groups. Eventually after the bill was endorsed in the Diet on August 8, 2012, these members exited the party and formed a new political party named *Seikatsu*. A total of 49 former DPJ members, who were Ozawa followers, formed a new party called *kokumin no seikatsu ga daiichi* (or Seikatsu, people's life as the priority) on July 11, 2012.<sup>10</sup> Though the consumption tax increase may be an unavoidable choice for Japan in the middle of a burgeoning aging population and fiscal deficit, Noda's political choice of dividing the party led to the loss of DPJ's comfortable majority in the lower house. Only 233 DPJ remained prior to the election, which already reduced the DPJ's competitiveness by half.

Not only in the fiscal policy area, but Noda also in the foreign and security policy shifted nearer to the LDP. In the face of an increasingly assertive China, especially on the issue of Senkaku/Diaoyu island dispute, the DPJ cabinets after Hatoyama turned from focusing on East Asian diplomacy to a US-centered foreign policy. After the autumn of 2010, Kan declared that the US-Japan alliance is the axis of Japanese foreign policy. Noda went further to claim that the US-Japan alliance is the most important element of Japanese external policy. Noda's cabinet did not hesitate to take a strong, negative stance against not only China, whom they had friction with over the Senkaku/Diaoyu islands, but also South Korea, whom they challenged on the issue of comfort women. As a result, even though the DPJ designed a foreign and security policy that focused on building trust among Asian neighbors in the framework of the US-Japan alliance, during the Noda Administration, its foreign and security policy more resembled that of the LDP. One could hardly differentiate the DPJ's foreign policy from that of the LDP's.

These drastic policy shifts during the DPJ's tenure had irreparable political side effects on the DPJ itself.

By turning the fiscal policy priority toward strengthening fiscal balance first, the DPJ looked as if it was a party who had lied to the electorate in the previous election. Everyone knew that consumption tax increase was necessary, but the reality is that nobody dared to take the initiative. Though Noda's attempt to increase the consumption tax was a necessary step to avoid snowballing fiscal deficits, he did not realize that this would initiate a voters' revolt against the party just as the Japanese electorate did in the 1989 upper house election and the 1997 upper house election.<sup>11</sup> Furthermore, Noda and the DPJ leaders did not pay attention to their own electoral promises but instead reacted to their emotional frustration against Ozawa, who was a controversial leader within the party. However, in the eyes of the electorate, the DPJ did not keep their promise and listened to the voice of the ministry of finance before that of the ordinary people. Noda placed more emphasis on making a grand coalition with the LDP and New Komei to pass the consumption tax increase bill than on maintaining party solidarity from within. Noda did not make any attempts to stop Ozawa and his followers from leaving the party. The Japanese electorate had to wonder whether Noda was on the LDP side or on the DPJ side.

Also, intraparty division about policy ideas gave an impression to the Japanese electorate that the DPJ lacked political leadership. The DPJ was seen as a party always under strain and in strife with factional leaders fighting for primacy within the DPJ. The DPJ looked united before the 2009 general election, in the name of pushing the LDP out from the ruling party position. However, after victory, the DPJ fell into the trap of gathering spoils of victory with little coordination among groups within the party. In particular, the pro-Ozawa and anti-Ozawa power struggle never ended until the former group left the party prior to the general 2012 election.<sup>12</sup> And so, the DPJ acquired an image that it is not only incompetent but also always divided within.

The fatal blow to the DPJ was a lack of strategy to differentiate itself from the LDP. By agreeing on the agenda of a tax increase as well as a strengthening of the US-Japan alliance, the DPJ lost its own unique political brand. The DPJ, when it aspired to be a ruling party, it claimed that, instead of ideology-oriented politics, politics should give priority to people's daily life. The DPJ also pointed out that, rather than serving national or state interest, people's interest should

be prioritized.<sup>13</sup> Also, in the area of foreign and security policy, the DPJ argued that Asian diplomacy should be restored unlike the LDP that tried to strengthen only the US-Japan security alliance. Over time almost all of the DPJ policies moved closer to those of the LDP, which made it very hard to differentiate between the two parties. If that is the case, and if the DPJ is regarded as incompetent and divided, the Japanese electorate had no reason to support the DPJ, as the experienced LDP may do a job better than the shattered DPJ.

It is not all that difficult to conclude that the DPJ's defeat is of its own making rather than a result of external pressure and strong criticism. When Japanese electorate gave a poor evaluation to the DPJ, the LDP sat in the front line ready to attract the electorate's attention. The right-wing politicians in Japan also expedited the process of diverting people's attention to the hawkish conservatives. From around April 2012, Ishihara, the then Tokyo governor, raised a unprecedented idea that the Senkaku/Diaoyu islands should be purchased by the Tokyo metropolitan government. This tactic placed increasing pressures on Noda's DPJ to take a fresh government initiative to deal with the Senkaku/Diaoyu islands dispute. Eventually, Prime Minister Noda declared on July 7, 2012, that the Japanese government should purchase the islands to peacefully and stably manage the islands.<sup>14</sup> The Noda Cabinet actually made a decision to implement this proposal on September 2012, despite China's strong resistance against the move. China argued that purchase of the islands amounts to a change in their status quo. The DPJ gave a timid and hesitant response to China in September 2012, which increased friction with Chinese authorities, thereby giving more political points to Abe, a hawkish candidate for the LDP president, who argued that Japan should stand firm on the issue. Also, when the Korean president Lee Myong Bak visited Dokdo (Takeshima) on August 10, 2012, and then commented on the Japanese emperor, Japanese conservatives reacted vehemently against his actions and words. This also gave political points to Abe and hawkish conservatives like Hashimoto and Ishihara. Hence, in the latter half of 2012, Noda had difficulty in controlling the political agendas to his advantage. When he had a party leaders' meeting on August 8, 2012, Noda made the political commitment to dissolve the Diet in the near future if the LDP and New Komei agreed to passing the consumption tax bill in the upper house.<sup>15</sup> This informal promise also generated a strong negative response within the Noda Cabinet, as it showed that he could not control the pace of political events to his advantage at all. In anticipation of the coming general election, the

DPJ was further divided and fragmented, which led to its miserable defeat in the general election.

If we review all the political blunders and mistakes of the DPJ, especially by the Noda Cabinet, the DPJ should be blamed for its own failure. It is the DPJ government itself that helped the LDP to return to power. The LDP gained power not because the party was intrinsically strong and resilient but because the LDP took optimal advantage of the division within the DPJ and its policy failures.

### Political Realignment to the Advantage of the LDP

It is noteworthy that party competition space has been restructured after the critical election on December 16, 2012. Most of all, opposition parties have been totally shattered and fragmented. The new style of opposition party reveals strong right-wing ideological orientation, as seen in *Ishin no Kai*, the first to emerge. The potential for cooperation among major opposition parties are not as great. This has reminders of the political party setup around the 1993 general election when the ruling LDP was divided and multiple parties competed for power.

Postwar Japanese party politics have experienced four major political realignments since 1955.<sup>16</sup> The first major political realignment took place in 1955, when the conservative camp was integrated into the LDP and the left- and right-wing socialist parties merged into the Japan Socialist Party (JSP). This marked the start of the so-called 1955 system where the two ideologically polarized parties competed without seeking political compromises. The second major political realignment arrived in the early 1960s, which was around *anpo toso*, or the security struggle. In 1960, the right-wing group in the JSP broke away from the party and formed the Democratic Socialist Party (DSP). Also, in 1964, a party based on a religious organization was formed and called *Komeito*, or Clean Government Party (CGP). Japanese party politics entered a stage of multiparty competition among five major parties: LDP, JSP, DSP, CGP, and JCP. Ideological competition between the conservative LDP and progressive JSP and JCP continued, but two parties that were middle of the road parties, DSP and CGP, created breathing space for political compromises between the two camps. Even though four non-LDP parties challenged the legitimacy of the LDP rule, the LDP was aided by the fragmented opposition. This format continued until the third phase of political realignment in 1993.<sup>17</sup> After Hosokawa Morihiro, Ozawa,

and Takemura Masayoshi bolted from the ruling LDP and formed new parties—Japan New Party, New Renewal Party, and Sakigake—the number of political parties multiplied. Although the Ozawa-led New Frontier Party, formed in 1995, was an attempt to integrate all the non-LDP, non-JCP parties, it ended in failure. Most opposition parties were eventually integrated into the DPJ, the process culminating in 2003. When the Liberal Party led by Ozawa (1998–2003) joined the DPJ in 2003, the process of integrating major opposition parties ended. The DPJ became a party that could collectively challenge the LDP. The DPJ embraced almost all the opposition parties, except the SDPJ and JCP. It seemed as if Japanese politics had entered a stage of a virtual two-party rivalry between the LDP and the DPJ. However, the 2012 general election created new momentum for political reshuffling and realignment with party splits and fragmentation restarted. Japanese political parties have entered the fourth phase of major political realignment.

The fourth stage of political realignment, which started in 2012, reveals a few characteristics that are qualitatively different from the previous political party setup.

First, opposition parties have been extremely fragmented. Before the 2009 general election, almost all the opposition parties in Japan had been integrated into the DPJ, forming a united front against the LDP. By 2012, the former DPJ members had split mainly into the DPJ and *Seikatsu*, who are mostly Ozawa supporters. A new political party, *Ishin*, was formed just prior to the election and successfully fielded candidates, obtaining 54 seats, only three seats short of the DPJ. In addition to the two existing progressive opposition parties, the JCP and the SDPJ, which had been in Japanese politics since the postwar period, four other parties voluntarily positioned themselves as opposition parties. What is most significant is that, after the 2012 general election, the non-LDP camp divided into three major opposition parties: DPJ, *Ishin*, and *Minna*. If you combine the seats earned by those three parties, the total is 129 seats, more than the 119 seats that the LDP obtained as the largest opposition party in the 2009 election. This suggests that what changed the election outcome is not an awful, unprecedented victory for the LDP but fragmentation of the major opposition parties. If the DPJ maintains miniaturized but united front against the LDP, the DPJ may have a better chance of seriously challenging the ruling LDP again. However, division of the major opposition parties makes it very difficult to topple the LDP regime in a short period of time. The truth is that, as long as a SMD

system is in place, opposition parties may feel tempted to unite again in the future as they have in the past. However, it should also be noted that it took almost ten years from 1993 until a united opposition party, DPJ, emerged in 2003 once parties became fragmented.

Second, the fact that *Ishin no Kai* secured 54 seats should be a critical change. This party is composed of local governors: Hashimoto, Osaka major, and Ishihara, former Tokyo governor. Also, this party has rapidly emerged as an alternative to the DPJ in the context of rising historical and territorial controversies in the latter half of 2012. *Ishin no Kai* represents a right-wing stream of Japanese society. *Ishin no Kai* should be considered the first right-wing political party in Japan.<sup>18</sup> For the first time in postwar Japanese political history, a political party emerged that stands on the right end of the ideological spectrum. It is noteworthy as well that *Ishin no Kai* shares a few political claims with the LDP. Both political parties are basically in agreement in that the existing peace constitution should be changed, including Article 9. The two parties share the premise that Japan should increase its defense capability independent of the US-Japan alliance to cope with an increasingly assertive China. Also, both political parties maintain a similar stance on issues related to historical and territorial controversies. Though the LDP has kept New Komei as its coalition partner since 1999, no one would be surprised if the LDP enters a political marriage of convenience when the need rises.<sup>19</sup> In terms of securing urban supporters, *Ishin no Kai*, which is mostly based on urban conservative voters, has the potential to replace Komei supporters, as the LDP needs a party that can supplement the LDP in urban constituencies.<sup>20</sup> In that sense, the LDP has the option of securing a potential coalition partner that represents a more conservative segment of Japanese society. Minna no Party does not necessarily share a nationalistic ideology with the LDP. It is a more reform-oriented conservative party. However, considering that Minna no Party also belongs to the conservative political camp by traditional standards, three conservative political parties—the LDP, *Ishin no Kai*, and Minna no Party—may have a chance to collaborate on issues where their political ideas converge. This all means that, in a new political competition space, the LDP has multiple potential coalition partners, which is unprecedented. Out of 12 political parties that fielded candidates in the general election, at least seven party leaders were LDP or former LDP politicians. This confirms that the conservative wing of political parties has been largely expanded under the current political setup.



Third, political parties that belong to the former progressive camp, JCP and SDPJ, have been increasingly marginalized with the passage of time. The combined number of seats for both is only 10 in the lower house, or 2 percent of total seats. In the upper house, JCP has 6 members while the SDPJ has 4 members, a total of 10. Both parties in the upper house represent a mere 4 percent. Progressive political forces by a conventional categorization have dwindled to a marginal number in Japan's political competitive space. This tendency is unlikely to be reversed in the future as well.

Fourth, the potential for political alliances among the opposition parties is not sanguine, either. With the rise of *Ishin no Kai*, the potential for cooperation between the DPJ and *Ishin no Kai* is not high at all. *Ishin no Kai* is closer to the LDP than to the DPJ. *Ishin no Kai* and Minna no Party discussed the possibility of electoral cooperation, but it collapsed because of Hashimoto remarks. *Seikatsu*, which originated from Ozawa followers, has the potential to work with the DPJ. However, in that *Seikatsu* split from the DPJ, collaboration with the DPJ is not so easy at the moment, though not impossible. No political party wants to work with the JCP in a serious manner. Also, the SDPJ takes an independent stance rather than trying to work with other opposition parties. Therefore, in the short run, the LDP is likely to benefit from the ideologically conflicted and numerically fragmented opposition parties that are unwilling to cooperate with each other.

Fragmented opposition, increasing number of conservative political parties, marginalized progressive parties, and low potential for cooperation among opposition parties will probably contribute to the resilience of the LDP for a few years to come.

## Abe's Navigation to the Upper House Election

Because of the nature of political realignment unfolding after the 2012 general election, the LDP under Abe is likely to be in an advantageous position to lead political landscape. Even before the upper house election in July 2013, Abe's LDP had secured a better position to win the upper house election.

First of all, Abe's popular endorsement rate is unusually high, recording 72 percent as of May 2013. All the former prime ministers before Abe decreased their popularity after they assumed the position. However, Prime Minister Abe showed an extraordinary performance by pulling his popularity higher after he became prime minister. The result of opinion surveys conducted by *Yomiuri Shimbun* shows that

the support rate for the Abe Administration between December 2012 and May 2013 remains roughly around 60 percent.<sup>21</sup> Abenomics worked to the advantage of Abe by successfully turning around the mood of the Japanese economy and society. Considering that the popularity of all the previous cabinets over the past ten years showed drastic declines, it is quite unusual that the Abe Cabinet has managed to maintain a good record for more than five months. Given that Abe maintained a high popular endorsement rate as of June 2013, one month before the upper house election, the LDP's victory in the upper house election was a reasonable expectation.

Most of all, after the 2012 general election, opposition parties were still divided without any prospect for serious electoral cooperation. All the political parties, except for the LDP, are struggling to elevate their support rate. However, no political party seems to be successful in this endeavor. As of June 2013, no political party, except for the LDP, has obtained more than a 7-percent support rate. This is a good contrast with the LDP that secured 44 percent of support from the general public. Though *Ishin no Kai* was comparatively popular, by recording more than 10 percent in the beginning of 2012, its popularity is on the constant decline over the past six months of 2012. The DPJ records a 7 percent support rate, but it failed to increase its popularity. The Minna no Party and *Ishin no Kai* searched for the possibility of coordinating candidates to avoid overlapping electoral defeat. However, after Hashimoto, the party leader of *Ishin*, made controversial remarks concerning comfort women, Watanabe, the leader of Minna no Party, decided not to collaborate with *Ishin no Kai*. *Ishin* is becoming less popular among the public after Hashimoto's remarks. Even Ishihara was critical of Hashimoto and his reckless remarks, which is the immediate reason why *Ishin*'s popularity is going down. *Ishin* has lost credibility, especially among the female voters. However, New Komei is likely to continue electoral cooperation in the electoral constituencies, though cooperating in the PR might be quite limited. The LDP is a priority choice among the Japanese electorate at the moment, especially when they are forced to choose one party for PR, while other political parties have a difficult time catching up with the LDP. The DPJ is a follow-up runner, but its popularity goes only up to 7 percent, while that of the LDP is 44 percent.<sup>22</sup> The LDP's popularity may go down, but the problem is that other political parties are unable to catch up with the LDP in the short term.

A bigger challenge for the opposition camp is whether they can find alternative policy ideas that can replace those of the LDP. Ironically,

the LDP did not assume the burden of increasing the consumption tax. Although it consented to the idea of a consumption tax increase, Japanese voters hold the DPJ, not the LDP, responsible. After tax increases, the ruling party has more freedom and flexibility to make fiscal policy than before. Abe is taking a strong initiative to rely on quantitative easing to boost the economy. It is uncertain whether this initiative will continue to give hope for the Japanese economy. But, it is certain that at the same time the Japanese public is enjoying an elevated mood. Of the three arrows that Abe holds in his quiver, only two—quantitative easing and stimulus package—have been shot. A remaining third arrow, structural reform, has not been pulled yet. Still the increasing popularity of Abe indicates that the Japanese voters are in favor of the idea of pushing the economy forward rather than doing nothing. Under these circumstances, opposition parties can hardly criticize Abe's initiative. In the area of security policy, Abe's choice for strengthening the US-Japan alliance is in line with the former DPJ prime minister Noda. Abe is basically inheriting the policy that the DPJ initiated. Accordingly, opposition parties, especially the DPJ, cannot criticize Abe's foreign and security policy stances. Except for the SDPJ and the JCP, no political parties are seriously questioning the resilience of the US-Japan alliance. As for the issues of dealing with Asian neighbors like China and South Korea, opposition parties are not raising objections, though they may not be fully satisfied. The Japanese public is in favor of a principled and strong stance against China. When it comes to historical and territorial issues, dovish politicians want to tame the issues so that they can manage conflicts with neighboring countries. Ironically, because Hashimoto's remarks went too far, even the members of the Abe Cabinet, who are hawkish conservatives, are trying to keep some distance from Hashimoto, which gives the impression that Abe and his aides are pursuing a low-key profile in handling those thorny issues. In reality, because of Hashimoto's reckless remarks, Abe and his chief cabinet secretary have taken a step back and announced that the Abe Cabinet is going to accept the Murayama declaration in its entirety, which they had refused to do for a long time. All these political developments work to the advantage of the LDP and the Abe Cabinet in the short run.

All these elements contributed to the landslide victory of the LDP in the upper house election on July 21, 2013. The LDP increased its seats to 115 from 84 seats before the election. Combined with 20 seats won by Komei, the ruling coalition secured 135 seats, which

composed a stable majority in the upper house. DPJ's seats decreased to 59 from 86 seats before the election.<sup>23</sup>

The upper house election result suggests that Abe is likely to remain as prime minister at least until 2016, when the next upper house election is expected. After the upper house election in July 2013, no major national-level elections are expected. The LDP has no incentive to call a general election until the end of its tenure, that is, December 2016, because the LDP has secured an absolute stable majority in the lower house. Any unexpected and unplanned dissolution of the lower house will only lead to a drop in seats. Therefore, there is little incentive for the LDP to dissolve the Diet in the next three years. Also, other parties are fragmented. If the election were to be called, it would only help the opposition parties to increase their seats as well as raise the cooperation potential among the opposition camp. Thus, Abe is less likely to call the election until the end of the lower house term. Also, after the July 2013 upper house election, the next upper house election is due in July 2016. The LDP is not likely to face major political blow in the elections expected in 2016 unless opposition parties are united by that time. This will give the LDP a dominant position for another three years, at least, as long as the LDP-led Cabinet does not make any unexpected personal or political mistakes.

## Conclusion

Before the changes of governments between 2009 and 2012, Japanese politics had long been characterized by single-party dominance. The LDP was often regarded as a natural governing party of Japan. However, this trend was disproven by the emergence and ascendance of the DPJ. In 2009, the DPJ, for the first time in Japanese postwar political history, pushed the LDP out of power by electoral choice. For three years and four months, the DPJ served as Japan's governing party. Yet even with the change in governing party, the Japanese electorate still had to live with the reality of annually changing prime ministers.

In a general election on December 16, 2012, the LDP returned to power by gaining 294 seats. The DPJ share dwindled to 57 seats, followed by a new opposition party, *Ishin no Kai*, which obtained 54 seats. It goes without saying that the LDP stands at the top of political party competition. Moreover, Abe's popularity is on the upswing after he became prime minister.

A diminished DPJ and fragmented opposition parties have allowed the LDP to return to the glorious status of single-party dominance as it had been under the 1955 system. However, a closer look at the electoral outcome teaches us that the Japanese electorate did not give a one-sided victory to the LDP. It is true that the DPJ fell out of favor with Japanese voters: their performance angered and frustrated the public. The DPJ betrayed the voters' expectation that people's lives would be enhanced. Despite the electoral campaign phrase of people's life first, the DPJ felt clear limitations on improving the daily lives of citizens. Social welfare benefits were expected to grow, but cost money. The DPJ tried hard to cut public expenditures by introducing a new system of recategorizing government businesses and curtailing government subsidies. However, despite all these strenuous efforts, the DPJ failed to identify and redirect funds from the preexisting budget toward an expanded social welfare program. In the end, the DPJ government relied on the tactic of increasing consumption tax. This directly went against their electoral promise to not increase taxes before the next general election. This decision not only antagonized the Japanese public but also produced intraparty strife. The DPJ came to be internally divided between the principled advocates of electoral promises and the pragmatists who adapted to a newly evolving situation. Ozawa and his followers, who belonged to the first line, left the DPJ because of this broken electoral promise. Ironically, it was not only the DPJ but also the Ozawa group that were decimated by the electoral defeat. This suggests that the Japanese public did not like the internal strife among the DPJ members. It is not an exaggeration at all that the Japanese public did not want the DPJ to fall into the trap of being divided within and pulling down each other. Ordinary voters realized that the DPJ politicians were playing a game among themselves, just as the LDP politicians had in the past.

Although DPJ leaders may argue that changing external circumstances led to the shift in their foreign policy, the reality is that the DPJ had to listen to the advice of government ministries. Their promise that politicians would take the lead in policy formation fell short because the DPJ did not have independent think tanks or policy innovators of their own, and so ended up listening to experienced bureaucrats. Not only the finance ministry but also the foreign and defense ministries guided their policy line, resurrecting the former LDP policy lines. Only a few in the DPJ were clearly aware that the DPJ's policy line had been different from the LDP. What the DPJ leadership had wanted was to be in the driver's seat of government policy. The DPJ's

ambitious attempt to restore Asian diplomacy fell flat, because one could hardly find the essence of the implementable policies. China seemed as if they were trying to test the weakening ties between the United States and Japan, as shown in the Senkaku/Diaoyu islands dispute in September 2010. China went further to take an assertive diplomacy stance toward Japan, in particular toward the Senkaku/Diaoyu Island issues. This provided an opening for right-wing politicians and the conservative hawks to emerge and come to the fore. Cornered by China's assertive approach, Japan under the DPJ made a U-turn back to a stronger US-Japan alliance. Instead of building trust with Asian neighbors to open a new foreign policy frontline, as originally promised, the DPJ's foreign and security policies took a step back to the LDP-style policy line. Those who argued for the promotion of Asian diplomacy within the DPJ were in a minority. Seizing the advantage of a changing external environment, conservative hawks, like Abe, Ishihara, and Hashimoto, began criticizing the so-called kowtow diplomacy of the DPJ era. The hawks argued that Japan should stand firm and keep pride as a nation by strongly presenting Japan's own claims. It may have not been the DPJ's own design to return to the LDP-styled foreign policy, but it is undoubtedly true that altered position of the DPJ worked to the benefit of the LDP and conservative hawks, as apparent in the election results.

Through the magic of the SMD electoral system, the LDP received a larger number of seats than the actual support rate but failed to drastically increase its PR votes. The Japanese electorate is still reserving its right to bestow more credit on the LDP. Votes for the LDP in PR did not increase. The voting rate was lower than ever. Instead of the LDP or the DPJ, Japanese voters gave support to third parties like *Ishin no Kai* and Minna no Party. In that sense, it is too early to say that the LDP has returned to the status of a single-party dominance. The LDP is enjoying its dominant status simply because the opposition parties are extremely divided. Fortunately for the LDP, political realignment could allow the LDP to secure potential coalition partners in the conservative camp. Depending on the situation, *Ishin no Kai* and Minna no Party may jump to a LDP-called coalition, in addition to the New Komei. If the coalition matrix evolves in this way, there remains a possibility that the New Komei may leave the coalition with the LDP, because of fears over eventually being abandoned. Also, if the three conservative parties form a coalition, it would revolve around the issue of constitutional revision. However, the New Komei still remains cautious about revising Article 9 and other

clauses. Accordingly, the coalition between the LDP and two other conservative parties can work as a poison as well as a benefit.

It may be an exaggeration that the LDP has returned to a predominant party. However, this does not mean that the LDP will be weakened in the near future. It simply means that the LDP's dominance does not derive from structural reasons but from a temporal political realignment that unfolds now. Also, denying the return of LDP dominance does not exclude the possibility that the LDP will exert immensely strong influence at this stage and in the years to come. There is no denying that the biggest opposition party, the DPJ, is not a match for the LDP. There is even a possibility that the DPJ could be dissolved in the future, as happened to the New Frontier Party. The two opposition parties—*Ishin no Kai* and Minna no Party—are potential cooperators that belong to the same conservative camp as the LDP. The JCP and the SDPJ are not likely to be formidable challengers in the future. At the moment, the LDP under Abe enjoys the highest popular endorsement rate. Based on these circumstances, Abe is very likely to be serving his post for an extended period of time, perhaps even after the next general election in 2016.

These political changes signal that Japanese politics is entering a new stage of political realignment, one in which the LDP retakes its position as a primary competitive political party. The LDP is likely to dominate in the Diet for at least three to five years. However, it remains to be seen whether this current advantage that the LDP enjoys will become firmly established. Under the SMD system, it is logically expected that the opposition camp has an incentive to embrace the others to form a united front against the ruling party, whether it is the LDP or the DPJ. It is not necessarily a matter of ideological differentiation that makes the opposition parties get together. Rather it is the survival instinct of Diet members and candidates to find an alternative space, which is widely open to them, in order for them to remain competitive. That is why many young talented candidates rushed to the DPJ when the LDP was reigning. Also, that is exactly why a number of young and talented candidates knocked on the door of the LDP when the DPJ was in a ruling position. Thus, it is a matter of time before opposition parties reshuffle themselves to pose challenges against the LDP. Until the opposition parties find new spaces for themselves in the interparty competition arena, the LDP will enjoy the status of a glorious ruling party. However, the LDP can hardly go back to the good old days of running the country for an extended period of time without being challenged by an integrated opposition.

Just as the opposition parties became integrated between 1993 and 2003, institutional incentives under the SMD system will work as a underlying power to induce changes in the nature of political competition again on Japanese soil.

It is expected that the end result of that political realignment will be sharply different from the previous phases of political restructuring. Interparty competition among the Japanese parties may not take the form of ideological competition between the conservative single party, the LDP, and the progressive party, as we saw in the beginning of the 1955 system. Also, it is not likely for the LDP to become encircled by the progressive and middle-of-the-road opposition parties, as we saw between the 1960s and 1980s. Also, it is not likely to be a competition between the LDP-Komei coalition and the central party like the DPJ, as we saw between the 1990s and 2000s. It is highly probable that progressive and central parties will remain marginalized. A more likely scenario of political party competition in Japan in the coming decade will be the competition between conservative doves and conservative hawks.

## Notes

\* Financial support from The Japan-Korea Cultural Foundation and University of Niigata Prefecture is gratefully acknowledged.

1. The LDP once lost its power in 1993, but it was rather a result of party breakup than a result of people's electoral choice.
2. Seijyuro Shiokawa, "Nihon ha Saisho Fukou Shakaida (Japan is a Unhappy Society for Prime Minister)," *Bungei Shunju* (October 2010).
3. This chapter applies Giovanni Sartori's conception of parties and party system in a renewed fashion. Policy ideas are an equivalent of ideology, and the fragmentation of parties means number of competitive parties.
4. *Yomiuri Shimbun*, December 17, 2012. "Shugiin Senkyo: Tohyoritsu Sengo Saitei (House of Representatives election: Voter turnout around 59%, minimal level after the war)" *Yomiuri Shimbun*, December 17, 2012.
5. "Shugiinsen Kekka (Result of the Lower House Election)," *Asahi Shimbun*, December 18, 2012.
6. "Sangiinsen Kekka (Result of the Upper House Election)," *Asahi Shimbun*, July 13, 2010; December 18, 2012.
7. *Jaepyon gwa Jongdang Kyongjaeng Cheje* (Reconfiguration of Japanese Opposition Forces and Party Competition System)," *Korean Political Science Review* 40:5 (Winter 2006): 279–299.
8. Prime Minister Noda declared in the Diet on March 24, 2012, that "What I want to do most is move away from politics that postpones everything." Increased tax would allow this to happen. "*Shohi zouzei ni Seiji Seimei*



- (Risking Political Life on Consumption Tax Increase),” *Asahi Shimbun* March 25, 2012.
9. Rep. Motegi, who was head of the policy affairs research council, said, “The easiest thing that can be done to pass the legislation is to kick out opponents within the DPJ.” *Asahi Shimbun* March 5, 2012. Later on March 23, 2012, LDP president Tanigaki made a similar remark by saying, “Prime Minister Noda may have to declare that parting with Ozawa can be executed.” *Asahi Shimbun* March 23, 2012.
  10. “*Kokumin no Seikatsu ga Daiichi Kettou* (Forming a Political Party called ‘People’s Life is Number One’),” *Asahi Shimbun*, July 12, 2012.
  11. After the LDP Prime Minister Takeshita introduced a new 3 percent consumption tax, the LDP was devastated in the 1989 upper house election. Then the JSP drastically increased seats in the upper house, which created the long-lasting shortage of seats in the upper house. Also, when the LDP Prime Minister Hashimoto raised the consumption tax from 3 percent to 5 percent during his tenure, the LDP lost lots of seats in the 1997 upper house election, which led to Hashimoto’s fall and eventually to a coalition with the Komei.
  12. For more on intraparty divisions within the DPJ and Ozawa’s departure from the party, see Mi Jung Shim, “From the Intra-Party Conflicts to Party-Switching: A Research on Ozawa’s Defection from the DPJ,” M. A. thesis at the Graduate School of International Studies at Seoul National University (February 2013).
  13. Park Cheol Hee “Democratic Party of Japan’s Shifting Policy Ideas and Unstable Party Competition,” *Kukje Jiyok Yonku* (*Journal of International and Area Studies*) 20:1 (Spring 2011): 31–59.
  14. “*Senkaku Kokuyuka no Housin* (Nationalizing Senkaku Islands),” *Asahi Shimbun*, July 7, 2012.
  15. “*Kaisan Chikai Uchini* (Diet Dissolution in the Near Future),” *Asahi Shimbun*, August 9, 2012.
  16. For more on the transformation of the party system in Japan, see Gerald Curtis, *The Japanese Way of Politics* (New York: Columbia University Press, 1988).
  17. As for the process of party system change between 1993 and 2011, refer to Park Cheol Hee, *Jamindnag Jongkwon gwa Jonhu Cheje eui Byonyong* (LDP Politics and the Transformation of the Postwar Regime) (Seoul: Seoul National University Press, 2011).
  18. At an intellectual forum between Korea and Japan organized in 2012, Funabashi, former chief writer of the *Asahi Shimbun*, shared this conception that *Ishin no Kai* should be recorded as the first right-wing political party in Japan.
  19. After Hashimoto made a number of controversial remarks related to the comfort women, the Abe Cabinet has been trying to keep an arm’s length distance from the party.
  20. On the notion of the LDP-Komei electoral cooperation to come up with the weakening urban constituencies, refer to Suk Eui Sohn, “A Research on the

Electoral Cooperation between Komei and the LDP in the Single-Member Districts,” M. A. thesis at the Graduate School of International Studies at Seoul National University (August 2012).

21. “*Abe Naikaku no Shijiritsu* (Support Rate for the Abe Cabinet),” *Yomiuri Shimbun*, May 13, 2013.
22. “*Sangiin Hireisen de no Tohyosaki* (Where To Vote in the Proportional Representation Section in the Upper House Election),” *Yomiuri Shimbun*, June 11, 2013.
23. “*Sangiinsen Kekka* (Result of the Upper House Election),” *Tokyo Shimbun*, July 23, 2013.

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## Japanese Realignment and Impacting Korean-Japanese Relations\*

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The political realignments and regime changes, which took place in Japan in 2009 and 2012, have been one of the most important variables for its foreign policy, in general, and South Korean policy, in particular. On its inauguration, the leadership of the Democratic Party of Japan (DPJ) embarked on a set of ambitious policies to change Asian diplomacy under the ruling Liberal Democratic Party (LDP). By pronouncing the concept of an East Asian Community with South Korea and China as its core partners, the Hatoyama Yukio cabinet, the first DPJ administration, did not conceal its intention to redress the alleged diplomatic imbalance heavily tilting toward the United States. The succeeding Kan Naoto cabinet even made unprecedented efforts to push ahead with historical reconciliation with Seoul that had lost its momentum during Roh Moo-hyun and Koizumi Junichiro era, while the Noda Yoshihiko cabinet came very close to a final signature for the General Security of Military Information Agreement (GSOMIA), supposedly the first military agreement between the two US allies. Domestic and international conditions were not unfavorable for the policy change. The South Korean Lee Myung-bak government was trying to keep an accommodative approach toward Japan in spite of growing domestic pressures. The DPJ leadership was holding a dominant position in Diet with 308 seats out of 480 in the lower house, and for a while enjoyed reasonable domestic support for a rather liberal tone of diplomacy toward its neighbors.<sup>1</sup> Meanwhile, North Korean armed provocations in June and November of 2010

and the Great East Japan Earthquake of March 11, 2011, provided unexpected opportunities for both sides to accelerate a more friendly relationship.

However, less praise and more criticisms were prevalent. South Korean foreign minister Kim Sung-hwan quoted “the Myth of Sisyphus,” describing how the territorial disputes and distortions of history work as gravity to pull bilateral relations back to square one.<sup>2</sup> Stephen Walt<sup>3</sup> argues that while not looking to mend fences with each other, South Korea and Japan are letting national pride cloud their thinking in a most unproductive way. However, Masao Okonogi<sup>4</sup> picks up the incomplete transition from the “1965 system” to the “1998 system” as a structural factor that provides the bilateral relations with old but now “new” problems, such as the shelved compromise of *Dokdo/Takeshima*, the unreasonable settlement of individual compensation, and the ambiguous legal status of the 1910 Japan-Korea Annexation Treaty. Nevertheless, it would not be fair to evaluate the DPJ’s South Korea policy as well as the bilateral relations if we look at it with skepticism alone. Even through seemingly persistent frictions and conflicts, empirical evidence tells us that bilateral relations have been making steady progress toward deeper, heightened, and multilayered cooperation.<sup>5</sup> Historical issues and territorial antagonism should no longer cause any fundamental barrier for relations to move toward economic coevolution.<sup>6</sup> The enormous increase of cultural exchanges between the two people, brought about by the *Hanryu* (Korean Wave) boom as well as by Kim Dae-jung’s open door policy for Japanese culture since 1998, added a new dimension to the relationship.<sup>7</sup>

Here, I argue that the DPJ administration has made very meaningful attempts to improve the level of the ROK (Republic of Korea)-Japan relations, particularly in light of historical reconciliation, though notable failures do stand out. The regime change in 2009 led to multiple policy changes, otherwise the attempts would have failed outright.<sup>8</sup> The DPJ leadership was well aware of the importance of historical issues and rightly brought the reconciliation process back. It was because both inducing the ROK’s cooperative behavior in the regional economic integration and promoting security cooperation under the rapidly changing geopolitical circumstances were highly depending on how to overcome, or at least aptly handle, the nationalist identity politics that were vigorously consuming historical and territorial issues. Largely due to policy inconsistency, a policy shift of the Lee government, and a formidable impact of Asia-Pacific geopolitical

games, the DPJ administration failed to deny the identity politics access to other issues and, therefore, handed the unfinished business over to the LDP Abe Shinzo cabinet. In the following three parts, I examine two common questions. (1) What policy changes did the DPJ Administration attempt? (2) What have the DPJ's attempts done to influence South Korea–Japan relations? Each part deals with the historical and territorial disputes in light of identity politics, the ROK–Japan Free Trade Agreement (FTA) from the viewpoint of economic regionalism, and the GSOMIA case within the context of security alignment. We see that year-by-year the bilateral relations have had much to do with the multilateral relations among ROK, Japan, the United States, China, and even North Korea. In the last part, I show how the three competing dynamics—identity nationalist politics, economic regionalism, and security alignment—interplay with each other in the ROK–Japan relations, and describe what the Park Geun-hye government and Abe Administration should urgently be required to do in order to secure better relations for future cooperation.

## Historical Reconciliation vs. Nationalist Identity Politics

### *Reactivating Historical Reconciliation*

In the early twenty-first century, we have witnessed the rapid resurgence of nationalist identity politics that have avidly fueled the vicious circle of suspicion and distrust among South Korea, Japan, and China. Kenneth Pyle<sup>9</sup> named it “the age of full-blown nationalism.” It is at the very center of an embarrassing dilemma where the temptation to pursue parochial nationalism at the expense of regional cooperation and integration lures some politicians into striking what amounts to a Faustian bargain with the forces of the past.<sup>10</sup> The leadership of the incoming DJP Administration fully realized the possibility of tensions that could come from nationalism. The more the problems are discussed bilaterally, the greater the risk that emotions become inflamed and nationalism intensified.<sup>11</sup> The Hatoyama Cabinet rightly launched courageous initiatives, even if unrealistic to some, which reactivated historical reconciliation with Seoul, originally pioneered by Kim Dae-Jung and Obuchi Keizo in October 1998 and helplessly suspended during the Roh-Koizumi era.

What we saw was Tokyo's change of policy goals, methods/means, and level of efforts toward historical issues, substantially departing

from those of the LDP. Policy goals were drawn from a deductive reasoning that sincere and full-scale efforts to resolve the prolonged historical issues would be an effective shortcut to achieve stronger relationships with its neighbors, and in turn might be a powerful leverage to rectify the existing strong dependency of Japanese diplomacy on the United States. It was expected to lay the foundation for its long-term goal toward the building of an East Asian Community as well. The LDP Administration, in contrast, had held an opposite inductive reasoning that deepening and widening economic interdependence and cultural exchanges would inevitably spill over into other areas such as politics and security, and this would lessen tensions surrounding historical issues. Then, the so-called politician-led (*Seiji Shudo*) approach was taken. Particularly, the critical roles of Hatoyama Yukio, Kan Naoto, Ozawa Ichiro, and Yoshihiko Sengoku should be appreciated. Prime Minister Hatoyama pledged not to visit the controversial Yasukuni Shrine, and asked his cabinet members to do the same. At his first summit meeting with South Korean President Lee Myung-bak on September 23, 2009, on the sidelines of the UN General Assembly in New York, Hatoyama argued that “the DPJ government has the courage to squarely face the history issues.” Accompanied were a variety of promises, such as its respect for the 1995 Murayama Statement, advocating the construction of a new, nonreligious state memorial to replace the Yasukuni Shrine, and the announcement to take necessary measures for war-related issues, including comfort women, wartime conscriptions, and granting suffrage to Korean residents in Japan. Even though approximately one-half of Hatoyama’s promises failed, the Kan Cabinet that came into office on June 2010 showed a willingness to continue in its predecessor’s way. Sengoku, chief cabinet secretary, said on August 6 that Japan needs to consider higher political judgment from a humanitarian standpoint in order to solve the individual claims of wartime damages. At Seoul’s request, Tokyo readily handed over colonial-era records of those who died during forced labor at Japanese companies and mines. Among others, Prime Minister Kan’s statement on August 10, 2010, was worthy of special attention. It was the first time for the Japanese government to officially acknowledge that the Japan-Korea Annexation Treaty in 1910 had been written against Koreans’ will under forceful political and military circumstances. It added Tokyo’s sincere efforts to humanitarian cooperation efforts such as the ethnic Koreans left in Sakhalin and assistance in returning remains to the Korean Peninsula and the transfer of precious archives that

were brought to Japan during the colonial period, such as the Royal Protocols of Chosun Dynasty.

However, the reconciliation process was completely suspended during the Noda Cabinet, right after President Lee's decisive action to make the first presidential visit to the Dokdo/Takeshima islets on August 10, 2012, and his brusque mention on August 14 that "if Japanese Emperor wants to make a visit to South Korea, I hope he apologizes to the late fighters for independence who lost their lives during the colonial era."<sup>12</sup> His visit was a clear signal to Noda who was not willing to resolve the compensation issue regarding comfort women because of domestic politics. Soon, hostile responses were received by Tokyo. Japan's parliament adopted resolutions strongly condemning Lee's visit to the islets and demanding withdrawal of remarks about the need for the emperor to apologize. While denying the existing tacit understanding between the two countries about not allowing history to influence other areas,<sup>13</sup> the Noda Cabinet linked Lee's actions to its countermeasures. Noda sent a letter of protest to Lee and urged Seoul to resolve the territorial issue at the International Court of Justice (ICJ). In addition, Japan's Ministry of Finance announced that the expansion of the foreign-exchange swap could end up back on the drawing board, and postponed the annual meeting of the finance ministers scheduled for late August.<sup>14</sup> Then, the so-called public diplomacy by both sides was revealed to the international society. At the UN conference, Tokyo called for the greater use of the ICJ to resolve the territorial issue, while Seoul emphasized the importance of compensation for wartime sexual violence.

### *Backlash from Nationalist Identity Politics*

A policy shift from quiet diplomacy to the hard-line posture by the Lee government shown at the summit meeting in December 12, 2011, sparked the revival of nationalist identity politics. What ignited the Korean government's interest was a decision by the South Korean Constitutional Court that ruled that the governmental failure to negotiate individual compensation claims with Japan was against the Constitution. Despite Seoul's proposal to hold intergovernmental talks, Tokyo rejected it by reiterating the formal stance that the compensation issue had been fully and completely resolved under the 1965 normalization treaty. Pressures from Korean non-governmental organizations (NGOs) and public opinion rose against the Lee government. The united Korean coalition, which included the Korean



Council for Woman Drafted for Military Sexual Slavery by Japan, built a "Peace Monument" in December 2011, not only to commemorate their 1,000th demonstration in front of the Japanese Embassy, but also to pressure President Lee to resolve their problem at the summit meeting. Then, the summit between Lee and Noda on December 18, 2011, symbolized the drastic shift in relations in which President Lee spent almost 40 of the 60 minute meeting on comfort women. Lee went further at the 93th anniversary of the March 1 independence movement the next year with a speech that urged Tokyo to urgently resolve the compensation issue.

President Lee's dissatisfaction on the issue was apparent, but the controversy also raised the question of whether the statute of limitations of the "1965 system" had already expired. Seoul thought the existing system had to be modified, commensurate with the changing environment. The Korean view was that Tokyo's scope of historical reconciliation should not be limited to the narrow post-colonial period, and disappointment that its clear intention was to separate the territorial issue from the historical issues. The comfort women issue is unique in that it has transformed into an widely recognized international human rights issue, leading up to the passage of the "Comfort Women Resolution" by the US House of Representatives in July 2007, which was followed by similar resolutions in Netherlands, Canada, and EU. In contrast, there were very few changes in Tokyo's legal, procedure-oriented approach, including the legitimacy of the 1910 treaty, no compromise on wartime claims by individuals and NGOs based on the 1965 treaty, and the argument of territorial sovereignty over the islets based on the 1952 San Francisco Treaty. For the Japanese government, particularly for the semisovereign bureaucratic agencies, this kind of "functionalist" way of thinking that prioritizes procedure instead of problem-solving for future growth has been a very powerful and convenient logic to stand by the existing position.<sup>15</sup>

Seoul's policy shift was only a minimally necessary condition rather than a sufficient one for the reemergence of identity politics because the Noda Cabinet could only adopt a series of retaliatory measures immediately after Lee's actions. The very inauguration of the Noda Cabinet resulted in a serious loss of momentum, unable to keep going with the reconciliatory process led by his predecessors who were unsuccessful in integrating the deeply divided groups between a progressive interpretation of the past and a conservative one.<sup>16</sup> Noda's historical perspective was more closely identified with those of the conservative nationalists of the Liberal Democratic Party

(LDP), leaning toward the so-called *Yasukuni* paradigm, rather than those of the “Dankai generation” who shared strong sympathy on reconciliation. The DPJ’s younger lawmakers were more sympathetic to what the right-wing nationalists in the Diet advocated, including the LDP and the coalition partner People’s New Party (*Kokumin Shinto*), who were concerned about the conciliatory moves by the Hatoyama and Kan Cabinets, and expressed their opposition to granting suffrage to Korean residents and returning of royal scripts. In addition, growing political instability in the DPJ Administration seems to be closely associated with the failure to marginalize national identity divisions.<sup>17</sup> Meanwhile, the LDP started to take the “anything-but-DPJ” approach by arguing that granting suffrage to foreign nationals should be against the Japanese Constitution, and successfully encouraged local parliaments to take an anti-DPJ view.<sup>18</sup> The LDP argued that Japan had to take a tougher stance against the unruly domestic intervention by South Korea and China, and criticized the DPJ’s “apology diplomacy” based on the centrist-leftist view. When Lee’s actions, which were unacceptable to Tokyo’s mainstream elites in the business community, in the bureaucracy, and among politicians came to the forefront, a hawkish response was the only option remaining for the Noda Cabinet. The greedy consumption of nationalist sentiments by mass media in both countries aggravated the bilateral relations too. Cyberspace not only effectively spreads the nationalistic agenda proposed by NGOs, but also suggests populist politicians take and use political resources so that the governments are pressured to take a tougher approach toward each country.<sup>19</sup>

Finally, the critical roles of the two opposite ways of transnational alignment between the two civil societies need to be highlighted. One is the conciliatory alignment of intellectuals, NGOs, and academic associations. Although their influences on governmental policy-making are limited, they join an existing program of issue creation and agenda setting distinct from government plans on certain issues and create a new discourse on the related issue that sensitizes the public to the history discourse, and eventually permeates the discursive positions of the state.<sup>20</sup> Although highly encouraged at the start of the Hatoyama cabinet, the decision by the South Korean Constitutional Court and President Lee’s strong remarks on the issue, the coalition between the Korean Council for Woman Drafted for Military Sexual Slavery by Japan and Japanese NGOs, including the National Action to Resolve the Japanese Military Comfort Women Issue 2010, was remarkable in their activities to urge two governments to solve the problem, to

continue legal battles for compensation, and to form worldwide public opinion.<sup>21</sup> Many kinds of joint history textbook writing and education projects, both public and private, have been launched to heal old wounds and to search for new narratives.<sup>22</sup> A hundred Korean and Japanese intellectuals, including Kim Young-ho, Lee Tae-jin, Kenzaburo Oe, Haruki Wada, and Hiroshi Miyajima, signed a joint statement on May 9, 2010, that declared the 1910 treaty invalid.<sup>23</sup>

The other is the unintended, adversarial alignment among nationalists between the two countries. It refers to the dynamic pattern of action-reaction among nationalists that actually strengthens and legitimizes the internal position of nationalist groups in each country by utilizing the others' rhetoric and presence, and, ironically, functions to strengthen and legitimize the nationalist group in other countries as well.<sup>24</sup> This kind of alignment, more powerful in its influence on government policy-making because of public sentiment, has fostered a vicious circle of clashes of national identity by using the Yasukuni issue and the rising tension regarding the islets. From the request of the Shimane prefecture to elevate "Takeshima Day" to a national event in late February 2012 to Korean lawmakers visiting the disputed Kuril Islands on May 24, such activities by both sides have caused efforts at historical reconciliation to be overtaken once again by identity politics, thereby making the business of reconciliation a significant and prominent part among diplomatic agendas for the two new governments.

## South Korea-Japan FTA and the Rivalry for a Bridging Role

### *Japan's Ongoing Pendulum between East Asia and Asia-Pacific*

In the early days of the DPJ Administration, Hatoyama's pronouncement on the building of an "East Asian Community" looked as if it could replace the LDP's regional economic integration policy prioritizing "Association of Southeast Asian Nations (ASEAN) Plus" framework. To encourage China to join his idea, Hatoyama slightly toned down Tokyo's emphasis on the common values and demonstrated his high expectation on ROK-Japan-China trilateral FTA. A meaningful breakthrough followed when a 41-point blueprint called the "Trilateral Cooperation Vision 2020" was adopted together with President Lee and Chinese Premier Wen Jiabao at the Jeju Summit on May 29–30, 2010. They also agreed to establish a permanent

secretariat in Seoul. Yet as Kenichi Ito, president of the Council on East Asian Community (CEAC), aptly points out, Hatoyama's vision was not very different from the LDP's policy direction. It was rather within the scope of the previous East Asian Community ideas, an invaluable gathering of discussions accumulated over more than a decade among Japanese public and private sectors as well as in cooperation with its neighboring countries.<sup>25</sup>

However, the concept of East Asia was suddenly replaced by Asia-Pacific when the Kan Cabinet adopted the "Basic Policy on Comprehensive Economic Partnerships" in November 2010. The main goal was to promote high-level economic partnerships with major trading powers; interestingly enough, very similar to Seoul's FTA strategy. Although the stress continued to be put on the trilateral FTA, the basic policy revealed Tokyo's shift toward the concept of "Free Trade Area of the Asia-Pacific (FTAAP)" distinctly focusing on the Trans-Pacific Partnership (TPP). By applying Takashi Inoguchi's<sup>26</sup> conceptualization of Japan's Asian regionalism, it was a revival of the "Asia-Pacific community" idea, which was the oldest idea of regionalism in Japan, especially supported by the Masayoshi Ohira Cabinet, which has been embodied in institutions like the Asia Pacific Economic Cooperation (APEC). Noda went further by saying that "we need not develop a great vision of an East Asian Community now."<sup>27</sup> Noda subsequently expressed his willingness to participate in TPP talks in November 11, 2011, and officially announced it two days later on the occasion of the nineteenth APEC Summit.

Political leadership and bureaucratic agencies also drove Tokyo's shift toward TPP, seemingly a basic redirection of its orientation toward East Asian regionalism. First, Japanese economic bureaucratic agencies reconsidered the existing FTA/EPA (Economic Partnership Agreement) strategy, thinking that the current "ASEAN Plus" approach was no longer working, and some important changes were needed. South Korea's aggressive FTA performances, in general, and the South Korea-US (KORUS) FTA, in particular, mattered a great deal. Seoul's FTA agreements with the EU and the United States came into effect in July 2011 and March 2012, respectively, and more astonishingly it even declared the start of FTA negotiation with China in May 2012. It was notable that the KORUS FTA gave rise to a kind of "FTA domino effect" in the East Asian region, in which Japanese economic actors feared its predicted inferior positions in those greater economies, and demanded their government to go for the TPP and FTA with EU.<sup>28</sup> In general, Japanese top political

leaders had weak preferences for promoting FTAs and thereby did not show decisiveness in setting up a new administrative institution and persuading the people to promote the difficult but necessary FTAs.<sup>29</sup> Second, the rise of China was going to cast an overwhelming shadow over Japan's FTA/EPA policy. In order not to lose its leadership, Japan could not help but need a more cooperative relationship with South Korea, who like Japan has a developed economy, democratized politics, and a bilateral security alliance with the United States. The bilateral FTA with Seoul has been regarded as an effective tool to solve historical issues, to expand the network of democracy and market economy toward the northern part of the continent, and even to strengthen its diplomatic leverage against the United States, China, Russia, and North Korea.<sup>30</sup> Contrary to Tokyo's expectations, however, Seoul has shown only a little interest in Tokyo's offer. Seoul's criterion for judging the FTA was whether it was urgent in terms of export expansion. The predicted trade imbalance also gave Seoul difficulties in persuading the general public. In addition, Seoul's bargaining power was supposed to reach its peak at the very time between Seoul's ratification of ROK-EU FTA and the beginning of ROK-China FTA negotiations.<sup>31</sup>

Third, external forces, especially the US President Barack Obama's Administration's "Return to Asia" strategy played a catalyst role for Tokyo's political and bureaucratic leaders to change their view on the "ASEAN Plus" framework. Behind all of the rhetoric, including its identity as a Pacific nation and strengthening alliances with Japan, South Korea, Australia, the Philippines, and Thailand, there was obviously its desire to keep China's increasing economic, political, and security presence in check.<sup>32</sup> Thus, strengthening APEC by facilitating the TPP, a "wholesale reconfiguration" in Asia-Pacific economic integration,<sup>33</sup> was regarded as an effective tool to bring together economies from across the Pacific into a single trading community under US leadership, and, then, to fulfill the policy objective mentioned above. From Noda Cabinet's viewpoint, a positive response to Obama's strategy would be a reasonable alternative to strengthen its ties with the United States under the harsh confrontation with China over the Senkaku/Diaoyu Islands, and also to keep its joint leadership with the United States in economic integration. In addition, the Noda Cabinet expected to maintain a balancing act, an extremely difficult task, between the US-led TPP and the ASEAN-led RCEP (Regional Comprehensive Economic Partnership).<sup>34</sup>

*Who Is Linking TPP and RECP?*

Simultaneously, a full-scale “pulling and hauling” game was under way in relation to Seoul-Tokyo FTA talks. With its prolonged efforts to win Seoul’s heart, Tokyo barely managed to raise President Lee’s controversial statements in the October 2010 meeting. President Lee mentioned that it would be desirable to promote the Seoul-Tokyo FTA prior to Seoul-Beijing FTA because both share common values, an emphasis on the ideological affinity. After that, however, no meaningful step followed except a director-level consultation meeting on September 16, 2010. On Obama’s drive toward TPP, China, meanwhile, began to actively push for its own FTA to counterbalance the US initiative and moved ROK-China FTA one step forward, which is about to be agreed on soon, as well as ROK-Japan-China trilateral FTA negotiations.<sup>35</sup> The ROK-Japan-China trilateral FTA was continuing to attract Tokyo’s attention too, because it was useful to counteract the anticipated effects of the ROK-China FTA negotiations.

These events tell us that a dark cloud hangs over the future of the Seoul-Tokyo FTA. Kent Calder and Min Ye<sup>36</sup> said, “If the Northeast Asian trio actively collaborates, they could become the catalyst for a new global order. If the trio finds itself in conflict, its struggles could destabilize Asia, and perhaps the world.” The impacts of Noda’s announcement on the TPP on the East Asian regional integration might be not small. The prolonged debate between the China-supporting “ASEAN Plus Three” and Japan-supporting “ASEAN Plus Six” must be replaced by a new debate between the “ASEAN Plus” approach supported by China and ASEAN countries, and “TPP” by the United States and Japan, in a more diverse attempt to establish an East Asian community. Noda’s announcement also appears to have spurred other trade developments, including the trilateral ROK-Japan-China FTA talks, the start of Japan-EU talks on an EPA, and the launching of negotiations on the RECP.<sup>37</sup> A sign of change can be seen in China’s strategy, one in the direction of propelling an economic alliance in East Asia to bring Japan closer to China.<sup>38</sup> While claiming negative impacts of TPP such as trade diversion, the demise of China’s geopolitical status and the ripping apart of the East Asian economic integration, China’s best strategy is to actively push for its own FTA strategy with Korea, Australia and the ROK-Japan-China FTA, and to bribe its neighbors with economic benefits.<sup>39</sup>

Tokyo’s hope of linking the TPP and the RECP is now nearly overtaken by its closest neighbor. Most Koreans understood that the

United States and Japan were trying to take advantage of the TPP framework for the purpose of containing China economically, and if so they could hardly join the framework because they had hoped to expand their commercial activities in the Chinese market with ROK-China FTA, and to propel the strategic partnership relations with China in anticipation of Chinese diplomatic influence on North Korea. But, soon after, geoeconomic consideration came to hold a more dominant position in Seoul over the diplomatic ones. The new Park government has decided to join the TPP and is presently studying the schedule and potential impact and notified China of its decision, asking for Beijing's understanding.<sup>40</sup> Despite its absence from a major platform to promote Asia-Pacific economic integration, South Korea may get the benefits of TPP membership, including sizable gains from trade, greater bargaining power in ongoing negotiations with Japan and China to tackle nontariff barriers, the rationalization of its FTA noodle bowl, and the consolidation of a forward-leaning alliance with the United States.<sup>41</sup> It is said that Seoul aims to play a role in linking the RCEP with the TPP, and, at the same time, balance between the South Korea–China FTA and the TPP, both with the United States and Japan under US-China competition.<sup>42</sup>

## Security Realignment with Different Geopolitical Imaginations

### *Closing Security Ties and Failure of GSOMIA*

As Michael Green<sup>43</sup> aptly analyzed, since the Kan Cabinet, the basic trajectory of security policy of the DJP Administration had reverted to trend lines and policy debates largely consistent with the last decade of LDP rule. Most outstanding was its forward-looking security policy posture toward South Korea. Three DPJ Cabinets maintained the LDP's tough posture of imposing severe economic sanctions against North Korea, which were largely in line with the Lee government's hard-line North Korean policy. As the risk of all-out war on the Korean Peninsula was brought closer by the North Korean shelling of the South Korean Yeonpyeong Island in late November of 2010, the ROK-Japan-US trilateral security cooperation improved markedly. It soon led to a trilateral foreign ministerial meeting on December 6 in Washington, where all participants rejected Beijing's request to resume the six-party talks, and strongly pressured China to dissuade Pyongyang's further provocations. Under the persistent encouragement

of the United States, Seoul-Tokyo security ties were also becoming closer. Military officers' observations into joint Japan-US military drills and South Korea-US ones, began in December 2010 for the first time. One of the impacts of the Yeonpyeong incident was to facilitate the smooth running of trilateral security cooperation, so that the old Cold War structure of alliances in Northeast Asia began to reemerge—that is, the ROK-Japan-US alliance on one side, and the North Korea-China alliance on the other side.<sup>44</sup> Foreign Minister Maehara Seiji even made an astonishing remark in an interview about Tokyo hoping to have a formal security alliance with Seoul.<sup>45</sup> His remark was backed up by reports that Seoul and Tokyo were preparing for a new joint declaration that focused on enhanced military cooperation. On the sideline of these events, both defense ministers, South Korean Kim Kwan-jin and his counterpart Toshimi Kitazawa, agreed to push ahead with the signing of the Acquisition Crossing Supporting Agreement (ACSA) and GSOMIA in mid-January 2011.

However, deteriorating bilateral relations over historical and territorial issues easily spilled over to GSOMIA, which was designed to facilitate the sharing of military intelligence on mutual security threats.<sup>46</sup> In Korea, deep-rooted anti-Japanese sentiments fueled strong opposition from the public, social groups, and the opposition Democratic United Party (DUP), which ultimately caused the Lee government to cancel both its attempts at planned meetings between the two countries' defense ministers. Even at the US government's urging to move forward with GSOMIA, public demonstrations and harsh media criticism that GSOMIA was approved in a "closed" cabinet meeting were so damaging that the Lee government indefinitely postponed the signing. What followed after this episode was an overall delay of the bilateral military exchanges and cooperation.

The failure of GSOMIA was primarily a result of South Korean domestic politics. An "open" cabinet decision would have been almost unthinkable, as lingering suspicion, animosity against Japan, and fears of resurgent Japanese militarism among Korean elites and public was still prevalent, and was deteriorating as the comfort women and territorial issues had been coming up since the summer of 2011. GSOMIA was hotly debated. Supporters represented a minority composed of security specialists and a few conservatives, who argued that it is better to promote a "democratic alliance" than military alliance, and that given the common values and the regionalization and globalization of their bilateral alliances, the military agreement was a planned course of action, required for Seoul to form a ROK-Japan-US triangle



by strengthening the weakest element in the tripartite security relationship.<sup>47</sup> In contrast, opponents represented a majority including mass media, opposition parties, progressives, and social groups, who argued that the bilateral military agreement would be a critical step to integrating the ROK-US and Japan-US alliance into an unitary trilateral alliance, that the treaty would inevitably bring about a new Cold War structure between maritime powers and continental ones, and that it would impede the maneuverability of Seoul's foreign policy, particularly toward China in light of economic interdependence and its anticipated roles for the Korean unification as well.<sup>48</sup>

### *Two Geopolitical Imaginations*

The failed attempt at GSOMIA was really a failure of bridging geopolitical imaginations between countries. If we want to understand why South Korea and Japan view trilateral security cooperation differently and to improve bilateral security cooperation, we, first of all, have to take into account geographical framings. The threat of external danger anchors the national population, and intellectuals, into a political consensus about broad parameters of national security.<sup>49</sup> Then, new stories using the common-sense accounts of what is at stake for us or others, official stories told by political leaders, and the representations of intellectuals elaborating on the logic of particular foreign policies and military strategies, are all important ways in which the dominant story lines and agendas can be disseminated.<sup>50</sup> Just like the LDP, the ruling DPJ maintained the traditional tenet of its alliance with the United States and incessantly strengthened its security partnerships with countries positioned in the US-China strategic relationship. Prime Minister Kan returned to a realism with Japan-US alliance as its diplomatic axis, and the Noda Cabinet made great efforts to reinforce the alliance with the United States, supporting US involvement in the South China Sea, showing its willingness to participate in TPP, and so on.

What has been unfolding so far is the US-China geopolitical rivalry with Japan as the most important third player rather than the Japan-China rivalry. The ruling DPJ at last appeared to pick up the right-wing national security establishment's script. The script, widely shared by American nationalists, has been that the rise of an unstable, expansionist, ideological China creates a threat to Japan's national security and its sea lanes and therefore must be countered by tighter alliance with the United States.<sup>51</sup> It reflects a kind of structural

realist view that *any* rising power will violently disrupt the existing international system. A geohistorical view peculiar to Japan should be added as well. There is a strong likelihood that China, with its rapidly rising power of economy and military, follows the tragic path of Imperial Japan in the 1930s to gain hegemony in East Asia when the Kanto Army had dismissed the present government's favor of international cooperation, and had made arbitrary military operations.<sup>52</sup> The underlying assumption of the negative images of China is that a nation's form of government, whether it is a democracy or an autocracy, is the most reliable criterion to make its geopolitical alignment. Then, a dichotomous way of thinking arises. For example, Asian democracies should line up with Western democracies against Asian autocracies. Given Japan's geopolitical constraints, including the rise of China, the relative decline of Japanese economic power, and so forth, the best way to gain is to actively commit to alliance politics. Alliance is viewed as a central mechanism that permits decision makers to overcome the geopolitical constraints of the system, and it may also be one mechanism decision makers may use to cope with or adapt to that environment.<sup>53</sup>

The argument of "alliance of democracy" was echoed in Seoul. Cho Kap-jae, a leading conservative intellectual, argued, "What South Korea ought to aim for in Seoul-Tokyo relations is to protect the Korean liberal democratic system by incapacitating the North Korean nuclear armament and to make Japan cooperate, or at the least not to disturb Korean unification led by Seoul. We have to prioritize keeping Japan's cooperation on security and unification issues, especially the North Korean nuclear problem, while strengthening ROK-Japan-US alliance, participating into ROK-Japan-US missile defense system, and signing of a ROK-Japan GSOMIA."<sup>54</sup> His emphasis on democracy is inward-looking, that is, Korean Peninsula-centered, into a slightly different context of building a coalition against North Korea and China, as favored by Tokyo. Here geographical factors matter a lot for Seoul's diplomatic orientation. Regardless of political orientation, South Koreans have a deeply rooted geohistorical thinking, a so-called shrimp between whales mentality, that the Korean Peninsula is where the interests of the United States, Japan, China, and Russia converge.<sup>55</sup> Korean Peninsula had been a "crush zone" from the late nineteenth century to the mid-1950s and a geostrategic island during the Cold War period. Korean's interpretation of the rise of China is more unique than that of the Japanese. Some Korean opinion leaders see Chinese power as an opening of new horizons for their economic

survival, and, even as an alternative to aligning with US power. For Asian nations including South Korea, the tradition of Chinese regional domination was relatively stable and peaceful, in which Chinese hegemony had been largely benign rather than coercive.<sup>56</sup> Koreans do not want to be a shatter belt or buffer zone torn by international conflicts any longer, but instead they hope the peninsula could be a “gateway” that serves to bridge the maritime realm and the continental realm.

## Competing Geopolitical Games for New Governments

### *ROK-Japan Bilateral Relations—Winners and Losers*

Political leaders play catalyst roles that change a nation’s direction, help compatriots create international networks, help build trust and leverage overseas, and impose agenda setting. Korean hopes had been awakened by the ruling DPJ’s forward-looking attitude toward historical reconciliation and Hatoyama’s vision that Japan should maintain its political and economic independence and protect its national interests when caught between the United States and China, overcome excessive nationalism, and build an East Asian Community.<sup>57</sup> However, various resistances to change from various domestic and international scenes soon arose. Seoul’s expectation for reconciliation efforts was to a considerable extent higher than what Tokyo was able to provide. Seoul had the same hope to play a mediating role between East Asia and Asia-Pacific at the expense of the bilateral FTA. The GSOMIA case once again showed Japan how tough it is to improve security cooperation without seriously tackling historical, territorial, and even geopolitical factors. Resistance from Japan’s domestic politics should not be underestimated either. Policy inconsistency was due to the frequent changes of cabinet members within three years and three months, the unstable relationship between the DPJ political leadership and bureaucracy, and particularly the formidable oppositions from right-wing nationalists.

Also, the ROK-Japan bilateral relations during the DPJ Administration showed us that full-fledged multilateralism was prioritized over bilateralism, as demonstrated in identity politics relating to historical and territorial issues, economic regionalism, and security realignment competing for their own superiority. As Gerrit Gong pointed out,<sup>58</sup> one of the biggest battlegrounds in East Asia, of course,

was remembering and forgetting the past and strategic alignments that were increasingly turning according to identity politics. The history issues have become an important structural problem of the ROK-Japan-China trilateral relations since the mid-1980s when Yasuhiro Nakasone made an official visit to the Yasukuni Shrine and the history textbook issue occurred.<sup>59</sup> Identity politics continued to gain momentum, reaching a high with Koizumi's unbending visits to the Yasukuni Shrine and the ensuing anti-Japanese sentiments it engendered and, in Japan, the anti-Korean/Chinese sentiment to continuing demands of apology. The DJP era witnessed a new phenomenon in that identity politics gathered momentum by combining the historical and territorial disputes together. Beijing liked to see the Senkaku/Diaoyu Islands issue as a history issue, just like what the Roh government did in the spring of 2005, for the purpose of justifying its assertion on territorial sovereignty and, simultaneously, gaining sympathy from South Korea and Russia, while defining Japan as a revisionist state, against the post-World War Two international order. Japan was no exception to this marriage of identity politics with the three territorial disputes—the Dokdo/Takeshima, Senkaku/Diaoyu, and Northern Islands. These mounting tensions have no doubt accelerated closer ties between Seoul and Beijing and inversely deepened Japan's diplomatic isolation. On the sidelines of the ASEAN Plus Three Summit on November 19, 2012, in Phnom Penh, Cambodia, there was no meeting with Noda in bilateral or trilateral meetings, except a friendly South Korea-China meeting where Chinese Premier Wen Jiabao said to his counterpart that the conflict surrounding the Senkaku/Diaoyu Islands was because Japan had not rid itself of its militarist past.

The ROK-Japan bilateral economic relations did not play the roles each country anticipated in the improvement of East Asian economic regionalism, which had enjoyed a golden age since the late 1990s financial crisis. With a resolute FTA strategy of building a global FTA network since the Roh government, Korea not only plays a pivotal role in connecting the spokes of the Washington-centric "hub-and-spokes" political economy of the Pacific<sup>60</sup> but also is taking over an advantageous position in mediating continental Asia and the maritime Pacific. In contrast, Japan is one step behind the global economy as it concludes EPA/FTAs with 13 relatively smaller economies, whereas Korea, the United States, the EU, and China have strengthened their FTA policy to be slightly ahead in terms of weight of trade with FTA countries.<sup>61</sup> The lack of harmony has offered other concerned nations,

particularly the United States and China, enough room to lure the two into the formers' economic integration strategies.

Very likely, the main beneficiaries of the stagnant ROK-Japan security cooperation were China and North Korea, whereas with the ROK-Japan-US trilateral security cooperation was painted as a victim. A fundamental discord exists between Seoul and Tokyo about how to perceive the rise of China and cope with it in terms of geostrategy. Korea emphasizes preventing a great power struggle, while Japan focuses on unity to block an unfavorable, China-friendly regional power balance.<sup>62</sup> Given those conditions, the unending disputes concerning historical and territorial issues with Japan have easily provided both South Korea and China with a feeling of solidarity. Meanwhile, it seems to me that Seoul has been inclined to delay the decision to strengthen the trilateral security cooperation explicitly targeting China under the pretense of the existence of historical and territorial disputes. In any case, it is clear that the deteriorating ROK-Japan relations ironically make the United States the equivalent of the "shrimp" in the "fight between whales."<sup>63</sup> The latest Armitage and Nye Report recommends that "the allies should resist the temptation to resurrect deep historical differences and to utilize nationalist sentiments for domestic political purposes [...] Japan should confront the historical issues that continue to complicate relations with ROK. Tokyo should examine bilateral ties in a long term strategic outlook and avoid issuing gratuitous political statements."<sup>64</sup>

### *Challenges for Abe Cabinet*

Political realignments happened again in Tokyo and Seoul in December 2012 when both conservative parties, the LDP and the Saenuri Party, won national elections. Yet there were no summit meetings between Korea and Japan and very little diplomatic effort to improve relations until the fall of 2014. The trilateral summit scheduled for May 2013 was also postponed due to China's discontent with Japan over the territorial issue. The Park government shares a similar attitude with its predecessor toward Japan. Korea's stance on territories and comfort women is nonnegotiable. It is up to Japan to have a correct understanding of history and to foster a "grand reconciliation" with South Korea and China.<sup>65</sup> Abe Cabinet's offer to hold a token summit received a cold response from Seoul.

The ball seems to be in Tokyo's court. The most urgent challenge is to prevent nationalist identity politics from spreading into economic

and security cooperation. The Abe Cabinet is required to establish a resolute, political determination of their interests and to resolve the history problems, one by one, especially the comfort women issue. A faulty action by the Abe Cabinet might cause serious conflicts with Western nations beyond bilateral relations.<sup>66</sup> Needless to say, Abe's earlier claim that the sexual enslavement and trafficking of "comfort women" for Japanese Imperial Armed Forces "never occurred" has to be rectified. In addition, the bureaucracy-supporting, stubborn legalistic approach based on the treaties of 1910, 1952, and 1965 should be cautiously reconsidered as part of a practical reconciliation. Although the Abe Cabinet declared on March 2012 that Japan would formally join the TPP negotiations as soon as possible, domestic hurdles and struggles between political actors must first be overcome. Japan's security cooperation with Seoul has obstacles too. The Park government sees Abe's dispatch of Iijima Isao, a cabinet secretariat advisor to North Korea, on May 14, 2013, without any prior notice, as a negative move, both in regard to an international coordination effort and to Seoul's new approach called the Korean Peninsula Trust Process. Although the intentions of these political leaders are not clear, it appears as if both are using the "other-nation-blame card" without much hesitation. Japan uses the "North Korea card" and "China card" to get Seoul involved in its security concerns, and South Korea is increasingly tempted to use the "China card" and "US card" to correct the Japanese perception of history, and even China is actively employing the "Japan-problem card" to augment Seoul's reluctance to the alleged anti-Chinese ROK-Japan-US trilateral security alliance.

## Notes

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# Korean Politics

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## South Korea's 2012 Presidential Election\*

*Won-Taek Kang*

Elections provide voters not only with an opportunity to decide who will govern the country but also with a chance to express how they view politics as a whole. Just before the 2012 presidential election it appeared that Korean party politics was at the crossroads as public dissatisfaction with the existing party politics was prevalent. Many people wanted an extensive transformation of politics, and some hoped for the possibility of “new politics.”

Generally speaking, the 2012 presidential election in Korea has produced some interesting results. Korean voters elected a female candidate as president for the first time in history. The election was a very close competition. Park Geun-hye, a candidate from the ruling Saenuri Party, won 51.6 percent compared to the Democratic United Party (DUP) candidate Moon Jae-in who garnered 48.0 percent of votes. The margin between the two major candidates was merely 3.6 percent. Park wooed conservative voters and Moon won liberal votes. This narrow victory indicated that South Korean society is evenly divided in terms of ideology, region, generation, and partisan commitment.

From the beginning, the presidential race in 2012 attracted widespread public attention because of their political background. Park's father, Park Chung-hee still stirs mixed feelings among Koreans. He was the main architect of rapid economic development and modernization in the 1960s and 1970s. But some people remember Park Chung-hee as a brutal dictator who oppressed political dissidents and violated human rights. By contrast, Moon Jae-in, a close friend and aide to the late-President Roh Moo-hyun, is a former human rights lawyer and was jailed under the Park Chung-hee regime.

This election is rare in that the presidential competition was held only between two major parties. There has been usually a viable third candidate in previous elections. As a matter of fact, the 2012 presidential election was a three-way competition at the outset. An unexpected independent candidate won a high proportion of popularity. Ahn Cheol-soo was a former professor and software mogul, but he had no prior experiences in politics. His popularity began to surge along with a by-election of the Seoul mayor in October 2011. An exit poll of the by-election asked respondents if they would be willing to support a new party led by Ahn; a plurality of respondents in their 20s (43.2%), 30s (50.9%), and 40s (46.3%) answered in the affirmative. Support is particularly noticeable among white-collar workers and students groups. The sociodemographic cohort confirms that to be of independents.<sup>1</sup> This indicates that he was popular among those who were disenchanted with the major parties, particularly popular among young and independent voters. Ahn ran without relying on a political party, distancing himself from the establishment and promising “new politics.” In the last phase of the campaign, Moon and Ahn agreed to field a single candidate between them, so as not to divide opposition votes, and Ahn decided to step down in favor of Moon. However, the so-called Ahn phenomenon signifies that there is widespread and deep dissatisfaction with current party politics in general and that strong demands for change and new politics exist. In reality Ahn played “politics of anti-politics,” exploiting widespread sentiment against established party politics.<sup>2</sup> According to public polls examined well before the presidential election, Ahn demonstrated strong electoral competitiveness as a presidential candidate. When a poll was conducted before the 2012 National Assembly election, the approval rating of Ahn was 21.2 percent, whereas that of Park was 31.8 percent and that of Moon was 14.8 percent.<sup>3</sup> Another survey asked respondents to respond to a hypothetical two-way presidential race. In the first of these hypothetical competitions, Park won 46.3 percent of the vote to Ahn’s 49.7 percent, and, in the second scenario, Park garnered 55.7 percent whereas Moon received 39.7 percent.<sup>4</sup> Around the time of the National Assembly election Ahn appeared to be the likely winner in the presidential election.

Even though a rise of a third candidate in Korea’s presidential election was not new, the scale and intensity of Ahn’s support is unprecedented. Even though he came from nowhere, his popularity suddenly threatened the major parties’ candidates. This implies that party identification may be considerably weakened and that voters lack trust

in their traditional parties. Subsequently, this also may indicate that Korea's party politics is in crisis and faces a strong challenge from outside. This chapter attempts to better understand the 2012 presidential election in Korea by analyzing how and why the voters made up their minds to support a third candidate. For this purpose, this chapter focuses on whether the 2012 presidential election demonstrated "crisis of party politics" and suggests some signs of partisan dealignment. Specifically this chapter analyzes the relationship between voters' choices in the presidential election and their party identification and later examines some characteristics of Ahn supporters.

## Party Politics and Party Identification since Democratization

Korea's party system has been fairly stable since 1990. The first elections in the post-democratization period created a four-party system, in which each party politically depended on a specific region. However, the four-party system transformed into a two-party system in 1990, when three of the four parties merged to form the Democratic Liberal Party (DLP). This agreement to create a new party was effectively an expedient marriage between former enemies. President Roh Tae-woo's party was founded by former authoritarian dictator Chun Doo-hwan, who seized power with Roh's help in a military coup in 1980. By contrast, Kim Young-sam was one of the prominent pro-democracy movement leaders. Roh, who politically suffered from a divided government, wanted a majority of seats in the National Assembly. Kim Young-sam wanted to enhance his chances to become the next president. Along with the merger, the old political division between pro-democracy forces and the authoritarian regime became less significant. Regionalism took its place. The DLP represented Gyungsang and Chungcheong regions while the remaining Peace Democratic Party (PDP) represented the Jeolla region.

Since then, the two major parties have consistently dominated Korean party politics despite frequent alteration of party names. Regionalism has been identified as the key process underlying electoral choice since democratization. The regional rivalry was firmly established, particularly between Gyungsang and Jeolla. Voters cast their ballots to a party that they respectively perceived as representing their "home" region. In this regard, regionalism has been almost the only determinant for people's voting behavior in all the elections since



1987.<sup>5</sup> Political duopoly has never been seriously threatened although there have been many attempts to challenge it. First-past-the-post electoral system combined with regionalist party politics effectively helps to consolidate the system of two-party dominance. With time ideology also has gained political significance. Ideological division also reinforced partisan commitment to the two major parties. In the past, ideological differences between parties were not very salient in Korean politics. The conservatives dominated party politics in spite of rapid industrialization and the consequent growth of the working class. This is greatly attributed to the bitter experience of the Korean War and the lingering effects of the “red complex.” Red complex has often been used to suppress political dissidents by the authoritarian regimes. Even after democratization, ideology did not have much significance in Korean electoral politics, and the liberal ideology, not to mention socialist ideology, was not politically represented at all. However, ideology began to visibly matter since the 2002 presidential election,<sup>6</sup> when Roh Moo-hyun and the so-called 386 generation dramatically highlighted progressive political causes including anti-Americanism. However, ideology in the Korean context does not contain the connotation of class politics. Security issues such as policy toward the United States or North Korea are ideologically more significant. Since the 2002 presidential election, ideology combined with regionalism has characterized Korean party politics. The Saenuri Party (and its predecessors) tends to represent the Gyungsang region and conservative ideology, whereas the Democratic United Party (and its antecedent parties) stands for the Jeolla region and liberal ideology in the Korean political context.

Electoral results confirm that many voters have maintained fairly stable partisan choices throughout elections. Gyungsang voters tend to strongly support the DLP and its descendants, whereas Jeolla voters are very likely to vote for the PDP and its successors. In this regard, strong partisan attachment has developed toward the two major parties. Since Angus Campbell and his colleagues’ seminal work, *The American Voter* (1960)<sup>7</sup> was published, party identification has been regarded as an important attitude that influences votes. Campbell et al. maintains: “Few factors are of greater importance for our national elections than the lasting attachment of tens of millions of Americans to one of the parties. These loyalties establish a basic division of electoral strength within which the competition of particular campaigns takes place. And they are an important factor in ensuring the stability of the party system itself... the strength and

direction of party identification are of central importance in accounting for attitude and behavior.”<sup>8</sup> According to this work, party identification is influenced by political socialization during childhood. Parents, close family members, and immediate surroundings, such as the neighborhood community, influence the formation of party identification. Countless studies have been conducted by employing the concept of party identification. Despite huge debates over the effect of party identification, it cannot completely be ignored. In recent studies, the direct influence of party identification on the vote probably is small in presidential elections. But the indirect influence of party identification is much greater, in that partisan loyalties influence how candidates are evaluated, government performance assessed, and political events perceived. Put simply, party identification is a perceptual screen—a pair of partisan tinted eyeglasses through which the voters view the political world.<sup>9</sup>

The concept of party identification can also be applied to Korean party politics. Since democratization enduring partisan loyalties have established a basic division of electoral strength between the two major parties. Party identification has been initially developed by regional rivalry, and later reinforced by ideological differences between the two parties. Regionalism and ideological division have played an important role on upholding partisan stability. As Campbell et al. argues, strong party identification encourages stability and continuity in electoral results. The general pattern of electoral results in Korean elections toward the two parties since 1990 is strikingly stable despite some fluctuations. As noted, Campbell and his colleagues<sup>10</sup> argued that party identification has contributed to such stability. They said, “party identification can serve as a source of cues for individuals as they interpret politics”<sup>11</sup> and “party identification has been stable . . . probably through most of the time they have been of voting age.”<sup>12</sup> V. O. Key<sup>13</sup> also described the stability of partisan choices as a “standing decision” to support a certain party. That is, due to party identification the relationship between voters and parties can be stable, continuous, and long term. Partisanship, or feeling of party identification, provides a framework for evaluating and interpreting political information; partisanship provides a cue for making political choices; and partisanship stimulates involvement in the institutions and processes of representative democracy. However, it appears that the relationship between political parties and voters in Korea has been transformed in recent years. First of all, turnout rates have continuously declined. The turnout rate in the first presidential

election in 1987 after democratization was 89.2 percent. However, the rate has kept falling. The turnout rate of presidential elections was 81.9 percent in 1992, 80.7 percent in 1997, 70.8 percent in 2002, and 63 percent in 2007. However, it went up to 75.8 percent in the 2012 presidential election, which is the highest since 2000. Voting participation is even lower for the National Assembly elections. The turnout rate in the 1988 National Assembly election was 75.8 percent. However, it was 71.9 percent in 1992, 63.9 percent in 1996, 57.2 percent in 2000, and 60.6 percent in 2004. In the 2008 election the turnout rate fell to lower than 50 percent, and, 46.1 percent of voters cast their ballots. It slightly rose to 54.3 percent in 2012. Low turnout is particularly serious among young voters.

Low turnout clearly signifies weak partisan commitment and loyalty. The tendency of voting participation shows that the partisan commitment has been considerably weakened. Even for those who continue to identify with a political party, there is reason to postulate that this identification is less likely to mobilize people than in the past. In Western democracies, when partisanship was closely tied to class and religion, the conjoint of social and political identifications provided a very strong incentive for party identifiers to turn out. However, these linkages have considerably withered in recent years.<sup>14</sup>

Besides, the number of nonpartisan voters or independent voters has grown. The increase of nonpartisan voters reveals growing disenchantment with the major parties. Many voters have severed their political commitment to their “traditional party.” According to Campbell and his colleagues,<sup>15</sup> “many people associate themselves psychologically with one or the other of the parties, and that this identification has predictable relationships with their perceptions, evaluations, and actions.” The decline of party identification indicates that voters lose their “perceptual screen.” Consequently, as identification becomes less stable, people are more reluctant to vote for their own party. Elections may be volatile. Many voters remain undecided about their ultimate voting choice at the start of the election campaign, and make their choice later in the campaign. Analyzing the 2012 National Assembly election in Korea, Ryu<sup>16</sup> found that a nearly one-half of the electorate made up their minds on how to vote later in the campaigning. He argued that nonpartisan floating voters outnumbered the supporters for the Saenuri or DUP. The continuous decrease in the turnout rate is also related to the increase of nonpartisan voters.

Even the characteristics of regionalism have somewhat changed. According to Kang,<sup>17</sup> the meaning of regionalism has been transformed

from “where you are from” to “where you live now.” In past elections, a home region where voters were born and raised mattered most for voting choice. Wherever you lived, you tended to make an identical voting choice along with voters from the same home region. However, voting choices among those who are from the same home region can vary according to where they live. Despite the ostensibly same significance of regionalism in Korean elections, some meaningful change has taken place. One reason for this change is related to the lack of charismatic leaders such as Kim Young-sam, Kim Dae-jung and Kim Jong-pil, who made their regional voters strongly rally around them respectively. This tendency can also be traced in the 2012 presidential election. Table 5.1 shows different choices of voters who came from Jeolla according to where they resided. Park Guen-hye won 12.7 percent among those who live in Jeolla and 24.7 percent among those who live outside this region.

Low-turnout rates, deep dissatisfaction with party politics, increase of nonpartisan voters, and weaker partisan loyalty all indicate that party politics is in crisis. If a crisis of parties is true, this indicates a declining impact of party identification on voting. These may be signs of partisan dealignment. Partisan dealignment is transforming the relationship between some voters and political parties—a relationship that was once seen as an essential element in the process of representative government. Partisanship is seen as the glue that binds together diverse political beliefs, guides behavior, and serves as a stabilizing force within political system. Thus, weakening party bonds will have broad consequences for individual political behavior.<sup>18</sup>

As a matter of fact, the decline of partisan commitment is not a unique phenomenon to Korea. Western democracies also have experienced a similar decline of party politics. For instance, many Western democracies show a major decline in membership of traditional parties, weak dependence on the party-voter line and a lack of trust in political institutions.<sup>19</sup> As Peter Mair<sup>20</sup> put it, “[t]hat political parties are in crisis, and potentially on the verge of serious decline, is now more or less accepted wisdom among commentators throughout the established democracies. Once regarded as a necessary component in the maintenance of representative government, and as an essential element in the stabilization and continued functioning of modern mass democracy, political parties are now often seen as archaic and outmoded.” As a consequence, “fewer voters now come to elections with standing partisan predispositions. Even if they have loyalties to a party, these loyalties are weaker; more voters now make their

electoral choices based on the campaign issues and candidates. As a result, electoral volatility is increasing.”<sup>21</sup> In other words, the structure of democratic party systems, frozen for so much of our lifetimes, is beginning to thaw.<sup>22</sup>

It looks more intriguing to consider if Korea’s party politics is in the process of dealignment in association with the strong support for Ahn Cheol-soo before the 2012 presidential election. If a large number of the electorate abandons its previous partisan affiliation without developing in its place, it can be seen as partisan dealignment. When Ahn’s popularity soared from out of the blue before the by-election of the Seoul mayor in October 2011, the then governing Grand National Party was extremely unpopular, and the main opposition DUP was not fully regarded as a reliable alternative. Instead of running for the Seoul mayor, Ahn decided to support a civil movement leader Park Won-soon, who was elected. Even though Park joined the DUP just before the by-election, he also stayed out of party politics. The political rise of Ahn and electoral success of Park Won-soon show deep distrust toward party politics, and a strong wish for “new politics” among the public. That is, many people tended to think that as party politics in general has failed to properly represent their demands, “fresh” figures such as Ahn and Park should transform party politics. Ahn himself promised change, saying “The political parties have only spoken for the interests of only a few regions, so we are now seeing a political earthquake... The GNP and the DP [Democratic Party] both need to transform to become political parties that are connected to the civic community, voters and social network services.”

The weakening of party politics is also related to the development of candidate-centered politics, which is strongly affected by the advent of television campaigning. This new method of campaigning effectively reduces the opportunities for party supporters to get involved in election campaigning or other party activities. Mass media such as TV enables an unknown figure to become famous overnight. In fact, Ahn initially earned widespread attention and made his reputation when he appeared on TV. He carefully selected talk show programs to highlight his image as a dedicated, responsible, fresh, and caring person. TV show appearances greatly enhanced his fame and contributed to a surge in his popularity as a political leader. Because of the decline of partisan commitment, the electorate is more easily affected by personalistic appeal. Dalton, McAllister, and Wattenberg<sup>23</sup> said about party decline in Western democracies that “[t]he attraction of personalistic leaders, including demagogic politicians such as Haider

and LePen, may be another consequence of dealigned politics. Partisan dealignment has the potential to yield both positive and negative consequences for electoral politics, depending on how party systems and voters react in this new context.”

However, the 2012 electoral result shows that Ahn's attempt to “break the mold” was deterred. He had to step down before the presidential election, and a final competition was held between the two major parties. It is more interesting because the surge of his popularity well before the presidential election was even regarded as a “tsunami.”<sup>24</sup> In this regard, it seems that the 2012 presidential election did not clearly indicate where party politics was moving. Despite seemingly ample evidence of partisan dealignment, the two major parties, remain undiminished. The next section explores whether party politics is in crisis by analyzing the 2012 presidential election.

## Party Identification and Voting Choice

The first question should be: What factors affect voters' choice in the 2012 presidential election? Binomial logistic regression is applied to measure some important factors to influence the election.<sup>25</sup> Dependent variables are voting for Park Guen-hye and Moon Jae-In. Voting for Park was coded 1, and Moon was coded 0.

Six independent variables are considered: party identification, regions, evaluation of the then outgoing Lee Myung-bak government, self-placement of ideology, ideological distance from Park and Moon respectively, and age. These six variables represent some important factors that influence voters' choice in the existing literature: party identification, ideology, retrospective voting, and age. As noted earlier, regional rivalry and stable party system have developed party identification, but there are some signals of dealignment. Party identification and region were included to see whether partisan commitment has weakened.

Ideological orientation of a voter influences voting. Ideology affects positions on specific issues. As Andrea Volkens and Hans-Dieter Kligemann<sup>26</sup> put it, ideologies present the core identities of parties and provide blueprints of alternative solutions for current societal problems. That is, ideology may influence party identification. The influence of ideology on voting has become salient since the 2002 presidential election, even though its impact can be traced to the previous election in 1997. Conservative voters tend to vote for the Saenuri whereas liberal voters are likely to choose the DUP. In

Western democracies, the left-right scale is the most universally used reference to qualify political positions for describing the voters' political attitudes and preferences. As noted earlier, as class politics is not that salient in Korean politics, the conservative-liberal scale is used here instead of the left-right scale. Self-placement of ideology was included to test this relationship. Location 0 means the most liberal voter, and location 10 indicates the most conservative voter.

Anthony Downs's proximity model of party competition<sup>27</sup> argues that a rational voter casts a vote for the party that he/she believes will provide him/her with more benefits than any other. Ideology serves as cost-saving devices. Instead of comparing government behavior with opposition proposals, he/she compares party ideologies and supports the one most like his/her own. That is, a rational voter votes for the party that is located closest to him/her on the ideological spectrum. Put differently, voters may have a general ideological perception of a candidate, even if they are unsure about the candidate's position on specific policy issues, and this general perception may influence their vote. If a general ideological perception of a candidate is similar to voters, they will feel closer to the candidate. Following the Downsian model of party choice, ideological distance between a voter, and Park Guen-hye (or Moon) was added. The shorter the distance between a voter and Park (or Moon) is, the more likely he/she is to vote for Park (or Moon).

In recent Korean elections, ideological tendency often varies according to age. Young voters in their 20s and 30s tend to be more liberal whereas senior voters in their 60s and older tend to be conservative. This pattern of voting was clearly revealed in the 2002 presidential election. In that election, two-thirds of young voters voted for liberal candidate Roh Moo-hyun, whereas he did not attract many older voters. Older voters (particularly in their 50s and older) instead preferred Lee Hoi-chang from the Grand National Party. It is very intriguing that the proportion of support for Roh decreases as age increases, and Lee's support goes in the opposite direction.<sup>28</sup> Such differences may be natural. People tend to become conservative as they age. However, the generation gap in Korean politics is closely related to the dramatic economic, political, and social transformations that occurred in a very short period. Young voters grew up in this society where old voters never experienced it in their youth. As a consequence, there have been fairly distinctive and consistent voting patterns between generations. Such a generational division sometimes causes a serious generational gap as occurred in the 2002 presidential election. For such a reason, the age variable was added to the model.

In addition, retrospective evaluations of government performance are an important determinant of voting behavior. That is, the incumbent president's performance may retrospectively influence voters' choice, as Key<sup>29</sup> argued. Morris Fiorina<sup>30</sup> also wrote: "[citizens]... typically have one comparatively hard bit of idea: they know what life has been like during the incumbent's administration. They need *not* know the precise economic or foreign policies of the incumbent administration in order to see or feel the *results* of those policies... In order to ascertain whether the incumbents have performed poorly or well, citizens need only calculate the changes in their own welfare. If jobs have been lost in a recession, something is wrong. If sons have died in foreign rice paddies, something is wrong. If polluters foul food, water or air, something is wrong" (emphasis in the original). In other words, Fiorina sees partisanship as a running tally of retrospective evaluations, based not only on socialization and historical effects but also on evaluations of current political happenings.<sup>31</sup> As a matter of fact, the evaluation of outgoing President Lee was massively poor. His approval ratings stayed at about 20–30 percent. He was criticized for favoring big business at the cost of small business and worsening economic polarization. His hardline policy toward North Korea was not popular, either. Above all, some corruption scandals in which some of his close aides and one of his brothers were implicated also affected his poor ratings. However, if party identification works, conservative voters can make better evaluation of a conservative president in comparison with liberal voters. That is, voters may develop identification with a party because of favorable attitudes toward the candidates, policies, and accomplishments of the party or because of unfavorable attitudes toward the opposing party. A voter's party identification may represent, at least in part, a summary evaluation of how the voter has perceived recent political history.<sup>32</sup> There is very consistent and strong partisan commitment among voters. Those who have ideological identification with the Saenuri Party are more likely to vote for Park Geun-hye instead of Moon, and vice versa. This distinctly confirms that party identification plays a significant role in voting choice. Partisanship still strongly worked despite dissatisfaction with party politics.

Regions also still mattered. A clear distinction of voting choice was made between voters in Jeolla and in North Gyungsang/Deagu. It is noteworthy that voters in South Gyungsang/Busan tend to gradually differ from North Gyungsang/Taegu in their voting choice. For example, South Gyungsang voters elected Kim Doo-gwan, a former aide of President Roh Moo-hyun, as governor in the 2010 local elections. In



that election, a DUP candidate for Busan mayor garnered 45 percent of votes. Even though he was defeated, it is a very impressive result.

In terms of ideological distance, voters in North Gyungsang tend to see Park ideologically closer to them than Moon. By contrast, voters in South Gyungsang tend to regard Moon ideologically closer than Park. In addition, there are distinctive differences in feel-friendly factors to Park and Moon between the two regions, even though Park was preferred in both regions. Voters in North Gyungsang obviously favor Park. Moon was better regarded in South Gyungsang region than in North Gyungsang region. A similar pattern is also found in relation with closeness to parties. Voters in North Gyungsang clearly prefer the Saenuri Party and dislike the DUP. However, the DUP was better accepted by voters in South Gyungsang. It is too soon to say that South Gyungsang voters do not strongly support the Saenuri Party. However, voters' attitude and political choices in the two regions do not completely go together anymore. Some delicate but significant change in regionalism has occurred.

Ideology also played an important role on voting choices. The Downsian assumption was confirmed. The shorter the ideological distance between a voter and Park, the more likely he/she is to vote for her. This is also applicable to voters for Moon. It is interesting given that there is not a significant difference between the candidates with regard to policy positions in comparison with previous presidential elections. In the 2012 election, two major candidates took similar positions over important issues such as welfare, "economic democratization," and policy toward North Korea. The outgoing president, Lee, was blamed for pursuing a pro-chaebol policy, neglecting small business, and deepening economic polarization. Major candidates promised economic reforms to increase chaebol regulation and improve welfare services.<sup>33</sup> This also implies that ideological attitude is also more or less associated with partisan commitment. According to Ronald Inglehart and Hans Kligemann,<sup>34</sup> "although the left-right terminology does have an ideological meaning to specific Western publics, it also has a major component based on party identification... Political party identification is not only form of group loyalty that could provide relatively simple and concrete cues concerning an individual's location on the left-right dimension." They concluded that "left-right self-placement corresponds very closely to political party identification." As noted, party identification played an important part in voting. In this regard, partisan loyalty combined with ideological closeness strongly influences a citizen's voting decision.

However, self-placement of ideology does not prove statistically significant. Age is also statistically insignificant.

In sum, party identification, regionalism, and ideology still matter on voting choice. These are little differences in comparison with previous electoral results. An important reason for these results is that voters were forced to choose between two candidates from two major parties after Ahn retired from the competition. Nevertheless, it appears that most voters still align with their “traditional party.” Do these results indicate no crisis of party politics?

## Conservative Voters

It is not surprising that conservative voters strongly supported Park. She displayed her ability as a political leader by gaining several important electoral victories, particularly over very unfavorable circumstances. Moreover, many conservative voters admired her father, Park Chung-hee and his achievements. This also greatly helped the voters strongly rally around her. They are very solid supporters. When did conservative voters make up their minds to support Park?

Of those who voted for Park, 39.2 percent made their decision even before the National Assembly election, which was held eight months before the presidential election, according to the postelection data of the Institute of Korean Political Studies, Seoul National University. Another 19.8 percent of Park voters made up their minds around the time of the National Assembly election. In other words, 59 percent of those who voted for Park had decided a long time before the presidential election. They are very loyal and committed supporters.

By contrast, only 17.8 percent of Moon voters decided to support him before the National Assembly election. Another 17.6 percent of those who supported Moon had decided to vote for him around the time of the National Assembly election. The proportion of loyal voters is 35.4 percent in total, which is much smaller in comparison with Park voters. The largest proportion of Moon voters decided to support him when Ahn decided not to run. This proportion is 27.8 percent. Another 13 percent of Moon supporters decided to vote for him when Ahn joined the election campaign to assist Moon. That is, more than 40 percent of Moon voters made their voting choice according to Ahn's campaign.

These results clearly demonstrate that Park established rock solid support, whereas support for Moon was relatively volatile. That is, Park's supporters were more cohesive in comparison with Moon's

voters. It also helps us to understand why Park won the election even when the conservative outgoing president was extremely unpopular. Park succeeded in mobilizing sympathetic voters who have fairly strong party identification. Therefore, we can say that the election outcome was largely determined even before the campaign had begun.<sup>35</sup> In contrast, it appears that many voters who voted for Moon were hesitant to support Moon until Ahn quit the race, and they were initially more interested in Ahn than Moon. This also indicates that Moon's supporters somewhat overlapped with Ahn's supporters. The next question will be who were interested in Ahn?

## Ahn Cheol-soo Supporters

When Ahn announced his decision to join the presidential race on September 19, 2012, his slogan was "A new change chosen by the people begins." Ahn also criticized the existing party politics, saying, "People I have met over the past months have expressed desire for political reform... Old politics should be overhauled. I'll run for president."<sup>36</sup> He deliberately took advantage of widespread and deep dissatisfaction with the major parties and tried to woo disaffected voters. Judging from Ahn's slogan, his supporters were those who wanted "a new change." To see whom Ahn really attracted, binomial logistic regression was employed. Seven independent variables are included in Table 5.1: age, education, political interest, political knowledge, closeness to the major political parties, ideology, and party identification.

Results in Table 5.1 appear intriguing. It is not surprising that Ahn's supporters are relatively young as Ahn organized many meeting events with young voters, notably university students, before he entered politics. This group also has better political knowledge. At the same time, young voters do not feel close to the Saenuri Party, and they are not politically identified with the Saenuri. The cases for the DUP are not statistically significant. These results seem conflicting.

First, there is a clear partisan disposition of Ahn supporters. They are at least not favorable to the Saenuri Party. As Table 5.1 shows, they tend to be against the Saenuri in terms of political closeness and party identification. This means that they depend on partisan mobilization, Dalton's term (2000).<sup>37</sup> Second, Ahn attracted young voters and those who have better political knowledge. These are important characteristics of cognitive mobilization. In Western democracies, "[t]he new independents tend to be young, better educated, and cognitively

mobilized.<sup>38</sup> Dalton also argued that “the decrease of partisanship in advanced industrial democracies has been disproportionately concentrated among the young... The expansion of education has increased voters’ political skills and resources. At the same time, the growing availability of political information through the media reduces the costs of acquiring information. Contemporary publics in most nations are also more interested in politics... the growth of non-partisanship has occurred disproportionately among the better educated.”<sup>39</sup>

By distinguishing cognitive mobilization from partisan mobilization, Dalton<sup>40</sup> maintains that a process of cognitive mobilization has raised the public’s overall level of sophistication. The process of cognitive mobilization has two separate parts. The first aspect is the ability to acquire political information. Though in the past the average citizen might have had difficulty acquiring political information, today the supply and variety of political news is nearly unlimited. People have access to an array of information that would have been unimaginable a generation ago. The growth in the quantity and quality of political information provided by the media should improve political awareness. Voters live in an information-rich environment, and politically relevant information is easily available. The second aspect of cognitive mobilization is the public’s ability to process political information. Cognitive mobilization means that more citizens now have the political resources and skills necessary to deal with the complexities of politics and to reach their own political decisions. For this, it is necessary for the public’s political skill to develop. The most visible change in political skills is the public’s level of education. Education is linked to a citizen’s level of political knowledge, interest, and sophistication. Political interest is also important to the public’s political skills. Accordingly, Dalton maintained that voters depend less on political information and knowledge that political parties and candidates provide. Partisan mobilization has become less significant than in the past as citizens are well informed and sophisticated. Results in Table 5.1 provides mixed features of Ahn’s supporters. Given that they have better political knowledge and they are young voters, they may depend on cognitive mobilization. However, they have a clear partisan inclination.

As a matter of fact, those who favor Ahn are close to the DUP in terms of party identification, ideologically liberal, young voters, and Jeolla/Gwangju residents. These are typical characteristics of the DUP’s potential supports or at least reform-minded (liberal) voters. Ahn did not attract voters who lie in both directions of the ideological

**Table 5.1** Binomial Logistic Regression: Who Supported Ahn Cheol-soo?

<i>Variable</i>		<i>B</i>	<i>Exp(B)</i>
Age		-0.04*	0.96
Education		-0.01	0.99
Political interest		0	1
Political knowledge		0.21**	1.24
Close to	Saenuri	-0.02*	0.99
	Democratic United Party	0	1
Ideology		-0.02	0.98
Party Identification	Saenuri	-0.48***	0.62
	Democratic United Party	-0.06	0.95
Constant		0.5	

-2Loglikelihood=755.7 Nagelkerke R<sup>2</sup>= 0.13 classification accuracy = 87.0%

Dependent variable: support for Ahn Cheol Soo 1, support for the other candidates 0.

\*p<0.01, \*\*p<0.05, \*\*\*p<0.1

Source: The Institute of Korean Political Studies, Seoul National University.

spectrum. Rather, he relied on voters in a specific ideological and partisan direction. Accordingly, Ahn's supporters do not rely on cognitive mobilization, but depend on partisan mobilization. However, it was partisan mobilization in a negative that influenced Ahn's supporters.

The results are shown in Table 5.2. Those who prefer Moon to Ahn tend to feel close to the DUP. They are more likely to live in Jeolla or South Gyungsang. However, those who prefer Moon to Ahn voters are less likely live in North Gyungsnag. By contrast, those who prefer Ahn to Moon tend to be younger and more liberal voters, compared to those who are indifferent between the two candidates. Those who prefer Ahn also have better political knowledge. Interestingly, they are also more likely to live in Jeolla. These results display a stark contrast between Moon's and Ahn's supporters. Those who prefer Moon are more partisan and committed supporters of the DUP. By contrast, those who prefer Ahn to Moon are less partisan and relatively independent. It is noteworthy that the variable of Jeolla proves statistically significant not only among those who prefer Moon to Ahn but also among those who prefer Ahn to Moon. This shows that voters in Jeolla are effectively divided between the two candidates. Given the political significance of the Jeolla region to the DUP, this implies that the liberal voters were not that cohesive.

All in all, in the 2012 presidential election, conservative voters strongly gathered around Park and showed very cohesive partisanship.

**Table 5.2** Multinomial Logistic Regression: Who Prefers Ahn Cheol-soo to Moon Jae-in?

	<i>Variables</i>	<i>B</i>	<i>Exp(B)</i>
	Age	0	1
	Ideology (self-placement)	0.05	1.05
	Political knowledge	0.03	1.03
Moon > Ahn	Closeness to the Democratic United Party	0.02*	1.02
	Jeolla	0.58**	1.78
	North Gyungsang/Daegu	-0.63*	0.53
	South Gyungsang/Busan/Ulsan	0.68*	1.98
	Constant	-0.92**	
	Age	-0.03*	0.97
	Ideology (self-placement)	-0.11**	0.9
Moon < Ahn	Political knowledge	0.19**	1.21
	Closeness to the Democratic United Party	0.01	1.01
	Jeolla	0.52***	1.68
	North Gyungsang/Daegu	-0.27	0.76
	South Gyungsang/Busan/Ulsan	0.06	1.07
	Constant	1.15	

-2logLikelihood=2149.9 p<0.01 Nagelkerke pseudo R<sup>2</sup> = 0.12

The reference group is those who have no difference in friendliness between Moon Jae-in and Ahn Cheol-soo (Moon = Ahn).

\*p<0.01, \*\*p<0.05, \*\*\*p<0.1

Source: The Institute of Korean Political Studies, Seoul National University.

However, liberal voters tend to be split between Moon and Ahn. Ahn attracted many voters who used to support the DUP but have grown disaffected with the party. Given the neck-and-neck competition of the 2012 presidential election, the differences in cohesiveness and loyalty of traditional supporters played a critical part in deciding a winner.

## Conclusion

The 2012 presidential election produced many interesting results. The most intriguing phenomenon was inevitably the political rise of Ahn. Even though he had no prior experience in politics, some people hoped for “new politics.” His surge of popularity was closely related to widespread and deep dissatisfaction with the existing party politics. Because of the two-party dominance, political accountability and responsiveness were not strong qualities of the system, and

political competition is in effect closed and limited. This is why Ahn succeeded in attracting public attention, and at one time took the lead in the polls. The purpose of this chapter is whether such strong dissatisfaction with the existing parties and the rise of a third candidate Ahn implies dealignment of Korea's party politics.

Ostensibly, Korea's party politics was in trouble in the 2012 presidential election. Low-turnout rates, deep dissatisfaction with party politics, increase of nonpartisan voters, and weaker partisan loyalty are evidence of a weakened linkage between the parties and the electorate. Because partisanship binds voters to their preferred party, dealignment also should free more voters to shift their party support to other contenders. Established parties may fragment, as a more fluid electorate opens these voters to new appeals.<sup>41</sup> More than a few voters positively responded to "new appeals" in the 2012 presidential election. Similar cases can also be found in other democracies: "Ross Perot's candidacy in the 1992 election illustrated how a candidate without either prior political experience or the support of a party apparatus could garner 19 percent of the U.S. presidential vote. The rise of other new parties, such as Silvio Berlusconi's Forza Italia, Pauline Hanson's One Nation Party in Australia in 1998, or the New Zealand First Party led by charismatic Winston Peters are additional indicators of political volatility today."<sup>42</sup>

However, Ahn failed to "break the mold" of party politics. He was forced to step down before the election. There may be some reasons for the failure of his attempt. He did not create a political party, which otherwise would have more efficiently organized his supporters and have conducted better campaigning. A more significant reason is that despite the ostensible weakness of party politics, partisan commitment of many voters is still stable. Even though it is true that a large number of people are disaffected with the two dominant parties, they tend to return to their traditional party for a presidential election. According to Park Won-ho and Jeongmin Song,<sup>43</sup> there is not strong evidence that the number of nonpartisan or independent voters is likely to increase close to an election. In contrast, there are a lot of nonpartisan and disenchanting voters during a nonelection period. This means that party politics still matters in South Korean electoral politics, and there is no clear sign of imminent dealignment of Korea's party politics. Many voters made their decision based on a party label, and this leads to straight party-line vote.

As a matter of fact, the two parties, Saenuri and DUP, represent some important political cleavages such as regionalism and ideological

conflict, as Seymour Lipset and Stein Rokkan<sup>44</sup> explained about the rise of the Western party system. The origin of these cleavages dates back to some important political events, such as nation-building and economic development that occurred decades ago. In this regard, the two major parties have taken root in some structural factors. In spite of widespread dissatisfaction, two-party dominance seemingly remained intact in the 2012 presidential election. It seems that this dimension in Korean politics represents values and conflicts of the present society, and remains “frozen” in spite of various socio-economic changes. Despite a sudden surge in Ahn’s popularity, it did not succeed in thawing the frozen cleavage in Korean politics.

Ahn took advantage of widespread dissatisfaction with two-party dominance. However, as noted earlier, the support for him is not beyond a current party competition. Many of his supporters have very distinctive partisan inclinations. He usually attracted disaffected DUP voters. He did not independently form a third position or tendency. According to Morris Duverger,<sup>45</sup> it is simply impossible because “[a] duality of parties does not always exist, but almost always there is a duality of tendencies. Every policy implies a choice between two kinds of solution: the so-called compromise solutions lean one way or the other. This is equivalent to saying that the centre does not exist in politics: there may well be a Centre party, but there is no centre tendency, no centre doctrine.” In this sense, dual tendency of regional rivalry between Gyungsang and Jeolla and ideological conflict between the conservatives and the liberals generally remains intact.

Consequently, Ahn was able to woo voters from only a certain political block, not from both blocks. This shows that the rise of Ahn or “crisis of party politics” took place only within the block. That is, “crisis of party politics” did not cause shifting across cleavage boundaries.

It seems true that partisan attachments tend to be substantially weaker than in the past. There has been strong demand for a fundamental change in recent years, and many voters have become less attached to their party. As a result, voters became volatile. The diminished loyalty to parties is reflected in decreasing turnout rates. It is also reflected in a greater willingness to vote for a third-party or independent candidate, such as Ahn. However, it is too soon to conclude that critical realignment has taken place. The changes may have occurred, but it looks less complete and proceeds more slowly.

In this regard, “crisis of party politics” is more applicable to the DUP. Many conservative voters strongly rallied around Park whether they were dissatisfied or not. By contrast, the liberal voters were split



between Moon and Ahn. As Mair,<sup>46</sup> put it, “when voters switch, they are more likely to switch between friends rather than between enemies.” In this sense, Korea’s party system as a whole looks still stable despite various challenges. A challenge from Ahn, claiming the need for change and new politics, only applied to the liberal bloc. His challenge never crossed the cleavage boundaries of the two major parties.

However, two-party dominance is never desirable since this has formed a kind of closed political cartel. Given the public’s discontent with party politics, the efforts and demands for political reform will continue. As the liberal voters are more dissatisfied with their “natural” party of choice, and as the DUP lacks a strong leader who can strongly attract potential supporters, the DUP will be more vulnerable to criticism and demands from within unless very bold attempts are made to dramatically transform the party.

## Notes

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## Transformation of Korean Developmental Capitalism

*Jongryn Mo*

When Park Geun-hye took office on February 25, 2013, she gave an unusual speech, unusual in that she used her inaugural to declare the beginning of “a new model of capitalism” for her country. It is one thing for a new president to offer his or her economic vision, goals, and action plans, but it is another to call for a sweeping reorientation of national political economy.

President Park’s speech was largely visionary without many specific policy proposals. Notably absent was any suggestion of macro-economic performance targets as her predecessor, Lee Myung-bak, did five years earlier.

President Park outlined her new capitalism in three parts: economic security (welfare), creative economy, and economic democratization. Economic security and welfare represent the first pillar of the new capitalism. She believes that people need economic security to pursue true happiness. She said, “a genuine era of happiness is only possible when we are not clouded by the uncertainties of aging and when bearing and raising children are truly considered a blessing.”<sup>1</sup> Tailored welfare, support for education and child care, merit-based opportunity, safety infrastructure, and the rule of law would be her priorities in building strong economic security for ordinary people.

Although she did not mention in her speech, her government would monitor two statistics, employment ratio and middle-class size, as the most important measures of the people-oriented new economy. President Park promises to increase the employment ratio

to 70 percent from 60 percent in 2012 and the size of the middle class from 64 percent to 70 percent.

At the same time, President Park rejects the crude form of market capitalism, the one that emphasizes “the rudimentary expansion of existing markets.” Instead, she wants to create new markets and new jobs with a “creative economy,” which she defined as “the convergence of science and technology with industry, the fusion of culture with industry, and the blossoming of creativity in the very borders that were once permeated by barriers.”<sup>2</sup> Leading the transformation of the Korean economy into a creative economy would be the information and communication technology (ICT) industry, a new entrepreneur class, and small- and medium-sized enterprises.

The last pillar of President Park’s new economy is economic democratization. In this economy, “a fair market is firmly in place,” allowing people to “work to their fullest potential.”<sup>3</sup> She apparently believes that unfair trade practices are pervasive in the Korean economy, especially harmful to the development of strong small businesses and small- and medium-sized enterprises. In addition to strong enforcement of fair trade law, the Park government promises to strengthen corporate governance law, get tough on economic crimes, especially those involving chaebol owners, and limit the influence of financial companies on their nonfinancial affiliated companies.

What happened? Gone from President Park’s rhetoric were the usual inaugural promises of high economic growth, price stability, and international competitiveness. Also missing were references to industry competitiveness and market reforms such as privatization, deregulation, and trade liberalization. Surprisingly, the word “international competitiveness” was mentioned only once in her speech and globalization and its impact on Korean society not at all.

In this chapter I analyze the political origins of Geun-hye-nomics, President Park’s economic philosophy and approach. The best framework for understanding her progressive and inward-looking economic vision is the comparative-historical analysis of the political discourse on Korean capitalism, especially, the impact of the 2008 financial crisis on the policy rhetoric and ideas of conservative politicians and intellectuals. President Park, like other conservative leaders and thinkers, has reinvented herself in reaction to the 2008 financial crisis. Her campaign platforms and inaugural speech are a product of such reinventing.

From my analysis, I draw three conclusions on the meaning and impact of a “paradigm shift” in Korean economic thought as we see

in Geun-hye-nomics. First, the 2008 financial crisis has significantly moved conservative policy rhetoric and ideas to the center. Keywords of economic policy have changed to welfare, economic democratization, jobs, middle class, and small- and medium-sized companies, and a creative economy from national competitiveness, trade liberalization, privatization, and deregulation. The era of neoliberal reform that began after the 1997 economic crisis appears to have ended; it is hard to find conservative thinkers and policymakers still supporting neoliberal policy ideas in Korea.

Second, the most important impact of the paradigm shift is political. The 2008 global financial crisis laid open the failures of the old social contract in Korea. Redistributing the benefits of growth the traditional way, that is, through investments in education and rural development no longer works, as it has failed to stem the growing economic inequality and the decline of the middle class. Political leaders need to find new ways, many of which will require more welfare spending, to restore the political foundation for economic growth. The main challenge for the new Korean welfare state is to manage the costs of welfare and avoid European mistakes.

Third, the changed policy rhetoric and reorientation are not likely to transform the basic tenet of Korean capitalism, that is, the commitment to export promotion. Korea has always pursued an export-led growth strategy since the early 1960s. Strategies for supporting export industries may have changed due to changed domestic economic conditions (e.g., changing comparative advantage and democracy), external pressure (e.g., IMF conditionality) and obligations (e.g., WTO rules), and the influence of neoliberal ideas (e.g., American-trained Korean economists) over the years. But in the mind of the Korean public, export occupies a mystic status. It remains the most legitimate measure of successful economic performance as well as the most effective policy tool for generating growth.

One can even argue that Korea's commitment to export-led growth has actually strengthened since 2008. Faced with the unstable and stagnant postcrisis world economy, Korean leaders feel that they need a sizable trade surplus to protect the economy from financial tumult. Neither is the recession a good time for political leaders to introduce painful reforms and experiment with new and unfamiliar models. Most importantly, the legitimacy of American-style capitalism has eroded considerably. Before 2008, Korea and other East Asian countries had at least accepted the need for market reform and made efforts to open their economies to market forces. The prevailing

sentiment now is that East Asian countries must search for their own models instead of emulating the Anglo-Saxon model. In an age of uncertainty, East Asian leaders are unlikely to leave their “comfort zone” of export-led growth.

The implications of the further retrenching of the export-led growth model in Korea are the rise of an active and pragmatic state (for jobs, welfare, and industrial policy), closer business-government relations (business support for government policies in return for protection and promotion), and the continuation of an undervalued currency policy.

The case of the Korean economy is important for the larger debate on Asian capitalism, as it gives us a sense of where postcrisis economic reforms are heading in Asian economies. Korea not only is a major Asian economy but also has been a test bed of market reforms since the 1997 economic crisis, thus an important barometer of the evolution of East Asian capitalism.

Following the onset of the 2008 financial crisis, many governments and stakeholders across the globe are questioning the “American” version of capitalism, and there are competing visions for alternatives. Examples include Chinese characteristics; India and Brazil’s democratic development capitalism; German, French, and Scandinavian eurocapitalism; and Singapore’s entrepreneurial small-market capitalism.<sup>4</sup>

In Asia like elsewhere, leaders and scholars are debating aspects of these models in order to answer questions revolving around the best way to organize markets. The key debate is on the role of the state in the economy. How should public and private interests be best balanced? Should state-owned enterprises increase or decrease their role? These are serious questions being discussed across the globe and how major economies answer them will have ramifications for the global economic system.

History teaches us that fundamental changes to the economic systems of major economies are rare. Leading Asian economies after the 2008 financial crisis are unlikely to be different. Instead, one should hope that major Asian economies use the crisis to make their enterprises and governments more transparent, efficient, and accountable. As the Stanford economist Paul Romer said, “a crisis is a terrible thing to waste.”<sup>5</sup> The 1997 Asian economic crisis was a catalyst for governance reforms in many Asian countries, and one should investigate if the current crisis will have similar positive impacts on the quality of governance in Asia. The overriding question in this line of research should be whether Asian countries will strengthen their

market economies with long-overdue structural reforms (as they did after 1997) or undermine their competitiveness by embracing anti-competitive and populist ideas? I return to this theme in the concluding section.

## Korean Political Economy—Status Quo Ex Ante

If President Park wants a new model of capitalism for Korea, what is the old model to her? Her inaugural speech and other remarks indicate that the old model is the one that her predecessor Lee Myung-bak created or promoted.

Which did President Lee promote? His slogans of “Global Korea,” “national competitiveness,” and “7-4-7” (7 percent annual economic growth, 40,000-dollar-per-capita income, and targeting the position of seventh largest world economy), suggest that his economic paradigm was firmly rooted in neoliberal ideas. Through small government and big market, he wanted to revitalize the Korean economy and put it back on the course of rapid growth after what he would consider years of stagnation under the progressive administrations of Kim Dae-jung and Rho Moo-hyun.

Setting aside rhetoric, it is important to recognize that the main reference point for any new model of Korean capitalism has been and still is the developmental state that President Park’s father, Park Chung-hee, built in the 1960s and 1970s. So when a politician proposes a new model or criticizes someone else’s model, we should ask if these models represent meaningful changes from the baseline developmental state.

The developmental state is a state that is willing to take necessary measures to accomplish its overriding goal of economic growth. For Chalmers Johnson,<sup>6</sup> state control of finance was the most important instrument of the developmental state. Other aspects such as labor relations, independence of the bureaucracy, the system of incentives and authority, and the cooptation of business groups were also important but not as central to the performance of the developmental state as the national structure of finance. Emphasizing the domestic and international political context of the developmental state, T. J. Pempel (1999) sees the developmental system as “capitalism with few national political guarantees for organized labor, little impetus toward the social welfare state, high degrees of mercantilism, limited penetration by foreign investment, and few of the problems associated with neocorporatist



European planning or extensive public entitlements” and one “that has been exceptionally dependent on access to the U.S. market.”<sup>7</sup>

If there is one precondition for the rise of the developmental state in a country, it is commitment to economic growth. At the most abstract, but fundamental level, the developmental state is a “moral ambition” or an embodiment of a belief that the state can use its interventionist power to guide investment in a way to achieve economic growth and other state objectives.<sup>8</sup> But not every developing country displays such an ambition and the question is why Korea had that ambition in the 1960s and 1970s. Meredith Woo-Cumings<sup>9</sup> and Mo and Barry Weingast<sup>10</sup> point to the precarious external position of South Korea; Seoul faced constant threats from Pyongyang as well as unstable great power politics in East Asia. South Korean leaders effectively harnessed fears of war and instability toward a developmental energy. Nationalism also played a role.<sup>11</sup> Humiliated by Japanese colonialism in the first half of the twentieth century, the Korean public was willing to support a new developmental project or mandate that would protect national economic independence and help them catch up with the economies of powerful countries.

For many observers, Korea’s mercantilist and statist model of capitalism has barely changed since the days of President Park Chung-hee. But there is no consensus on what the developmental state is and how it worked in Korea. Different scholars offer different theories and thus highlight different aspects of the Korean political economy that were central to the Korean developmental state. Here is a sample of diverse theories that exist in the literature:

*Industrial policy and meritocratic bureaucracy:* Extending Johnson’s theory of the developmental state to Korea,<sup>12</sup> Alice Amsden<sup>13</sup> and Robert Wade<sup>14</sup> argue that similar to the Japanese developmental state, the Korean developmental state was powered and driven by an independent, meritocratic bureaucracy. The Korean bureaucracy implemented prodevelopment policies, especially, industrial policies, in close cooperation with business, to “get prices wrong systematically” and “govern the market to over-ride market allocation of resources.” “They set targets for firms and industries, evaluated their performance, and allocated various rights, credit, subsidies, and other public benefits. The Economic Planning Board (EPB), created in 1961, sat at the top of the bureaucratic hierarchy, and served as the link between the president (and his coalition) and the bureaucracy.”<sup>15</sup>

*Government control of credit and the government-bank-industry co-insurance scheme:* Finance binds the state to industries and firms

in the developmental state. Woo Jung-en,<sup>16</sup> Cho Yung Je and Kim Joon-Kyung,<sup>17</sup> among others, consider financial mobilization central to the development process. Johnson<sup>18</sup> also concurs that the state control of finance was the most important feature of the developmental state. In a credit-based financial system, the key challenge for financial mobilization is to develop banks or a banking system that can channel savings into productive investments. The advantage of a credit-based system is that it allows the state to directly influence the industry's investment decisions because firms in such a system rely on bank credit for financing their investments. But not many developing countries have succeeded in building a successful credit-based financial system. The main problem is risk. Customers place their money into banks only if they are reasonably sure that their deposits are safe and they can receive reasonable rates of return on their deposits. In many developing countries, bank deposits are neither safe nor good investments. Even if banks succeed in attracting deposits, we cannot assume that they will lend deposits to "good" investors. Without state guidance, banks may manage their deposits in a way contrary to the development objectives of their governments. Banks, for example, may prefer to invest in speculative assets instead of development projects because it is risky to support new industries and firms. Unlike other developing countries, Korea was able to overcome these barriers to financial mobilization. The Korean government successfully used their influence on commercial banks to direct credit to the industries and firms that it favored. The key to the Korean model was a coinsurance scheme.<sup>19</sup> To reduce risks in savings and investment decisions, the government effectively insured banks and borrowing companies, that is, deposits and bank loans, respectively, against failure and default. Since deposits and bank loans were insured, customers were willing to deposit their savings in banks, and banks, in turn, were able to lend money to strategic industries and firms without excessive concern for possible bank or company failures. Massive mobilization of capital was possible in Korea because the government insured both banks and companies against failure.

*Export promotion and cheap currency:* Neoclassical economists<sup>20</sup> point to market-supporting or market-friendly policies as the central explanatory factor for rapid economic growth in Korea. Korea chose "export-promoting trade regimes" and "outward-oriented trade strategies" as opposed to "import substituting regimes" and "inward-oriented strategies." Export promotion policies included not only selective export subsidies but also cheap currency. "The regime used

its management of portions of the economy, particularly credit and subsidies, to provide incentives for firms to produce efficiently and to innovate. The focus on export growth created impersonal targets and expectations for firms: to obtain subsidies and rents, they had to perform well in a competitive, international market rather than living off rents from the domestic economy."<sup>21</sup>

*Business groups and business-government relations:* Some scholars<sup>22</sup> do not agree that the state was the only significant actor in Korea's economic development. Entrepreneurship and innovation in the private sector also played their part. Private sector institutions and practices conducive to rapid industrialization were large business groups, called *chaebol*, and a particular form of corporate governance designed to maintain family control. Neither was the government-business relationship top-down and one-sided; the concepts of embedded liberalism and policy networks are used to describe aspects of business-government relations that were horizontal, interdependent, and transactional.

*Education, rural development, and shared growth:* To Jose Campos and Hilton Root,<sup>23</sup> the central feature of East Asian growth was growth with equality; income distribution in East Asia improved during the period of rapid growth. The Korean government achieved this feat by distributing the benefits of growth to the poor through investments in education and the rural sector. Land reforms in the 1950s, infrastructure improvement in the 1960s, and education created new economic opportunities and improved agricultural and market efficiencies. Most Koreans shared in the wealth of their nation and its economic progress.<sup>24</sup>

*Leadership style, decision-making processes, and institutions:* Moon Chung-in and Rashemo Prasard<sup>25</sup> argue that it is wrong to treat the government in the developmental state as a unitary actor. It is one thing to say that Korean bureaucrats were competent, professional, and coherent under the development state, but it is another to argue that they operated in a political and institutional vacuum. Political leaders, especially, President Park, played a significant role in policy making and often dictated virtually every policy detail. As emphasized by Campos and Root,<sup>26</sup> President Park was also a political entrepreneur. He chose and implemented economic policies not only to promote growth but also to maintain a stable pro-growth political coalition. More importantly, President Park introduced a number of institutional innovations to support good economic policy such as national think tanks (e.g., the Korea Development Institute),

state-business policy consultation mechanisms and networks (e.g., monthly export promotion meetings and industry associations), and a pilot-planning agency.

For my purpose, it is sufficient to say that all these factors played a positive role in promoting growth. What is important for my argument is to clarify what has changed and what has not. Many of these “prototype” policies, practices, and institutions that formed the Korean development state no longer exist. Good examples would include overt forms of protectionism, forced industrial restructurings, and financial repression. Through a series of crises such as the 1987 transition to democracy and the 1997 financial crisis, all Korean governments, both right and left, have carried out significant political and economic reforms that have opened the economy to market and democratic forces. The Korean government is no longer capable of using “brute” discretionary power to direct and guide the Korean economy.

Some features of the Korean developmental state do endure. I would argue that a “culture” of export-led growth, the dominance of the chaebol in the domestic economy, and the chaebol’s “obsession” with family control are deeply entrenched in the Korean political economy and have not changed significantly since the 1980s.

As Johnson<sup>27</sup> argues in his *Industrial Policy Debate*, industrial policy is fluid and takes many forms rather than set in one type or strategy. Industry policy in Japan may be changing, supporting protectionism in the 1950s and 1960s and economic liberalization in the 1990s, but the commitment to industry policy does not change in Japan as it is an attitude or orientation whose policy manifestations can change to satisfy the changing needs of the time. In Korea, the biggest legacy of the developmental state is export promotion. Export promotion occupies the same position in Korea as industrial policy in Japan. Because export performance is one of the very few legitimate and publicly accepted measures of national, industry, and firm performance, Korean policymakers must justify their economic policies, even social welfare increases, in terms of export competitiveness as well as constantly devise new ways to support the export industry.

## The Reactions of the Lee Myung-bak Government to the 2008 Global Financial Crisis

In evaluating the economic policy of the Lee government, it is important to remember that President Lee did not have much of a chance

to implement his original economic vision that focused on improving Korea's national competitiveness. As soon as he took office in February 2008, massive street ("candle-light") demonstrations protesting the signing of the U.S.-Korea Free Trade Agreement began and almost brought down his government. When the protests finally stopped in August, a global financial crisis was already in full swing.

Korea was hit hard again by the 2008 global financial crisis despite its solid and stable economic fundamentals as it had one of the most open and liquid financial markets, vulnerable to foreign capital flight. Financial markets tumbled and the economy contracted. Domestic banks faced difficulty in financing overseas. The nightmare of the 1997 financial crisis seemed to revisit the country and haunt investors. Its gross domestic product (GDP) shrank 4.6 percent in the fourth quarter of 2008 from the third quarter, the biggest decline since 1998. The benchmark stock market index KOSPI fell about 40 percent in 2008 and the won plunged 26 percent against the dollar. Business and consumer sentiment chilled. Many foreign investors left the country for safe haven assets like US Treasury bills and commodities.

The response by the Lee government to the global financial crisis can hardly be faulted.<sup>28</sup> It swiftly employed expansionary fiscal and monetary policies while boosting foreign-currency liquidity to prevent a currency crisis. Korea proactively increased government spending to offset the faltering demand, both at home and abroad, but avoided relying too much on stimulus spending. Fiscal stimulus included tax cuts, income and labor-market support, and "green growth" measures, aimed at supporting those vulnerable to economic downturn and boosting future growth potential. Structural changes in labor, corporate, and financial sectors were also implemented and the changes were made quickly and decisively to restore the faith of the market and public.

A wider and deeper network of free trade agreements (FTA) provided a meaningful breakthrough to slowing exports. Korea pushed for FTAs with the European Union and the United States, which took into effect in 2011 and 2012, respectively. Despite strong domestic opposition, President Lee's government aggressively expanded its FTA network, now eyeing its biggest trading partner China and also other major markets on a firm belief that free trade would eventually benefit not only its economy but also the entire world economy. At the same time, Lee achieved G20's commitment to a standstill on trade protectionism and supported multilateral talks on free trade.

By all means, the Korean response was successful. In 2010, Korea became the first member of the Organization for Economic Cooperation and Development (OECD) to recover from the global financial and economic crisis. The country registered the highest growth rate in 2010 among OECD countries, with remarkably stable job market and strict fiscal disciplines. Korea's recovery from the global financial crisis was fast and strong. Real GDP expanded about 6 percent between the final quarter of 2008 and the third quarter of 2009, compared with 2 percent contraction on average for OECD countries. Its overseas shipments rebounded sharply in 2009, with a weaker won and a recovery in some big markets giving a spurt. Domestic demand growth was also strong as government and companies boosted spending.

## The Politics of Economic Policy under the Lee Myung-bak Government

Relatively successful macroeconomic management, however, could not protect President Lee's initial pro-business economic stance. Even though the Korean recovery during the global financial crisis was faster, it was nonetheless a difficult recovery from a painful recession, causing widespread business failures and unemployment. At the same time, the global backlash against financial capitalism in the aftermath of the financial crisis spilled over to Korea and shook the Korean public's faith in market reforms.

Left-wing critics argue that these developmental state legacies created many problems during the Lee's Administration. At the first sign of a crisis in 2008, Korea again turned to cheap currency to fight the crisis and promote growth. Critics argue that Lee kept the Korean won undervalued too long. The cheap currency gave big business huge income but imposed high costs on consumers.

Critics also take issue with President Lee's business-friendly and neoliberal policies. Under his watch, they argue, the chaebol became arrogant and irresponsible, neglecting the plight of the poor and the middle class. While making record profits and holding large amounts of cash in their banks, the chaebol did not do enough to protect domestic jobs and expand domestic investments, which would have helped ease the pain of the recession. To many critics, the chaebol seemed interested only in taking advantage of Lee's pro-business policy to further their private interests. With their increased market power,

many of them strengthened their monopoly positions, expanded into markets traditionally reserved for smaller firms and illegally transferred income to family-owned subsidiary companies. Indeed, data confirms that the largest firms in Korea are getting stronger whereas the rest of the corporate sector is falling behind.<sup>29</sup>

Fueling the anti-chaebol sentiment was increasing economic inequality; income distribution in Korea has been deteriorating since 1998. Korea's ratio of household income to gross national income (GNI) is declining while its Gini coefficient and poverty are increasing. The ratio of household income to GNI was close to 75 percent in 1998 but fell to 63.2 percent in 2008 while that of corporate income to GNI grew to 21.6 percent in 2008 from 10 percent in 1998. To the public, corporations are getting richer without average people sharing the benefits of corporate growth. The Gini coefficient reached 0.313 in 2008, a relatively high level of economic inequality for an OECD member country; Korea used to be a relatively equal country in the early 1990s with a Gini coefficient of 0.260. The poverty rate also increased to 15 percent in 2010 from below 10 percent in 1990.

Another important factor shaking the public's faith in the chaebol or pro-chaebol economic policy is the problem of job-less growth. Job growth remained a low 1.3 percent during the 2009–2012 period while the economy grew 4.5 percent in the same period. The elasticity of employment to economic growth in 2009–2012 is only 0.290, suggesting that the job market does not respond much to the rate of economic growth; the elasticity of employment in 1970–1983 was 0.356. With growing economic inequality and jobless growth, it is hard to persuade the public that what is good for the chaebol is also good for the average Korean.

By early 2011, these anti-business and anti-Lee sentiments had become the main economic narrative in public discourse. Was this inevitable or a natural outcome of the failures of President Lee's policy? The answer is not so simple. The public judgment on his performance is as much a product of domestic politics as that of objective analysis.

Anti-business sentiments, which had been initially confined to the political left, began to spread to the general public when books critical of market fundamentalism became popular. Harvard Professor Michael Sandel's 2010 book, *Justice*, sold over a million copies in its initial release. By the summer of 2010, the public mood had changed as calls for economic equality and justice dominated economic debates in media and public forums.

Given this mood change, it is not surprising that social welfare became a major election issue in Korea. In the June 2010 local elections, the Democratic Party and other opposition parties scored a surprising victory, winning 10 out of 16 gubernatorial races, on the basis of their economic redistribution platforms. Voters' main concern was their economic conditions. The opposition parties took advantage of the voters' sense of insecurity and promised large increases in welfare spending, including the expansion of free school lunches to all students. The free school lunch issue, which became the focal point of the welfare debate in the June 2010 local elections, would go on to dominate Korean politics in 2011, a year before the all-important December 2012 presidential election.

In the face of declining public support for economic conservatism, the Lee government felt it necessary to make a midterm adjustment and decided to adopt messages of economic progressivism that included building of a "fair society" through the establishment of "an ethical infrastructure." To meet this goal, he promised to pursue policies based on "centrist pragmatism" and improve the welfare of ordinary people. He defined his philosophy as "centrist pragmatism" for the first time in 2009.

Once the conservative, "business-friendly" President Lee accepted the need for a strong government role in promoting social welfare and equity, the interparty race for welfare generosity began. Politicians of all stripes competed with one another to expand social welfare programs. The opposition parties continued their electoral success in the April 2011 by-elections where the opposition scored victories even in the Grand National Party's (GNP) former strongholds, like the affluent Bundang district.

Some conservative politicians attempted to stop the social welfare wave in Korean politics but to no avail. In December 2010, Mayor Oh Se-hoon of Seoul refused to sign a city council bill to provide free school lunches to all students, regardless of family income. Since the opposition Democratic Party dominated the city council, the only way that Mayor Oh could stop the bill was to call a public referendum on the issue. The referendum was held on August 28, 2011, but failed to reverse the city council's decision because of low turnout; according to Korean law, a referendum becomes valid only if it satisfies the minimum turnout requirement of 33.3 percent and the voter turnout for the school lunch referendum registered only 25.7 percent. Mayor Oh resigned immediately after the referendum as he had promised to do so if his referendum did not succeed. The opposition candidate



Park Won-soon swept to victory in a special election held on October 26, 2011, to replace Mayor Oh.

The controversy over the school lunch issue in Seoul set the tone for the national assembly and presidential elections of 2012. A mayoral race in Seoul, home to one-fifth of the country's 50 million population, is one of the most important battleground regions in the national elections. Park Won-soon's victory was considered a bellwether for the upcoming presidential election. Given Oh's defeat and Park's win over the school lunch issue, no political parties including the conservative GNP could ignore the shift in public sentiment toward more social welfare.

## The Rise of Geun-hye-nomics

With President Lee suffering low approval ratings in early 2012, the task of steering the ruling GNP amid progressive ascendance through the April 2012 general elections fell on the shoulders of National Assemblywoman Park Geun-hye, a leading presidential candidate for the GNP.

Thanks to the legacy of her father, Park Chung Hee, Geun-hye Park made an immediate impact on entering Korean politics and winning a National Assembly seat in 1998. She soon rose to become one of the leaders of the conservative GNP. In the 2004 Assembly election, she led the GNP as the party chairwoman and saved the party from a defeat of historical proportions. The GNP was headed for a big loss of seats, some saying more than one-half of its seats in the National Assembly, as voters turned their back against the GNP that in their view impeached President Roh Moo-hyun on minor technical charges. In the end, the GNP did lose its majority in the National Assembly but held on to enough seats to become an effective opposition party.

Geun-hye Park sought the party nomination for the president in 2007 but lost to former Seoul Mayor Lee Myung-bak in a close, bitter nomination contest. Park's relationship with President Lee was seriously damaged during the primaries. Their estranged relationship would not improve during the Lee Administration (2008–2013). In 2007, Park ran on pro-business, pro-growth economic platforms. Her famous slogan during the primaries was "low tax, little regulation, and strong discipline." She promised to lower taxes, lift government regulations and crackdown on illegal labor disputes. Park's 2007 policies were not much different from those of Lee.

After 2007, Park's economic philosophy began to diverge from her previous position as well as that of the party mainstream. After losing the 2007 party nomination for the president, Park prepared herself for another presidential run in 2012. At Stanford University, she made a major speech in May 2009 to resume her presidential campaign. In a speech titled "Disciplined Capitalism," she laid out the basic foundation for a new model of capitalism based on economic democratization and lifetime-tailored welfare system. To achieve disciplined capitalism, she argued that it is important and necessary to foster strong corporate ethics and better balance shareholder interest and community interest in corporate governance, reshape the role of government to support more diverse financial regulations and welfare services encouraging self-reliance and protecting the economically vulnerable, and strengthen international cooperation to promote economic growth as well as prevent future crises.

Under Park's leadership, the conservative party undertook a complete makeover. First, it changed its name from the GNP to the Saenuri Party. Second, Park not only distanced herself from the policies of the Lee government but also moved her party to accept social welfare platforms. The result was a surprising victory for the Saenuri Party in the April 2004 general elections. Most analysts had projected a narrow victory for the opposition parties, the Democratic (United) Party and the United Progressive Party. Instead, the Saenuri Party held on to its legislative majority, winning 152 seats out of a possible 300.

Bolstered by her success at the National Assembly elections, Park further consolidated her grip on the Saenuri Party and won the party nomination in August 2012. Throughout the presidential campaign, she held steadfast to her social welfare platforms. She added other progressive economic platforms such as "economic democratization" during the campaign. On November 17, 2012, she announced specific measures to support her "economic democratization" strategy that included more vigorous enforcement of fair trade laws, more support for small- and medium-sized enterprises, and more equal treatment of nonsalaried contract workers.

Park's focus on economic progressivism was illustrated on her choice of "Top Ten" campaign platforms: "reduction of household debts; free nursery for children up to age five; free college tuition for the third child of each family; welfare programs for different age groups; more jobs; extension of the retirement age to 60; reduction of discriminatory practices against irregular workers; all-out war against social crimes, including sexual violence; harmonious growth

between small and large companies; and a balanced regional development and personnel policy, regardless of region.”<sup>30</sup>

On the basis of a strong progressive platform, Park won the presidential election of December 19, 2012, gathering 51.6 percent of the vote compared with 48 percent for Moon Jae-in, the Democratic (United) Party candidate. Park’s victory can be attributed to several factors. First, her decisive move to the center of the political spectrum paid off. Recognizing that social welfare and economic equality were the issues that favored the progressive opposition parties in Korean party politics, Park preempted the public support for social welfare, thus mitigating the opposition advantage, by coming out early to support those issues.

Second, she was able to put together a strong conservative coalition despite her centrist position. Every major conservative politician joined the Park campaign. This election was also the first time that the incumbent president stayed in the ruling party throughout the campaign, showing a level of ruling party solidarity hitherto unseen in Korean elections. In contrast, the opposition party in 2012 was not as united as the ruling party.

Lastly, Park was more credible in the middle than Moon. She had cultivated voters in important swing regions like Chungchung for many years and won them handily in this election. Her move to the middle on the economic issues was also decisive and steadfast. However, Moon failed to run a disciplined campaign, flip-flopping between centrism and traditional left-wing ideology. Every major conservative politician joined the Park campaign. This election was also the first time that the incumbent president stayed in the ruling party, showing the level of ruling party solidarity unseen in Korean elections. The opposition party was not as united. Major opposition politicians were not significantly involved in the campaign and Mr. Ahn’s support was lukewarm at best. You can probably blame the divisive pro-Roh group in the Democratic Party who alienated Mr. Ahn and other supporters with their zeal for party dominance.

## The Impact of Geun-hye-nomics on the Conservative Coalition

Since Korea’s transition to democracy in 1987, the conservative coalition, a group of voters voting consistently for the mainline conservative party, has consisted of only two groups, Southeastern voters

(those from the Southeastern region of Yeongnam) and older voters (voters in their 50s and above). Conservative presidential candidates were successful in the post-1987 democratic era when they were able to add a significant number of personal votes to the core party votes or if the opposition was divided. President Lee won in 2007 because he carried the conservative coalition of Southeastern and older voters and made inroads into younger voters and other groups such as Seoul residents, self-employed and, blue-collar (Table 6.1).

Going into the 2012 presidential election, the conservatives feared that their party, the GNP, was losing support among important neutral or left-leaning groups such as the middle class, the Seoul metropolitan area, and young voters. Park and her strategists believed that a move toward the center on the economic issues was necessary to build a new coalition to win the 2012 election. Were they right?

The biggest voter shift for the conservatives in 2012 was regional, not ideological, namely, the shift of the central battleground regions of Chungchung to the right. Table 6.1 shows where President Park won her votes in 2012. She was strong at her regional base, winning large majorities of Southeastern and age-50-and-above voters. The voters in the traditional opposition party regions such as Cholla (Gwangju, Jeonbuk, and Jeonnam) did not change their allegiance. The significant new groups that she brought into her coalition were Chungchung (Daejeon, Chungbuk, and Chungnam) and Kangwon voters, her father's old strongholds. In Chungchung, Park won 10 percent to 22.1 percent more votes than the conservative candidates in the previous two presidential elections. She lost in the Seoul metropolitan area but not as badly as many predicted. Regionally, Park maintained the support of the traditional party base and brought the pre-1987 conservative regions of Chungchung and Kangwon back to the conservative party fold.

The changes in the voting patterns of other demographic groups were not as dramatic as those according to regions. Conservative stalwarts such as age-60-and-above voters continued to back the conservative party, while the progressive party loyalists, like young voters, backed the progressive party. Park won significantly more votes from self-employed, farmers, blue collar, housewives, and unemployed than the conservative candidates in the previous two presidential elections. Surprisingly, the increase in women's support for Park, who was the first major female candidate, was not significant. It is noteworthy that in spite of progressive economic platforms, the Saenuri Party lost even

Table 6.1 Votes Won by Main Conservative Candidate (%)

Region	Lee		Park	
	<i>Hoi-chang-2002</i>	<i>Lee Myung-bak -2007</i>	<i>Geun-bye -2012</i>	<i>% change from previous candidates</i>
Seoul	45	53.2	48.2	+3.2~-5.0
Busan	66.7	57.9	59.8	+1.9~-6.9
Daegu	77.8	69.4	79.9	+10.5~+2.1
Incheon	44.6	49.2	51.4	+6.8~+2.2
Gwangju	3.6	8.9	7.7	+4.1~-1.2
Daejeon	39.8	36.3	49.8	+13.5~+10.0
Ulsan	52.9	53.9	59.6	+6.7~+5.7
Gyeonggi	44.2	51.8	50.3	+6.1~-1.5
Gangwon	52.5	52	61.7	+9.7~+9.2
Chungbuk	42.9	41.6	56	+14.4~+13.1
Chungnam	41.2	34.3	56.4	+22.1~+15.2
Jeonbuk	6.2	9	13.2	+7.0~+4.2
Jeonnam	4.6	9.2	9.9	+5.3~+0.7
Gyeongbuk	73.5	72.6	80.4	+7.8~+6.9
Gyeongnam	67.5	55	62.7	+7.7~-4.8
Jeju	39.9	38.7	50.2	+11.5~+10.3

Age									
	19 to 29 years old	31.4	39.8	32.5	+1.1~-7.3				
	30 to 39 years old	30.7	38.6	28.3	-2.4~-10.3				
	40 to 49 years old	50.8	46.9	43.4	-3.5~-7.4				
	50 to 59 years old	65.5*	60.0*	61.1	+1.1~-4.4				
	60 years old and over			74.7					
Sex	Male	42.9	48	47.9	+5.0~-0.1				
	Female	49.9	50.1	52.3	+2.4~+2.2				
Job status	Agricultural/Forestry/Fishery	59.2	50.1	63	+12.9~+3.8				
	Self-employed	42.7	49.9	56.5	+13.8~+6.6				
	Blue collar	41.7	47.8	51.9	+10.2~+4.1				
	White collar	58.1	48.6	35.4	-13.2~-22.7				
	Housewife	45.2	54	61	+15.8~+7.0				
	Student	39	48	30.1	-8.9~-17.9				
	Unemployed/Not in labor force	44.4	46.4	65.9	+21.5~+19.5				
Nation-wide		49.4	49.1	51.6	+2.5~+2.2				

\* Refers to 50 years and over.

Source: Republic of Korea National Election Commission, Gallup Korea.

more ground among progressive voters, young voters, white-collar workers and students in 2012 than in the previous elections.

Park's social welfare promises were intended to win votes from traditionally progressive voters (e.g., young voters, white-collar workers, and students). How do we explain that she received even fewer votes among the progressive voters in 2012 than her predecessors? Neither is there evidence that the new groups who supported Park in 2012 responded to her social welfare messages. Almost all of them used to support her father in the 1970s. Chungchung voters are the most obvious example; Chung Hee Park was very popular in Chungchung because his wife came from that region. If Park Geun-hye's policy helped her win Chungchung, it was not her social welfare policy, but her stance on the Sejong Administrative city. Although most of her party members opposed the moving of government ministries to the new city located in the Chungchung area, Park has been steadfast in her support since 2002. I would even attribute the increase in blue-collar workers' support for Park to the "Park Chung-hee effect." During his rule, Park Chung-hee took a populist stance on economic issues and sought and won the support of a significant number of blue-collar workers.

In addition to the Park Chung-hee effect, the voter mobilization effect played a significant role in Park Geun-hye's electoral victory. President Park benefitted from heavy voter turnout in her regional strongholds of Gyeongsang, Chungchung, and Gangwon; turnout rates in the opposition's regional strongholds did not rise as rapidly in 2012. It was not just voters from conservative regions who turned out in large numbers. Among progressive voters, a historically large number of voters in their 20s voted in 2012. In terms of turnout, the 2012 presidential election was an election where the mobilization of opposition-leaning young voters was not enough to offset the mobilization of conservative voters and thus, stop Park's victory.

The election results beg the question of to what extent the progressive and swing voters responded positively to Park's social welfare messages. As noted, the number of votes for the main conservative candidate did not increase in 2012 among the voter groups that she targeted with her social welfare platforms such as young voters, students, and Seoul voters. Table 6.1 show instead that President Park's victory was a story of the mobilization of conservative voters or the revival of the 1970s conservative coalition, not that of voter realignment. She simply won more votes from her base groups and made more of them go out and vote. No significant progressive or swing voter groups changed their party loyalty in 2012.

Some argue that Park's preemption of welfare politics was still important because it helped neutralize the social welfare issue during the presidential campaign; if Park had not embraced social welfare, the story goes, the opposition Democratic Party would have successfully used the social welfare issue against the Saenuri Party. But the preemption argument assumes that voters vote on the basis of policy promises. As the election results show, progressive voters did not respond to Park's social welfare promises. Voters care more about the credibility of promises than the promises themselves. To most voters in Korea, social welfare is a progressive party's issue, and it is very difficult for a conservative party to establish credibility, especially to opposition supporters, as a party of social welfare.

## The Impact of Park Geun-hye on the Korean Model of Capitalism

Recent developments in Korean economic discourse would be worrisome to adherents of economic liberalism and neoliberalism. A jump in social welfare spending is one concern; if President Park wants to keep her campaign promises, she will need to increase taxes. Korea may also, in its eagerness to create a new economy fast, end up producing a plethora of new regulations. There are already signs that Korea is moving in this direction. The Park government has begun to crack down on the underground economy to find new sources of revenue to fund her welfare programs as well as corporate crimes and fraud. Although politicians from both the ruling and opposition parties have introduced a number of new regulations against the chaebol, the president's tough rhetoric and enforcement of existing laws have chilled business sentiment. In a surprise move, she moved the office of international trade negotiation from the foreign ministry to the industry ministry, prompting questions about her commitment to free trade.

The economic impact of these changes seems to be negative so far. Although stock markets all over the world have significantly risen since early 2013 in response to better economic prospects in the United States and Japan, the Korean stock market has languished. Macroeconomic conditions continue to deteriorate and GDP growth fell to 3 percent in 2013. President Park's creative economy should help but is unlikely to have immediate impact on economic growth as it is a long-term project.



It is, of course, too early to tell. The problems that President Park identifies are serious problems and if she does it right, that is, avoids the mistakes of the European welfare model and complements progressive reforms with badly needed structural reforms, her reforms should help not only Korea's long-term growth but also Korea's evolution into a truly open society.

President Park's plan to expand social welfare programs can be understood as an effort to reform the Korean model of economic growth. Export-led growth produces economic losers and inequalities. Until the 1980s, the government was able to use large investments in education and rural development to mitigate the polarizing effects of economic growth. But these programs are not enough anymore. Unless the government directly helps the poor, the middle class, and small- and medium-sized companies, she believes that they have no chance in the new economic environment.

By holding the economically powerful accountable and supporting the economically weak, President Park is hoping to achieve twin goals of strong and balanced growth. The latter is needed to make economic growth politically sustainable as well as guarantee decent standards of living for ordinary people.

Experts, both domestic and foreign, are hoping that President Park will focus her energy on reforming the structural weaknesses of the Korea economy, such as overreliance on exports, rigid labor markets and militant labor unions, the role of the chaebol in the domestic economy, family control in corporate governance, and the underperformance of the financial industry.

My prediction is that those who want to see President Park rebalance the Korean economy will be disappointed. Like all previous administrations, the Park Administration will continue to promote exports. Obviously, President Park cannot return to the developmental state of the 1970s. It would take massive renegeing by the Korean government on its international and domestic commitments.

President Park's economic platforms show no indication that she will seek to change the export-led growth model and the chaebol-centered economic structure. She recognizes the positive contributions that the chaebol can and do make to the welfare of ordinary people. She has made clear that her goal is not to weaken or suppress the chaebol with government regulations but to force them to play by the rules and give more opportunities to small firms and new entrepreneurs.

Politics of economic growth also points to the continuation of the export-led growth model in Korea. In the current global environment

of low growth, she faces public pressure to produce economic growth. Even if President Park seeks to change the Korean economy in a fundamental way and move toward a creative and democratic economy, she will not have sufficient time to do so. Against the public pressure to promote growth, she is likely to choose her default option of export promotion.

If President Park gets her way, she will have more impact on the political foundation of export-led economic growth. If she makes the export-led growth model balanced and “sharing” again with her economic reforms, she will create a new political foundation for Korean capitalism, not a small achievement.

## Conclusions

The Korean experience since 2008 presents several analytical issues. For scholars of party politics, an interesting puzzle is why the neoliberal consensus that emerged after the 1997 economic crisis and appeared solid as recently as 2010 collapsed so suddenly and completely. One possible and probably good answer is that Korea has always been a developmental state and post-1997 reforms have done little to change that. One can also point to the lack of true convictions among Korean conservative leaders and the general poverty of liberalism in the collectivist Korean society; both Lee Myung-bak and Park Geun-hye were once strong neoliberals only to fall for economic progressivism.

In retrospect, it is obvious that the political base for economic liberalism is absent or weak in Korea. The chaebol provide some support for economic liberalism but are not a reliable and consistent advocate as they see too many opportunities and benefits in close business-government relations and a collusive domestic market environment. Lack of a strong neoliberal base in Korean politics should be a cause for concern or pessimism on the long-term dynamics of the Korean economy. My worry is that Korea will not be ready at the next conservative moment, that is, when the pendulum swings back to economic conservatism, which will come after an inflation-led economic recovery runs its course worldwide.

The 2008–2012 transition to disciplined capitalism may also mark a regime change in the history of Korean political economy. The Korean economy has evolved through a series of regime changes since the 1960s. Like previous regime changes, the 2008–2012 episode is the result of multiple domestic and international variables and a sequence of events.<sup>31</sup>

In a study of major turning points in Korean political economy, Mo and Weingast argue that Korean development has been in transition to an open access order from a limited access order, and what is remarkable about Korea's development is its ability to maintain a pro-development state with sustained growth by resolving repeated crises in favor of rebalancing and greater political and economic openness. One hopes that the transition to Geun-hye-nomics will continue the trajectory of Korea's historical transition, that is, will lead to more economic and political openness. Further reforms like Geun-hye-nomics are needed in Korea for one simple reason: the chaebol remain a serious barrier to the creation of an open and competitive economy:

In response to the 1997 financial crisis and the failure of so many firms, the government implemented a wide range of economic and then political reforms. On paper, the much-diminished influence of the chaebol, combined with great changes in regulations, mean that the chaebol will now have greater difficulty taking risks that could be socialized to the entire economy. But will these regulations be enforced, and will they be enough? Are the political forces, which proved insufficient to counterbalance the chaebol during the first ten years of democracy, be sufficient to succeed now? A major open question is whether South Korea's new reforms have managed to create a stable double balance. In particular, are the reforms and the growth of the civil society sufficient to counter the chaebol? Have the TBTF (Too-Big-To-Fail) incentives been eliminated? In many ways, it remains too early to tell. On the negative side, the chaebol remain powerful and concentrated. Although new regulations have increased transparency and market and political supervision, it is difficult to evaluate whether these have eliminated the TBTF incentives or whether South Korea could, once again, be caught in a major financial crisis that forces huge bailouts.<sup>32</sup>

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## Park Geun-hye Administration's Policies toward North Korea and Beyond\*

Satoru Miyamoto

### The Age of *Ressentiment* in East Asia

Today, people in East Asia are living in an age of *ressentiment*. *Ressentiment* is one of the forms of resentment or hostility against the stronger party in a relationship. Søren Kierkegaard, a nineteenth-century philosopher, first used this term, and then Friedrich Nietzsche expanded on the concept and made it popular in his 1887 book *On the Genealogy of Morality*. This term is deeply connected to the concept of master-slave morality, which forms the fundamental morality types found in Nietzsche's *On the Genealogy of Morality*.

People in the sense of master morality respect their enemies and see nothing that is to be despised but a great deal to be honored. Conversely, people in the sense of slave morality hate or resent their enemies and conceive of them as the "evil one." *Ressentiment* came from the sense of slave morality. A "good person," in the sense of master morality, is noble, powerful, and dominating, but in the sense of slave morality would be viewed as an "evil enemy" based on the concept of *ressentiment*. Noble, powerful, and dominating people do not need to construct their happiness by looking at their enemies or deceiving themselves, however, people who experience *ressentiment* need to find their happiness by looking for an "evil enemy" or lying to themselves to believe that they are "good against evil."<sup>1</sup>

The intellectuals of the United States, China, and Japan would have a sense of master morality toward neighboring countries. They find

themselves as noble, powerful, and dominating. However the neighboring countries find themselves as weaker, smaller, and dominated. Therefore people in neighboring countries begin to feel a sense of *ressentiment* against the countries that have a sense of master morality. When China was a weaker neighboring country of Japan in earlier times, the public image of China among Japanese was more favorable than it is today, although the public image of Japan among Chinese was not favorable. Then Chinese had a sense of *ressentiment* against Japan. According to the *Genron NPO*, which is an independent think tank in Japan, and *China Daily* poll, 2005–2012, the public image of China among Japanese has grown rapidly worse, even though the public image of Japan among Chinese has improved a little.<sup>2</sup> China is no longer a weaker neighboring country of Japan. The military and economic might of China has already surpassed Japan. People in Japan will have more sense of *ressentiment* against China in the future. Yet people in China continue to have a sense of *ressentiment* against Japan. Now both Japanese and Chinese have a sense of *ressentiment* toward each other.

We can make similar statements about Japan–South Korea relations. According to *Yomiuri Shimbun*, a daily newspaper in Japan, and *Hankook Ilbo*, a daily newspaper in South Korea, in a poll taken in 2005, only 9.2 percent of people in Korea believe Japan to be trustworthy, although 59.4 percent of people in Japan believe Korea to be trustworthy.<sup>3</sup> Obviously most Korean people have a sense of *ressentiment* against Japan, even though more than one-half of Japanese have a sense of master morality. The more Japanese think of themselves as beneficent, noble, and tolerant, the more Koreans think of themselves as dominated, miserable, and oppressed. However, in 2013, 19 percent of people in Korea viewed Japan as trustworthy, whereas only 31.6 percent of people in Japan viewed South Korea as trustworthy.<sup>4</sup> The gap of strength between Japan and South Korea has closed; people in Japan have started to have a sense of *ressentiment* against South Korea with the abandonment of a sense of master morality. At the same time, people in South Korea also have a lingering sense of *ressentiment* against Japan. Now both Japan and South Korea have a sense of *ressentiment* toward each other.

A similar pattern is also found in South Korean attitudes toward the United States. Many people in South Korea hate or blame the United States for their overwhelming might in 2005. According to a poll taken by the *Seoul Shinmun*, a daily newspaper in South Korea, 24.2 percent of Korean respondents, the most common answer

among respondents, answered that the United States represented the biggest threat to East Asia.<sup>5</sup> It was a great dream for Koreans that the South Korean Wartime Operational Control (Wartime OPCON) of troops would be returned to the control of a Korean commander from the control of the US army. The longer the United States maintains its military presence as part of South Korea's defense, the more the Korean people feel miserable and oppressed. In truth the Republic of Korea and the United States have a combined command in Wartime OPCON, and the US government preferred to discontinue the joint command early on. On February 2007, South Korea and the United States agreed that the Wartime OPCON would be transferred to a Korean commander by April 2012. However, the more the United States tries to move away from South Korea, the more Korea pursues the United States. The transformation of Wartime OPCON was delayed because the South Korean government demanded it. In 2013, most people in South Korea hoped that the United States would maintain its defense of South Korea. According to *Seoul Shinmun*, only 5.1 percent of Korean respondents, the fourth most common answer for respondents, viewed the United States as representing the biggest threat to East Asia.<sup>6</sup>

Expanding our vision to include all of East Asia, including Southeast Asian countries bordering on China, around 2005, most countries in the region felt a sense of *ressentiment* against the United States. At that time, according to David Shambaugh, public opinion in East Asian countries, with the exception of Japan and Taiwan, began to prefer China over the United States. In particular, the Thai and South Korean public clearly held very positive images of China, while their esteem for the United States had declined.<sup>7</sup> East Asian countries feel stress and have a sense of *ressentiment* against the United States, which uses its great power against the War on Terrorism.

However, recently many East Asian countries are less positive about China. Around 2011, Myanmar distanced itself from China, and instead preferred the United States. The Philippines and Vietnam also started to have conflict with China at the popular level. Lao modified its pro-China policy to a pro-Vietnam policy.<sup>8</sup> Mongolian public sentiment toward China is traditionally hostile, although many Chinese companies invested in Mongolia. Now China has become too big in that it has started to have a sense of master morality. Chinese people have begun to feel proud of themselves, and their self-image has become noble, powerful, and dominating. However, neighboring countries of China have started to feel miserable, oppressed, and



dominated. Therefore, now they have a sense of *ressentiment* toward China. We can safely say that the age of *ressentiment* against China has already commenced in East Asia.

We can find two types of East Asian countries, including Southeast Asian countries bordering on China, that have a sense of *ressentiment* against China. The first type tries to get away from China, shares a common land border with China, and previously had good relations with China at the governmental level, such as Lao, Mongolia, Myanmar, and Vietnam. The second type have the United States as their ally, originally preferred the United States over China, and do not share a common land border with China, such as Japan, the Philippines, and Taiwan. However, we can identify a third type. The countries in this group have little sense of *ressentiment* against China. The third type is equally favors both China and the United States or prefers China over the United States and does not share a common land border with China, such as Cambodia, South Korea, and Thailand (even though South Korea and Thailand are US allies) (Table 7.1). Park Geun-hye, the new president of South Korea, also has to keep a good balance in its foreign policies among East Asian countries, particularly between the United States and China.

**Table 7.1** Types of East Asian countries' relations toward the United States and China

<i>Type</i>	<i>Character</i>	<i>Countries</i>
Type 1	<ul style="list-style-type: none"> <li>• Previously had good relations with China at the government level</li> <li>• Try to get away from China</li> <li>• Share a common border on land with China</li> </ul>	Lao, Mongolia, Myanmar, Vietnam
Type 2	<ul style="list-style-type: none"> <li>• Have an alliance with the United States</li> <li>• Originally prefer the United States over China</li> <li>• Don't share a common border on land with China</li> </ul>	Japan, Philippines, Taiwan
Type 3	<ul style="list-style-type: none"> <li>• Some countries have an ally with the United States</li> <li>• Favor equally both China and the United States or prefer China over the United States</li> <li>• Don't share a common border on land with China</li> </ul>	Cambodia, South Korea, Thailand

## Park Geun-hye's Policy toward North Korea

Today North Korea would have a sense of *ressentiment* against China and South Korea. North Korea has had similar behavior in previous times. North Korea received an enormous amount of aid from the USSR in the 1950s. However, North Korea began to criticize the USSR as a hegemon and revisionist around the beginning of the 1960s. North Korea began to criticize China as being dogmatic in the mid-1960s, although China also sent enormous amounts of aid to North Korea in the 1950s. Both China and South Korea directly sent large amounts of aid to, and aggressively invested in, North Korea in the 2000s, even though the United States and Japan sent humanitarian aid through the UN agencies. People in North Korea felt some kind of hostility and jealousy against South Korea and China. Although North Korean people need aid from foreign countries, they cannot bear being treated like beggars. The more South Korean and Chinese people take pride in their generosity to North Korea, the more North Korean people feel suppressed by South Korea and China. John Everard, a former British ambassador to North Korea, also said "There are various reasons why North Koreans don't like the Chinese, part of it, perversely, is the dependency."<sup>9</sup>

Such a sense of North Korean *ressentiment* against South Korea is also apparent in the status of aid from South Korea to North Korea. North Korea now receives little in aid from South Korea. During Lee Myung-bak's Administration (2008–2013), aid to North Korea began to decline,<sup>10</sup> but not simply because the Lee government did not send it, the North Korean government stopped receiving it.

Why did North Korea start to block aid from South Korea? I think a part of the reason was the public pledge that the presidential candidate Lee Myung-bak made on June 14, 2007, called "Vision 3000 thru Denuclearization and Openness." Lee announced that if North Korea would abandon its nuclear weapons and pursue an open economic structure, South Korea would provide enough economic aid for North Korea to achieve US\$3,000 per capita within 10 years. We can easily predict that North Korea would react sharply against Lee's proposal because his public pledge meant that he would decrease the allowance if North Korea was not a well-behaved child.

After Lee became president of South Korea on February 2008, the North Korean commentator wrote a critical response to Lee's plan that was published on April 1 in *Rodong Shinmun*, an organ of the Central Committee of the Worker's Party of Korea. He insisted, "They will help

the Democratic People's Republic of Korea (DPRK) raise the per capita income to 3,000 dollars within 10 years... It is ridiculous for them to pretend to show 'generosity,' finding fault with the self-supporting national economy in the DPRK and the living conditions of its people despite the fact that South Korea has a colonial economy dependent on the US."<sup>11</sup> It seems that "Vision 3000 thru Denuclearization and Openness" strongly brought a sense of *ressentiment* to the North Korean people. By 2012, in the last days of Lee's administration, aid from South to North Korea had decreased, although trade volume between South and North Korea had increased by 2010. In addition, trade between them was almost limited between South Korea and the Kaesong Industrial Zone, which is located on the North Korean side of the border, and is regarded as a symbol of economic cooperation, on an equal footing, between South and North Korea <sup>12</sup>.

Park Geun-hye tried to avoid what Lee had done. She announced a policy pledge of security, diplomacy, and unification of Korea on November 5, 2012. The policy of Korean unification was called "Korean Peninsula Trust-building Process." The first stage in the "Korean Peninsula Trust-building Process" for Park was humanitarian aid to North Korea aside from all political issues. The second stage to Park's unification would be to establish Inter-Korean Economic Cooperation Consultation Office in both Seoul and Pyongyang. The third stage to her plan would be the unification of Korea as an economic community with the establishment of the "Vision Korea Project," leaving disarmament of nuclear weapons to a later date. Furthermore, she also promised to enact the North Korean Human Rights Acts.<sup>13</sup> By not making disarmament of nuclear weapons for North Korea a precondition for the third stage, Park set a completely different tone in her North Korean policy compared to Lee's policy.

However, the Committee for the Peaceful Reunification of Korea (CPRK), the North Korean agency charged with leading the talks with the government of South Korea, criticized Park's policy pledges on November 8.<sup>14</sup> They characterized Park's policy proposals as being the same as Lee's policy and warned that a North Korean Human Rights Act will lead to war in the Korean Peninsula. The CPRK also published the open letter to Park and demanded that Park clearly answer the CPRK's questions regarding its policy toward North Korea by December 1.<sup>15</sup> Obviously, the North Korean government distrusts Park's policy toward North Korea. We can say that Park faced obstacles in promoting her policy toward North Korea before the presidential election.

In addition, on December 1, the Korean Committee for Space Technology of North Korea announced that it would be launching a satellite by carrier rocket Unha-3 in the period between December 10 and 22.<sup>16</sup> The rocket was launched on December 12. The foreign minister of South Korea immediately criticized the North Korean missile launch as a violation of the UN Security Council Resolution.<sup>17</sup> The next day, Park also condemned the missile launch.<sup>18</sup>

Park won the presidential election on December 19. In a news briefing the next day, she said that she would promote trust-building diplomacy, because South Korea faced a crisis of security by the North Korean missile launch.<sup>19</sup> It appeared as if she would place importance on South Korean security through channels of diplomacy and exchanges with China, the United States, and North Korea. On January 4, she named the former defense Minister Kim Jang-soo to lead the committee for foreign policy, defense, and unification of the eighteenth transition team of the presidency, that is, the committee for the transition of administrations from one president to next.<sup>20</sup> This is an indication that she is placing weight on South Korean security.

Park is willing to promote dialogue with North Korea while she maintains and develops relations with China and the United States for security. She said that she would open the door to dialogue and cooperation with North Korea, although she said that she could not accept the development of nuclear weapons by North Korea when she met with Zhang Zhijun, the Chinese vice minister of foreign affairs, on January 10, 2013.<sup>21</sup> She also communicated the same message when she met with a US governmental delegation that included Kurt Campbell, assistant secretary of state for East Asian and Pacific affairs, on January 16.<sup>22</sup> Park made a difficult choice in choosing to engage simultaneously in dialogue with the United States, China, and North Korea.

However Park had run into obstacles in promoting dialogue with North Korea. The UN Security Council adopted a resolution against the missile launch by North Korea on January 22. The next day, the foreign ministry of North Korea criticized the resolution and declared that the “Joint Statement of the Fourth Round of the Six-Party Talks” adopted in 2005 had become void.<sup>23</sup> On January 25, the CPRK also declared a complete nullification of the “Joint Declaration on Denuclearization of the Korean Peninsula,” adopted in 1992.<sup>24</sup>

North Korea reported that they had succeeded in its third underground nuclear test on February 12.<sup>25</sup> Park immediately condemned the nuclear test of North Korea and said that she would not tolerate North Korea’s nuclear weapons and North Korea should realize it has

nothing to gain from this provocation.<sup>26</sup> The next day, she also warned North Korea that they would isolate themselves in international society and cause their own collapse by their behavior and that the provocation would have a bad influence on the “Korean Peninsula Trust-building Process.”<sup>27</sup> Park’s policy of Korean Peninsula Trust-building Process encountered bottlenecks that made it difficult for the policy to proceed even before her presidential swearing in as president.

## Security Arrangements of South Korea and Conflict with North Korea

North Korea obviously has hostility toward South Korea. This was particularly evident at the end of Lee’s time in office. The Korean Central News Agency (KCNA) commentary complained bitterly that “what should not go unnoticed is that the traitor found fault with the DPRK while justifying his policy of confrontation with the fellow countrymen to the last<sup>28</sup>” in response to Lee’s Retirement Address on February 19. It was easily assumed that North Korea also would denounce Park.

Park had a schedule to accede to president on February 25. She needed to nominate ministers for her new government by then. She informally appointed Yun Byung-se as minister of foreign affairs, Kim Byung-kwan as defense minister on February 13, and Ryu Gil-jae as minister of unification on February 17. Furthermore she would make a special effort to develop security, and this was clarified by the selection of the eighteenth presidential transition team.

The transition team for presidency suggested the policy document “Park’s Administration’s national-policy target” on February 21. A stronger emphasis was placed on developing South Korean security as the national-policy target. The transition team suggested the new government should increase the defense budget by more than the rate of increase of national government finance. They also floated the idea of developing a Korean Air and Missile Defense System (KAMD) as a preemptive system in a “Kill Chain” against North Korean missiles.<sup>29</sup>

This security policy was also reflected in the unification policy. The transition team set the objective of the “Korean Peninsula Trust-building Process” as strengthening security and deterrence in the short term, the normalization of North-South relations, and the realization of sustainable peace on the Korean Peninsula in the medium and long term. Therefore, the team’s suggested to promoting North-South governmental talks and North-South exchanges, such as economic, social, and cultural, on the premise that this would lead to progress

in the North Korean nuclear issue and the security of South Korea. We can say that the team emphasized countermeasures to the North Korean nuclear issue and security of South Korea in comparison to Park's policy proposal.<sup>30</sup>

The transition team also agreed that humanitarian aid should be provided to North Korea aside from the political issues in accordance with the policy pledge, although the method and timing would be subject to discussions with the international agency.<sup>31</sup> The transition team also suggested that "Inter-Korean Economic Cooperation Consultation Office" in both Seoul and Pyongyang would be constructed according to the requirements of the time.

In addition, the transition team suggested that dialogue with the United States and China proceed at the same time. The team suggested that the government continue with its plan to develop a South Korea-US Alliance and a South Korea-China Partnership as a new foreign policy.<sup>32</sup> The team insisted that the security of South Korea and deterrence against North Korea would be enhanced by the South Korea-US Alliance and that economic benefit would be gained by South Korea-China Partnership. Furthermore, the team suggested developing a strategic dialogue among South Korea, United States, and China. The Park Administration believed that it would form ties with both the United States and China.

While the transition team suggested benefits would come from the United States and China, on that particular day, the Joint Chiefs of Staff of the Republic of Korea and the US-ROK (Republic of Korea) Combined Force Command announced they would work out US-ROK joint military exercises from March.<sup>33</sup> These joint military exercises include the exercise Foal Eagle from March 1 to April 30 and the exercise Key Resolve from March 11 to 21. The chief of the North Korean People's Army (KPA) Panmunjom Mission sent a telephone message to the US Forces Commander in South Korea to protest against the joint military exercises on February 23. It is assumed that South and North Korea relations would get worse.

Park Geun-hye, who was sworn into office on February 25, emphasized the development of South Korean security and criticized North Korea's nuclear test in her inauguration speech. She said, "North Korea's recent nuclear test is a challenge to the survival and future of the Korean people, and there should be no mistake that the biggest victim will be none other than North Korea itself." However she also stated her intent to promote exchanges between both Koreas. She said that she would leave open the possibility of dialogue with the North

and that trust can be built through dialogue.<sup>34</sup> She also mentioned that “my aim is to build trust on the Korean Peninsula rooted in robust national security measures for the purpose of laying the foundation for peaceful unification” on March 1.<sup>35</sup> We can say that while Park plans to build on the security arrangements of South Korea, she is committed to advancing dialogue between South and North Korea.

Building on the security arrangements of South Korea and promoting dialogue with North Korea is a contradictory policy for North Korea. Against Park’s intentions, relations between the South and North have become worse. On March 5, the Supreme Command of the KPA announced that they would nullify the Korean Armistice Agreement on March 11, and would make a decision to cut off the Panmunjom DPRK–US military telephone.<sup>36</sup> The UN Security Council adopted a new resolution against North Korea on March 7. On the same day, the North Korean Foreign Ministry declared that North Korea would exercise its right to a preemptive nuclear attack to protest against the UN Security Council resolution.<sup>37</sup> On March 8, the DPRK also announced that North Korea would abrogate all agreements on nonaggression and would close the Panmunjom liaison channel between South and North Korea.<sup>38</sup>

Nevertheless Park insisted that she would promote the Korean Trust-building Process on March 8; she also criticized North Korea for focusing on military power.<sup>39</sup> However, the Park Administration at that time had a very limited ability in managing the North Korean issue because its ministers of foreign affairs, defense, and unification had not taken their office yet. Yun became minister of foreign affairs and Ryu became minister of unification on March 11. Kim Byung-kwan who was informally appointed as defense minister was not approved at the National Assembly. He declined the post of defense minister on March 22, and in his place Park asked Kim Kwan-jin, who was defense minister in Lee’s Administration, to remain in office. She also assigned Kim Jang-soo as the chief presidential security advisor, which controls the ministers of foreign affairs, defense, and unification on March 22. At long last, Park’s Administration had the people in place to get a handle on the North Korean issue.

## Korean Peninsula Trust-building Process and Closing the Kaesong Industrial Zone

Park’s Administration advanced the Korean Peninsula Trust-building Process on the first day that she assigned the chief presidential security

advisor. The Ministry of Unification announced that their first action was to allow private-level aid provision to North Korea. Eugene Bell, a South Korean charity group, would ship tuberculosis medicine worth US\$606,500 to eight tuberculosis clinics run by a South Korean group in North Korea.<sup>40</sup> The new Park Administration expected to continue its promotion of the Korean Peninsula Trust-building Process, because the Kaesong Industrial Zone was still active even though relations between South and North Korean governments had deteriorated. I suspect that the South Korean government believed that North Korea had no choice but to receive the Korean Peninsula Trust-building Process because South Korea brings foreign currency to North Korea through the Kaesong Industrial Zone.

The overall opinion among most South Koreans was that North Korea would not shut down the Kaesong Industrial Zone because it would be North Korea that would be hit hardest if the area was closed. For example, *The Chosun Ilbo*, a major South Korean newspaper, reported on March 12, 2013, that “it would mean the loss of some US\$90 million in wages for the approximate 53,500 North Korean workers who are employed in the zone. North Korea can ill afford such a loss amid tighter international sanctions. Another 250,000 to 300,000 residents of Kaesong and surrounding areas rely to some extent on workers at the Kaesong Industrial Zone. Electricity and tap water are supplied to the city via the Kaesong Industrial Zone by South Korea.”<sup>41</sup> Public opinion among South Koreans viewed optimistically the relations between South and North Korea.

However North Korea's General Bureau for Central Guidance to the Development of the Special Zone (GBCGDSZ) criticized the South Korean media for saying that “North Korea doesn't take up the issue of the zone because it is a source for its foreign currency income.”<sup>42</sup> Although the North Korean government needs the Kaesong Industrial Zone for foreign currency income, it could not bear to be treated like beggars.

We can understand that people in North Korea want to believe that they do not receive favors from South Korea, but they confer favors to South Korea according to the GBCGDSZ's statement. They stated, “We have exercised self-restraint, taking into consideration that the closure of the zone on which the livelihood of small and medium businesses of South Korea hinge can leave those businesses bankrupt and lots of people jobless. In fact, it is the puppet group and small and medium businesses of South Korea, not the DPRK, which benefit from the zone...If the puppet group seeks to tarnish



the image of the DPRK even a bit, while speaking of the zone whose operation has been barely maintained, we will shut down the zone without mercy.”<sup>43</sup> The more the South Korean public takes pride in being gracious to North Korea, the more hostile the people of North Korea will feel toward South Korea.

The South Korean government and public cannot understand the North Korean hostile mindset and *ressentiment* against South Korea. The more the South Korea government promotes the Korean Peninsula Trust-building Process as a gracious, merciful, and compassionate policy, the more North Korea feels *ressentiment*, hostility, and hatred toward South Korea. Despite GBCGDSZ’s threat to close the Kaesong Industrial Zone, most of the South Korean media optimistically reported that North Korea would not be able to close the Kaesong Industrial Zone and that the statement from GBCGDSZ should be considered a bluff. On April 1, according to the *Korea JoongAng Daily*, a major newspaper of South Korea, the South Korean government said that “the threat to shut down the Kaesong complex is considered a kind of follow-up measure” and that the Kaesong Industrial Zone would continue to be stable in its operations.<sup>44</sup> On the same day, *The Chosun Ilbo* also reported that “South Korea stands to lose money if the industrial zone is closed, but the losses would be restricted to the companies operating there, whereas the North Korean regime would take a much bigger hit.”<sup>45</sup>

In reality, North Korea blocked South Korean workers’ entry into the Kaesong Industrial Zone on April 3, 2013.<sup>46</sup> South Korean workers were not held hostage and could leave the Kaesong Industrial Zone. However, they are prohibited from reentry into the industrial zone, therefore, it was almost impossible for them to get to the factories. On April 8, Kim Yang-gon, secretary of the central committee of the Worker’s Party of Korea, announced that they would withdraw all its employees from the Kaesong Industrial Zone.<sup>47</sup> Thus, the Kaesong Industrial Zone ceased to be in operation.

It is easy to see why Park Geun-hye first viewed North Korea’s action as just an attempt to acquire aid. She said during a cabinet meeting on April 9, “How long must we put up with this endless vicious cycle of North Korea creating crises before reaching a compromise in exchange for aid, and again creating crises before compromise and aid?”<sup>48</sup>

Park continued to promote the Korean Peninsula Trust-building Process as she truly believed that North Korea would eventually be grateful to receive it. Park told lawmakers on April 11 that the door

of communication with North Korea “always remains open” and pledged to continue humanitarian aid to North Korea.<sup>49</sup> On this day, Ryu, minister of unification, also announced that “[t]he normalization of the Kaesong Industrial Zone should be dealt with through dialogue. To discuss things North Korea wants, the authorities there should step forward for talks.”<sup>50</sup>

However, North Korea refused to participate in any dialogue with South Korea. On April 14, the CPRK stated that North and South Korean dialogue would be meaningless and useless as long as the South Korean government still harbored hostility and an intent for confrontation. They also blamed the South Korean government for the present grave situation and complained that Seoul has to demonstrate a candid and sincere attitude toward a dialogue with North Korea but instead takes the position that the South Korean government is willing to listen to what North Korea thinks and wants. In the North Korean government’s eyes, this reveals the height of South Korean arrogance. Based on the critique of the CPRK, we can get a sense of North Korea’s feelings of *ressentiment* against South Korea.

At this point, around 200 South Korean workers remain in the Kaesong Industrial Zone. The representatives from 123 South Korean firms in the Kaesong Industrial Zone asked permission from North Korea on April 12 to visit their workers and check on facilities. However, North Korea refused to allow a delegation of South Korean representatives to visit the Kaesong Industrial Zone, according to the Ministry of Unification on April 17.<sup>51</sup>

On April 25, the Ministry of Unification spokesman proposed formal and working-level talks between the authorities of South and North Korea to discuss humanitarian issues affecting the South Korean staff who remain at the Kaesong Industrial Zone and the normalization of operations. The spokesperson also gave a deadline to North Korea to respond by the next morning, threatening grave measures if the offer was rejected.<sup>52</sup> North Korea refused to respond by the next day. Instead the policy department of the National Defense Commission of North Korea released a statement that “if South Korea is truly worried about the lives of South Korean personnel in the Kaesong Industrial Zone, they may withdraw all of them to the South side where there are stockpile of food and raw materials and sound medical conditions.” They also denounced South Korea for plunging the Kaesong Industrial Zone into an unrecoverable state and escalating tensions while not doing what it should do. From the North Korean perspective, the South is not content with viciously

hurting the dignity of North Korea with such rhetoric as “financial sources” and “drain on resources.”<sup>53</sup> We can understand that North Korea closed the Kaesong Industrial Zone because it could not bear being treated like a beggar.

The Park Administration decided to withdraw all South Korean people from the Kaesong Industrial Zone on April 26.<sup>54</sup> The next day the remaining South Korean workers in the Kaesong Industrial Zone began to return to the South side with their produced commodities. The last seven South Koreans returned to the South side on May 3.<sup>55</sup> Thus, the Kaesong Industrial Zone has become a ruined industrial area.

The closing of the Kaesong Industrial Zone where most exchanges of people and trade between the two Koreas occurred means a collapse in the precondition of the Korean Peninsula Trust-building Process. The Park Administration misinterpreted North Korea’s position on the Kaesong Industrial Zone as a means to extract more aid, and the South Korean government dismissed the possibility of the zone’s closure because it thought that North Korea would not be willing to sacrifice foreign currency and wages of some 53,500 North Korean workers, among others benefit. However North Korea views the Park Administration as egotistical and domineering. North Korea decided to shut down the Kaesong Industrial Zone to show that they were not willing to receive handouts. The exchange of people and trade between South and North Korea collapsed because of the master morality of South Korea and the slave morality of North Korea.

## Foreign Policy between the United States and China and the Failure to Talk with North Korea

The failure of the dialogue initiative with North Korea prompted South Korea to strengthen its relations with the United States and China, not only on economic matters but also on security. As previously stated, the transition team for the presidency suggested to simultaneously pursue dialogue with the United States and China and to realize the harmonization and development of the South Korea–US Alliance and South Korea–China Partnership. It was anticipated that Park Geun-hye should visit the United States and China before everything else.

On April 16, 2013, from Cheong Wa Dae, the official presidential residence of South Korea, Park Geun-hye announced that she planned to visit the United States on May 5 and hold the US–ROK summit on

May 7.<sup>56</sup> The United States is strongly concerned about the North Korean nuclear issue. The White House announced “President Obama and President Park will also discuss a broad range of economic and security issues, including continued cooperation on denuclearization of the Korean Peninsula and countering the North Korean threat.”<sup>57</sup> For the United States, exchanges and trade between South Korea and North Korea are not part of the discussion. Park had to change the objective of the Korean Peninsula Trust-building Process. Because she had not premised the process of trust-building on the denuclearization of the Korean Peninsula but instead predicated progress of the North Korean nuclear issue on movement on the Korean Peninsula Trust-building Process.

On May 6, the day before the summit, Park during a meeting with the UN secretary-general Ban Ki-moon said that the reason she is pushing for the Korean Peninsula Trust-building Process is that she can never tolerate North Korea’s nuclear program.<sup>58</sup> She also said on May 7 in a joint press conference with US president Barack Obama that “Korea and the U.S. will work jointly to induce North Korea to make the right choice through multifaceted efforts, including the implementation of the Korean Peninsula Trust-building Process that I had spelled out. I take this opportunity to once again send a clear message: North Korea will not be able to survive if it only clings to developing its nuclear weapons at the expense of its people’s happiness.”<sup>59</sup> She also said in the joint session of the United States’ Congress on May 9 that “I will remain steadfast in pushing forward a process of trust-building on the Korean Peninsula. I am confident that trust is the path to peace—the path to a Korea that is whole again. The Republic of Korea will never accept a nuclear-armed North Korea.”<sup>60</sup> Park got the US government to recognize that the Korean Peninsula Trust-building Process is meaningful for the denuclearization of North Korea by changing the objective of the Korean Peninsula Trust-building Process.

The CPRK responded to this change in objective by declaring with an edge of sarcasm on May 10 that “the South Korean chief executive didn’t hide that by ‘trust-building process’ Park Geun-hye meant South Korea can’t tolerate the North’s access to nukes. There can be no reward for its provocation and threat and it will be forced to pay a price for its provocation. This means her self-recognition of the fact that what she touted is the policy of confrontation, a new version of ‘Vision 3000 thru Denuclearization and Openness’ advocated by traitor Lee Myung-Bak.”<sup>61</sup> The more the US government recognizes the Korean Peninsula Trust-building Process as a part of the

denuclearization of North Korea, the more North Korea rejects the Korean Peninsula Trust-building Process.

The Ministry of Unification called on North Korea to accept talks to arrange for the return of finished goods, along with raw and subsidiary materials, from the Kaesong Industrial Zone on May 15.<sup>62</sup> However, North Korea made a counteroffer to South Korea that they would invite South Korean civic groups to hold an event at either Kaesong or Mt. Kumgang in June to celebrate the thirteenth anniversary of the June 15 South-North Joint Declaration in 2000.<sup>63</sup> The South Korea government rejected the North Korean proposal on May 28. The Ministry of Unification spokesman said that if North Korea has an interest in improving South-North Korean relations, they should come back to the negotiating table and restore trust between officials, and not contact our civic groups or organizations.<sup>64</sup>

The CPRK announced that they had already consented to the South Korean businessmen's visit to the Kaesong Industrial Zone on May 28. They also said that if the South Korean businessmen enter, that they are ready to hold discussions on the normalization of the Kaesong Industrial Zone, including the issue of carrying out products, and if South Korean authorities still do not feel reassured, they may send with them members of the Committee for Operating the Kaesong Industrial Zone.<sup>65</sup>

President Park also said that North Korea has to talk with South Korean officials on May 31.<sup>66</sup> On June 6, the CPRK proposed holding talks between authorities of North and South Korea for the normalization of the operation in the Kaesong Industrial Zone and the resumption of tour of Mt. Kumgang on the occasion of the anniversary of the June 15th joint declaration.<sup>67</sup> South Korea also made a counterproposal and asked North Korea to hold South and North Korea ministerial-level talks on June 12 in Seoul.<sup>68</sup> In the wake of the dispute as to the place of venue, they agreed that they would hold a working-level meeting at the truce village of Panmunjom on June 9.<sup>69</sup> The working-level meeting was held on June 9 and 10, and an agreement was made to hold high-level inter-Korean talks on June 12–13. However these talks were called off on June 11 due to a disagreement over the level of their respective delegation chiefs.<sup>70</sup> The Park Administration failed to hold its first South-North Korea talks.

This failure of talks with North Korea made Park's next overseas trip, visiting China, more important. On June 6, Cheong Wa Dae (the Blue House) announced that Park would visit China during June 27–30.<sup>71</sup> She visited China and held a South Korea–China

summit on June 27. According to Cheong Wa Dae, the president of China, Xi Jinping and Park shared a common understanding that Pyongyang's possession of nuclear weapons is unacceptable under any circumstances and agreed that the Korean Peninsula Trust-building Process will help to ease tensions and bring about sustainable peace.<sup>72</sup> However, the *People's Daily*, an organ of the central committee of the Communist Party of China, reported only that they agreed to make efforts to promote denuclearization on the Korean Peninsula and safeguard regional peace and stability.<sup>73</sup> Obviously, China had a different view on the North Korean nuclear issue from South Korea.

The difference in views between South Korea and China was reflected in the Joint Statement of the ROK-China on June 27. It said that "South Korea expressed concern about the continuation of nuclear tests by North Korea, making it clear that under any circumstance it does not recognize North Korea possessing nuclear weapons" and "both sides agreed that the development of nuclear weapons poses a serious threat including the Korean Peninsula and Northeast Asia peace and stability of the world."<sup>74</sup> Only South Korea explicitly criticized the test and possession of nuclear weapons by North Korea.

In addition, Park changed the aim of the Korean Peninsula Trust-building Process from when she talked about it in her visit to the United States. The Joint Statement says that "South Korea introduced the 'Korean Peninsula Trust-building Process' concept, which means that this idea targets the easing of tensions in the Korean Peninsula and the building of a lasting peace. China welcomes the 'Korean Peninsula Trust-building Process' concept, and spoke highly of the ROK's efforts to improve North-South relations and to ease tensions."<sup>75</sup> It appears that Park changed the aim of the Korean Peninsula Trust-building Process to an easing of tensions in the Korean Peninsula and the building of a lasting peace, because China was able to accept this policy.

In realizing the harmonization and development of the South Korea-US Alliance and the South Korea-China Partnership, the objective of the Korean Peninsula Trust-building Process became denuclearization of North Korea when talking to the United States and the easing of tensions in the Korean Peninsula and the building of a lasting peace when talking to China.

After Park's visit to the United States and China, how does North Korea understand the Korean Peninsula Trust-building Process? The CPRK commented on July 1: "talking about 'Korean Peninsula Trust-building Process,' Park asserted South Korea would never allow the North access to nukes under any circumstances and it would resolutely

counter the 'provocation,' but would help North Korea if it dismantles its nukes and opts for change. This clearly indicates that the 'trust-building process' she spelled out as the 'policy toward the north' is a dangerous confrontation policy that is little different from the watchword 'Vision 3000 thru Denuclearization and Openness' put forth by the Myung-bak Lee regime.<sup>76</sup> We can say that North Korea views the Korean Peninsula Trust-building Process as a reward that South Korea is offering if North Korea plays well and is good, that is, the same policy as Lee's Administration, which was unacceptable to North Korea.

Therefore it is almost impossible for South and North Korea to hold talks based on the Korean Peninsula Trust-building Process. However, North Korea must be able to discuss the Kaesong Industrial Zone issues because it is not a reward from South Korea but economic cooperation between South and North Korea on an equal footing. On July 3, machine and electronics parts' makers with factories in Kaesong met at the Korea Federation of Small and Medium Business in Seoul and urged the governments of both Koreas to decide whether to reopen the Kaesong Industrial Zone within 10 days to help them restart their businesses. By the afternoon of the very same day, North Korea conveyed the message to South Korea that they would allow South Korean businessmen to visit the Kaesong Industrial Zone to work out emergency measures to prevent damage to facilities and materials in the rainy season and to take necessary measures for their cross-border travel and communications.<sup>77</sup>

South Korea on July 4 proposed working-level talks with North Korea on the normalization of the Kaesong Industrial Zone.<sup>78</sup> On the proposed day, South and North Korea agreed to hold first working-level talks on July 6 on reopening the Kaesong Industrial Zone.<sup>79</sup> Talks were held on July 6 and 7, and the participants adopted an agreement that they would let those affected businessmen from the South Korean side and other personnel to visit the Kaesong Industrial Zone from July 10 to check and readjust equipment to reduce damage. And they would make sure that the businesses in the Kaesong Industrial Zone would restart, depending on their preparations, and they decided to hold the next round of talks in the Kaesong Industrial Zone on July 10 for the normalization of operations in the zone, including the prevention of recurring suspended operation.<sup>80</sup>

The second round of working-level talks ended on July 10 without agreement on detailed measures to reopen the Kaesong Industrial Zone.<sup>81</sup> Both sides continued to hold working-level talks, however, by the sixth session, held on July 25, talks faced collapse with both sides

exchanging sharp accusations.<sup>82</sup> Both Koreas concluded the sixth working-level talks without reaching an agreement.

The minister of unification proposed on July 29 to hold the final talks to discuss the Kaesong Industrial Zone issues, and he said that if North Korea refused, the South Korean government would have to make serious decisions to prevent physical damages to the South Korean companies. At the same time, he approved five nongovernmental organizations to provide aid to North Korea, aside from the political issues and as a part of the Korean Peninsula Trust-building Process.<sup>83</sup> We can say that the Park Administration has no intention of giving up on her plan of the Korean Peninsula Trust-building Process. In contrast, North Korea is cautious about the process because it does not want the process to be seen as a reward from South Korea.

## Conclusion

Today South Koreans have little sense of *ressentiment* against the United States and China. Therefore, the Park government can pursue two sets of dialogue—one with the United States and one with China—at the same time, with the possibility that these talks will result in the harmonization and development of the South Korea–US Alliance and the South Korea–China Partnership. Although Park is able to pursue benefits and rewards from both the United States and China, her plan to reward North Korea through the Korean Peninsula Trust-building Process, if the North behaves well, has not gone smoothly at all. Today, North Koreans have a sense of *ressentiment* against South Korea. During the Lee Administration, aid from South Korea to North Korea has dropped off dramatically. Moreover, Park's willingness to build strong security arrangements for South Korea has led to an increase of mistrust for North Korea against the Park Administration. North Korea refuses to accept rewards from South Korea through the Korean Peninsula Trust-building Process, which North Korea views as the same policy as that of the Lee Administration. We can say that South Korea is bound by master morality to North Korea whereas North Korea is bound by slave morality against South Korea.

The Kaesong Industrial Zone was originally built as a mutually beneficial economic endeavor between South and North Korea. Therefore, North Korea did not have a sense of *ressentiment* against South Korea with regard to the Kaesong Industrial Zone. However, both Koreas believe that they do not receive favors from other side but



confer favors to the other in the operation of the Kaesong Industrial Zone. North Korea closed the Kaesong Industrial Zone because the South Korean media and government had reported that North Korea wouldn't risk the operations of the zone because of its dependency on the foreign currency and the income it generated. The North Koreans think that South Korea feels that it is being gracious in delivering foreign currency to North Korea. Therefore, North Korea has developed a sense of *ressentiment* against South Korea and has reacted by shutting down the Kaesong Industrial Zone.

The Park Administration pursues benefits from both the United States and China against the North Korean threat while trying to promote dialogue between South Korea and North Korea. Consequently, Park had to explain the different aims of the Korean Peninsula Trust-building Process to each country. She explained to the United States that the aim of the process is denuclearization of North Korea, while she explained to China that the aim of the process is to ease tensions in the Korean Peninsula and build a lasting peace. North Korea understands the Korean Peninsula Trust-building Process to be the same policy as that of the Lee Administration. This approach poses a risk for creating a feeling of incredulity from each country. The United States will lose confidence in South Korea if South Korea fails to gain leverage against North Korea in regards to the nuclear issue. China will lose confidence in South Korea if South Korea cannot ease tension in the Korean Peninsula and build a lasting peace. Basically, progress in the Korean Peninsula Trust-building Process will be impossible if North Korea does not accept it. We can say that the Korean Peninsula Trust-building Process has a possibility to become a diplomatic tightrope walk.

Nevertheless, I think that the Park Administration should continue to promote the Korean Peninsula Trust-building Process and to discuss the Kaesong Industrial Zone issues. North Korea will be able to accept talks to discuss the Kaesong Industrial Zone issues, because it is not viewed as a reward from South Korea but was originally launched as economic collaborative endeavor between two equals—South and North Korea. However, it will be difficult for North Korea to accept the Korean Peninsula Trust-building Process as long as they consider it to be a reward from South Korea, because they have a sense of *ressentiment* against South Korea.

## Notes

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## Korean Parliamentary Politics\*

Yuki Asaba

### Introduction

When Japan faced unprecedented and multi-dimensional challenges as those posed by the recovery from the devastations of the March 11, 2011, earthquake and tsunami, followed by the subsequent meltdown of the Fukushima Daiichi nuclear power plant, both the leadership style of then prime minister Kan Naoto and the governability of the then ruling Democratic Party of Japan (DPJ) were put into question. The main opposition at that time, the Liberal Democratic Party (LDP), called for the immediate resignation of Kan and the dissolution of the House of Representatives (HR), *Shugin*, and maintained that the change of a ruling party by a general election was the only way to restore urgent leadership and governability. Was the indecisiveness in crisis management attributable to qualifications of a particular politician and a lack of experience of the ruling party who had come to power a year and a half before the national disaster? Was it resolved by the replacement of the top leader in power by Abe Shinzo whose LDP swept the general election in December 2012? Or, was the indecisiveness in crisis management more structural in the sense that regardless of who is prime minister, or which party is in government, the same challenges exist? In this chapter, we argue that the continued political immobility of Japan for the last few years was a result of the constitutional crisis caused by a bicameral parliamentary system with a strong upper house.



The coalition government of prime ministers Kan and his successor Noda Yoshihiko between DPJ and the People's New Party (PNP), was a majority in the lower house of the bicameral parliament in Japan, the Diet, and lacked the two-thirds of the total seats needed to override a veto by the House of Councillors (HC), *Sangiin*, the upper house (Article 59–2, The Constitution of Japan)<sup>1</sup> in which their combined seat shares were much less than one-half after the election in July 2010.<sup>2</sup> It was not the only divided government with a minority in HC in the history of the bicameral Diet, but issues came from the absence of an overriding power in HR. In this sense, it was different both from the preceding prime minister Hatoyama Yukio, a coalition among DPJ, PNP, and the Social Democratic Party (SDP), which held a majority in both houses, and from the coalition governments of prime ministers Abe Shinzo I, Fukuda Yasuo, Aso Taro and Abe II between LDP and Komei, a minority in HC but with two-thirds majority in HR. The political situation is not an exception at all but rather the rule in contemporary Japanese politics after the 1990s. It is neither characteristic of prime ministers Kan and Noda nor that of the DPJ. As opposition-controlled HC virtually holds a veto power to legislation, budget, and personnel, which are all indispensable to addressing the above-mentioned challenges, the government leadership is severely restricted unless it succeeds in garnering support from the opposition.

As far as the designation of the prime minister (Article 67–2, the Constitution of Japan), the budget (Article 60–2), and the approval of the conclusion of treaties (Article 61) are concerned, HR has a constitutionally endowed priority over HC when both houses disagree. Except for those cases, the bicameral Diet with a ruling party or a coalition of parties, a minority in HC and less than two-thirds majority in HR, poses serious political challenges and even critical constitutional questions. With regard to the budget, it entails related legislations, which leaves the other two cases alone on which HR still holds superiority over HC. What is at stake here is a strong upper house.<sup>3</sup>

HC holds a sway not only in the legislation but also in the birth and survival of the cabinet. Since DPJ won the general election overwhelmingly in August 2009, it came to power by inviting PNP and SDP into a coalition government. The DPJ-PNP-SDP government was an oversized coalition in HR, but a minimum winning coalition in HC.<sup>4</sup> The HC-majority seeking coalition government was the rule in Japanese politics well before the change of ruling parties in government in 2009, since the time LDP first formed a coalition government

with Komei and the Liberal Party (and the Conservative Party afterwards) under Prime Minister Obuchi Keizo ten years before in 1999, amid its minority in HC.

Although censure motion in HC is not legally binding unlike a non-confidence resolution in HR, once they were passed against Chief Cabinet Secretary Sengoku Yoshito and Minister of Land, Infrastructure, Transport, and Tourism Mabuchi Sumio, Prime Minister Kan replaced them in the cabinet reshuffle sooner or later. Before it came to power, DPJ took advantage of censure motions against LDP prime ministers Fukuda Yasuo and Aso Taro in the opposition-controlled HC, leading to their resignations and the dissolution of HR, and then to a historical transfer of power among parties in Japan.

The bicameral Diet with a less than two-thirds majority in HR and a minority in HC, in which disagreements between both houses are difficult and virtually impossible to resolve, is the rule in contemporary Japanese politics after the 1990s. It not only poses political challenges but also constitutional questions such as “Japanese style of divided government”<sup>5</sup> with a strong upper house that virtually holds veto power in legislation and influences the birth and survival of the cabinet. This political scenario has greater implications for the government leadership and governability than qualifications of a particular politician, as the prime minister, and a lack of experience in government for any other party than LDP, which ruled Japan for decades. In this chapter, we argue that Japanese style of a divided government is one of the characteristics of a bicameral parliamentary system with a strong upper house, and we revisit the Korean experiences of 1960–1961 in depth as a failed example of such a constitutional system and learn some lessons for understanding contemporary Japanese politics.

## Divided Government in Bicameral Parliamentary System

First, we theoretically examine a divided government in a bicameral parliamentary system by comparison with its equivalence in a presidential system. A divided government is generally defined as different party affiliations for both the president and the majority in the legislature whereas a unified government the party affiliation is the same between these two branches. On the one hand, as the birth and

survival of the executive are both independent from the legislature in a presidential system, a divided government is, *ceteris paribus*, more likely to emerge than in a parliamentary system. It is, however, easier for the president to form a majority in the legislature item by item because party discipline is weaker.<sup>6</sup> On the other hand, as the birth and survival of the executive are dependent on the legislature in a parliamentary system, the prime minister and the cabinet are presumably supported by the majority in the legislature and face a minority opposition. Unicameral parliamentarism is basically a unified government.

Those presumptions do not hold true in bicameral parliamentarism in which the emergence of a divided government is not exceptional. A divided government in a bicameral parliamentary system means that the majority in the lower house on which the birth and survival of the cabinet are dependent does not have a majority in the upper house from which they are independent. The cabinet is formed by the majority support in the lower house and stay in power unless consent is withdrawn. Whereas the lower house can make a nonconfidence resolution, the cabinet can dissolve it and call for a general election. There exists an institutional mechanism by which disagreements between the lower house and the cabinet can be resolved. As the upper house enjoys full term without dissolution, it cannot make a non-confidence resolution against the cabinet.

Although the upper house in bicameral parliamentarism is independent from the birth and survival of the cabinet, it exerts non-trivial influences on legislative performance. Whether the upper house is a veto point is critically important on the cabinet's side. In the case that it is necessary for the lower house to reach greater majority in overriding a different conclusion in the upper house, it is virtually a veto point. In such a situation, no institutional mechanism exists in resolving disagreements between the upper house, on the one hand, and the lower house and the cabinet, on the other hand. Depending on different electoral systems, it is more difficult for the prime minister to form a majority in the legislature, item by item, as party discipline is stronger in parliamentarism.<sup>7</sup>

Against this backdrop, the German case provides a good example of a divided government in a bicameral parliamentary system.<sup>8</sup> Yasui Hiroki points out, "As Bundesrat, the upper house in Germany, virtually holds a veto power in legislation and does not choose Bundeskanzler, the prime minister who cannot dissolve it, a divided government emerges when the majority in Bundestag, the lower

house, loses the same status in the upper house.”<sup>9</sup> In this case, he adds, “the majority in the lower house, fearful of the possibility that an unilateral proposal will lead to a legislative failure, propose such bills as do not ignite objections by the upper house in the first place, which results in the greater approval rates by the opposition in the legislature.”<sup>10</sup> Then, he concludes, “there is no denying that such a successful political compromise is not guaranteed by law, but greatly hinge on statesmanship.”<sup>11</sup>

The German case significantly contributes to understanding a divided government by providing an in-depth case study of a bicameral parliamentary system, a missing link in the existing comparative studies on different constitutional systems, but is not an ideal yardstick against which to put the Japanese case. This is because the upper houses in German and Japan are differently composed as both countries are different from each other in terms of central-local relations. Whereas the upper house in federal Germany is composed of Lands, members of HC in unitary Japan are elected in prefecture-wide constituencies and open party list in nationwide proportional representation. Institutional structures in contemporary Japan have much in common with those in Korea in 1960–1961. Both are bicameral parliamentary systems and unitary states.

## Comparison between Japanese and Korean Cases in Bicameral Parliamentary System

We compare the two cases of contemporary Japan and Korea in 1960–1961 as examples of bicameral parliamentarism.

First, we show that both are bicameral parliamentary systems. As we will visit the constitutional system soon, we clarify the characteristics of the legislative system in each case. The Constitution of Japan stipulates, “The Diet shall consist of two Houses, namely the House of Representatives and the House of Councillors” (Article 42). The 1960 Constitution in Korea proclaimed, “The National Assembly shall consist of the House of Representatives and the House of Councillors” (Article 31). The names of the upper house in both cases are exactly the same, *Sangiin* in Japan and *Chamuiwon* in Korea, two different pronunciations of the same Chinese characters. In both cases, simultaneous double membership in both houses is prohibited.<sup>12</sup>

Next, we examine the constitutional power structure between the two houses. No significant difference exists between the two cases.

In both cases, the birth and survival of the cabinet are dependent on the lower house alone, and independent from the upper house. In the case of Japan, they are only dependent on HR and independent from HC, although “the Prime Minister shall be designated from among the members of the Diet by a resolution of *the Diet*” (Article 67–1, the Constitution of Japan, emphasis added by the author). HR takes precedence over HC when there exist disagreements between the two houses (Article 67–2). In addition, “[i]f the House of Representatives passes a non-confidence resolution, or rejects a confidence resolution, the Cabinet shall resign en masse, unless the House of Representatives is dissolved within ten days” (Article 69). The cabinet is formed by the majority in HR and stays in power as long as it enjoys confidence. When it faces non-confidence, the cabinet<sup>13</sup> is required either to resign en masse, or to dissolve HR and call for a general election.<sup>14</sup>

In the case of Korea as well, the State Council, or the cabinet, is dependent on the lower house alone and independent from the upper house. In the process in which “the Prime Minister shall be nominated by the President and the nomination shall be approved by the House of Representatives” (Article 69), the upper house has no role to play in any sense. In addition, “[i]f the House of Representatives decides a non-confidence against the State Council, the State Council shall resign en bloc, unless a resolution has not been rendered for dissolution of the House of Representatives within ten days” (Article 71). Clearly, both the birth and survival of the cabinet<sup>15</sup> are solely dependent on the lower house.<sup>16</sup>

Next, we examine the legislative process. In both cases, the legislative power resides in the parliament as a whole.<sup>17</sup> Not only members of the parliament but the cabinet as well can submit bills.<sup>18</sup> In order for bills to come into effect as acts, more than one-half of approvals are necessary in both houses.<sup>19</sup>

When the decision of the upper house is different from that of the lower house, it is sent for reconsideration in the lower house and, once approved by more than two-thirds again, the decision of the lower house is considered as that of the parliament.<sup>20</sup> As two-thirds requirement for overriding is quite high, the upper house is virtually a veto point for the government. As for budgets, not the supermajority, but absolute majority is necessary.<sup>21</sup>

The difference in legislation between Japan and Korea is the order of deliberation on bills and budgets between both houses—not only budgets but also bills are first sent to the lower house by law in Korea whereas budgets alone are in Japan. The deliberation in the upper

always comes later.<sup>22</sup> It is quite natural to assume that the legislation game unfolds in the lower house in consideration of whether it is accepted later in the upper house. It is, therefore, meaningless to simply compare the numbers in legislation performance between both houses. In the first place, the lower house initiates the game by anticipating possible responses and demands in the upper house. It is crucially important to trace legislative process for each bill thoroughly and uncover the negotiations between both houses and among different parties and politicians before the initial decision in the lower house.

What is peculiar to the institutional settings of the Korean case is the existence of “the President” (Chapter 4, the 1960 Constitution). While the prime minister is “the head of government,” the president is “the head of the state and represents the Republic” (Article 51). The president is elected at the joint session of both houses by more than two-thirds of the total votes (Article 53). The president serves for five years and can run for reelection once.<sup>23</sup> The president is expected to be non-partisan and politically neutral.<sup>24</sup> As such, the president is expected to perform equivalences to “matters of state” (Article 7, the Constitution of Japan) in the case of the emperor. As “the President may attend and address the National Assembly or present his views thereto by written message” (Article 60, the 1960 Constitution in Korea), however, he virtually holds the politically important agenda-setting power.<sup>25</sup>

We compare how both houses are composed respectively. In the two cases, they differ greatly. Of course, both houses are directly elected by the people.<sup>26</sup> Especially in the case of Korea, “universal, equal, direct and secret suffrage” is emphasized in the 1960 Constitution, which says that “each House shall be composed of the members elected by universal, equal, direct and secret suffrage” (Article 32). The upper house is neither composed of provinces or states as in a federal system nor of lords and knights as in the UK. It is composed of commons, the same with the lower house, but in a different way. There is no difference between Japan and Korea both in the term of office for both houses and the presence/absence of the dissolution. The term of office for the lower house is four years whereas that for the upper house is six years. Every three years, one-half of the upper house members are elected. Although the lower house can be dissolved, the upper house enjoys a fixed term without dissolution.

Next, we examine the electoral system. The electoral system influences the degree to which the purposes between the two houses are different from each other. Due to the differences in the term of office

and the presence/absence of the dissolution, in the first place, the lower house is likely to have short-sighted and more local purposes while the upper house medium- and long-term and more national purposes. When electoral systems differ, the difference of purposes between both houses is larger.

In the case of Korea, 233 members of the lower house are all elected in a single-member district by a plural system while 58 members of the upper house<sup>27</sup> are elected in the capital Seoul and seven other provinces by limited voting.<sup>28</sup> In this setting, party voting and two-party system are likely to emerge in the lower house while individual voting and multi-party system are likely in the upper house. It brings about not only different party systems in different houses but also “a divided party” between different houses with different party disciplines in each. In addition, although the 1960 Constitution stipulated that one-half of the upper house members were elected every three years and all of them were chosen in the single election in July 1960, two different groups of members with different terms of office coexisted in eight different constituencies respectively. The first group had six years in office while the second one three years.<sup>29</sup> The presence of two different groups among upper house members with different terms of office in the same constituency means “a divided party” even among the same upper house members.

In Japan today, both HR and HC use mixed electoral systems respectively. Of the total 480 HR members, 300 are elected in a single-member district by a plural system while the remaining 180 are chosen in 11 regional blocs by proportional representation. Of the total 242 HC members, 96 are chosen by nationwide proportional representation while some of the remaining 146 are elected in a single-member district by a plural system in rural areas and others by a single non-transferable vote system with district magnitude 2 to 5 in urban areas. As in Korea, not only different party systems in different houses but also “a divided party” among members of different houses is likely to emerge.

We define the power of the upper house in bicameral parliamentarism by the two criteria of constitutional provisions and electorally induced incentives and examine different cases to draw comparisons. Arend Lijphart<sup>30</sup> proposes that the classification be broken down into four categories by judging whether constitutional powers are symmetrically distributed between the two houses and how different the purpose of both houses is to the other. The upper house is the most powerful when constitutional powers are symmetrically distributed

between the two houses and when the purpose of each house is different. For the lower house, the upper house, which is as powerful and has a different purpose from itself, is difficult to coexist with. On the contrary, the upper house is the weakest when constitutional powers are asymmetrically distributed in favor of the lower house and when the purpose of each house is convergent. For the lower house, the upper house, which is less powerful and has the same purpose as itself, is easy to handle. In between, there exist the following two cases: one in which constitutional powers are symmetrically distributed between the two houses and the purpose of each house is convergent; and the other in which constitutional powers are asymmetrically distributed in favor of the lower house and the purpose of each house is different. It is not clear which case is the more powerful in Lijphart's classification. In short, the power of the upper house in bicameral parliamentarism is finally classified into three different types. It suffices to say that both Japan's HC and the Korean case in 1960–1961 are the most powerful type of upper houses as constitutional powers are symmetrically distributed between the two houses with the purpose of each house different.

Lastly, we revisit the constitutional histories both in Japan and Korea with regard to the upper house. In Japan, on the one hand, HC was conceived for the first time in modern Japanese history in the deliberations on the drafting of a new constitution in the post-war era against the suggestion by the General Headquarters (GHQ) of a unicameral legislature, and finally institutionalized with HR in the Constitution of Japan enacted in 1947. For the past 68 years since then, no single constitutional revision has been made with a bicameral parliamentary system kept intact. On the other hand, in Korea, the parliamentary system was introduced for the first time by the constitutional revision in 1960 while bicameralism itself was stipulated in the 1952 Constitution (Article 31).<sup>31</sup> This stipulation was installed as a quid pro quo for the change of an executive system from parliamentarism to presidentialism and immediately suspected on the pretext of the Korean War, which ended in 1953 with an armistice. Later, at the start of constitutional revision in 1960, elections of both houses were held for the first time. In changing both constitutional and legislative systems all together, no thorough examination on whether congruence existed between the two was made.<sup>32</sup> Although political institutions make a difference as the ensemble, there existed no serious debate on the relationship among them, especially between parliamentarism and bicameralism.



## Korean Experiences in 1960–1961 Revisited

We revisit the Korean case in 1960–1961 and evaluate it according to the following four yardsticks of legislative performance, the birth and survival of the cabinet, party discipline of the ruling party, and the resilience of a fledgling democratic regime.

We first examine legislative performance. Generally, the legislative performance in the fifth session in which bicameral parliamentary system was in effect is low, with the approval rate of just 44.1 percent, the lowest in history.<sup>33</sup> The rate of matters accepted by the Assembly but revoked due to the expiration of the session was 44.1 percent, the second highest, due to the abrupt suspension of not only the Assembly but also the 1960 Constitution by the military coup in May 1961 as was the case with the fourth session in the wake of the April revolution in 1960.

The legislative performance in the fifth session by different matters both in the lower and upper houses respectively is as follows. In the lower house, of the 296 bills accepted, only 70 were approved with a rate of just 23.6 percent whereas those revoked due to the expiration of the session was a remarkably 193 with a rate of 65.2 percent.<sup>34</sup> In the upper house, of the 280 bills sent by the lower house in which deliberations always came first, only 59 were approved with a rate of just 21.1 percent whereas those revoked due to the expiration of the session was an overwhelmingly 219 with a rate of 78.2 percent.<sup>35</sup> All budgets were approved in both houses.

The number of bills that were sent to the lower house for reconsideration after the upper house reached a different decisions from those in the lower house is eight. In six cases,<sup>36</sup> the original lower house's decisions were approved again by more than two-thirds. In the remaining two cases,<sup>37</sup> the lower house accepted the upper house's decisions as theirs. Of 59 bills that were approved in the upper house, eight (11.6 percent) were added with some revisions, in greater or less degree, to the original ones passed in the lower house before. Among them on which disagreements existed between both houses, the following three bills are particularly important: the bill on restricting civil rights of those people who committed anti-democratic acts; the bill on punishing those who rigged an election; and the bill on special treatment on dishonest accumulation of wealth. They were all submitted in the wake of the constitutional revision in November 1960 in which retroactive acts were justified to rectify the past wrongdoings in the previous authoritarian regime under President Syngman Rhee from

1948 to 1960, which created a lot of controversies and antagonism in the entire society. In the former two bills, with the revisions by the upper house primarily aimed at limiting the cases applicable, the lower house, more responsive to the voters, approved the original decisions by the supermajority. In the latter one case, however, the upper house's revision was approved in the lower house as well, which was lukewarm to the business amid opposing demands by the labor and the left.

In the institutional settings in Korea, the lower house always deliberated before the upper house by taking into consideration whether the upper house would respond later. As the lower house's decisions were all made strategically in the first place, it is meaningless to simply compare the approval rates between both houses. Of 59 bills which the upper house approved, 51 (88.4 percent) were the same with those in the lower house, and the remaining eight (11.6 percent) were sent to the lower house for reconsideration with some revisions. In the six cases, the lower house's original bills were approved once again, while in the remaining two cases, the lower house accepted the upper house's revisions as theirs. This legislative performance is not so much an example of the upper house as a rubber stamp on the lower house as its latent power strategically considered by the lower house beforehand.<sup>38</sup>

Next, we examine the birth and survival of the cabinet. In the concurrent elections on July 29, 1960, in which both the lower and upper houses were elected in the wake of the constitutional revision into a bicameral parliamentary system, the Democratic Party won the majority in both houses. Especially in the lower house with 233, it held 175, more than two-thirds with which it was theoretically possible to override a veto by the upper house. Even in the upper house, it garnered 31 seats, well over one-half of the total 58 seats. On August 12, Yun Bo-seon, a champion in the old faction in the Democratic Party was elected overwhelmingly as the president by the whole party. Five days later on August 17, he nominated Kim Do-yeon of the same faction as the prime minister and then voted on it in the lower house. With 111 in approval, 112 against, and 1 invalid, his nomination was rejected. Two days later on August 19, President Yun nominated Chang Myon, a new faction leader as prime minister. With 117 in approval, 107 against, and 1 invalid, his nomination barely got approved. As Prime Minister Chang appointed 14 ministers on August 23, his cabinet was finally inaugurated.

With regard to the division of portfolios in the Chang government between the two factions, 11 of 14 ministers were members of

the new faction, except for the ministers of agriculture and forestry Park Je-hwan (independent), transportation Jeong Heon-ju (the old faction), and education O Cheon-seok (nonmember of the National Assembly). Except for cabinet secretary O Wi-yeong, the one and only upper house member in the cabinet, those remaining ten ministers were lower house members. Faced with strong objections by the old faction to the new faction-dominated cabinet, Prime Minister Chang made the first cabinet shuffle on September 12, just 20 days after the inauguration, replacing eight ministers, including interior, defense, reconstruction, commerce, health and social affairs, transportation, posts and telecommunications, cabinet secretary, and one minister without a portfolio. Not only was Cabinet Secretary O Wi-yeong replaced, but Jeong Heon-ju, a member of the old faction, was installed as transportation minister along with three other members of the old faction, who took up the positions as ministers of interior, defense, and commerce.

In January 1961, Chang reshuffled the cabinet a second time to replace four ministers from defense, reconstruction, health and social affairs, and posts and telecommunications, and one minister without a portfolio. He reinstated O Wi-yeong as minister without a portfolio who joined the cabinet as the one and only upper house member with a secretary portfolio and had been replaced in the first cabinet shuffle. In May, the third cabinet reshuffle occurred and two ministers were replaced—interior and justice.

From the very time of the inauguration, the Chang Cabinet was unstable and characterized by three reshufflings just in nine months. Although it did not face a non-confidence vote in the lower house, the discipline of the ruling Democratic Party was weak. The repeated cabinet reshuffling was mainly aimed at alleviating intra-party struggles among different factions, but ultimately failed with the military coup in May 1961.

The ruling Democratic Party won the majority in both lower and upper houses in the concurrent election and held more than two-thirds in the lower house. However, intra-party struggles among two different factions, the old faction and the new faction, were severe, and they registered as different floor groups in the legislature, finally splitting into different parties.

On August 23, 1960, the Chang Cabinet was organized mainly by the new faction. Immediately after the fifth Session of the National Assembly was convened, the old faction registered as a different floor group, called “Comrades of the Old faction in the Democratic Party”

on August 31. On October 18, this group was reborn into a completely different party, the New Democratic Party, on the pretext that it was urgent to establish a two-party system between conservative parties as more than two-thirds of the seat shares by one party might lead to a dictatorship. The remaining Democratic Party maintained the majority in the lower house while the ruling party was a minority in the upper house. In fact, intra-party struggles continued even after the party split, the party discipline remained weak even in the lower house.

Lastly, we examine the resilience of a democratic regime itself. In less than a year after the formation of the Chang government, the second republic collapsed with the military coup in May 1961, led by Park Chung-hee, the father of the sitting President Park Geun-hye. President Yun who “shall be the Commander-in-Chief of the Armed Forces” (Article 61, the 1960 Constitution in Korea) gave tacit approval to the coup by saying, “What is to come finally has come.” The 1960 Constitution was suspended under the military rule and then replaced by the highest body, Supreme Council for National Reconstruction by the junta. Until the very last moment, President Yun was not so much the head of state that represents the Republic (Article 51) as the partisan leader of the old faction.<sup>39</sup>

We examined the Korean experience in 1960–1961 by four measures: legislative performance, the birth and survival of the cabinet, party discipline of the ruling party, and the resilience of a democratic regime. The bicameral parliamentary system with a strong upper house apparently crippled the leadership of the Chang government and placed the government and its ability to govern in crisis. For the cabinet, the upper house in which bills were always put to deliberations after being passed by the lower house was virtually a veto point in legislation, and the president who “shall be the Commander-in-Chief of the Armed Forces” and partisan by nature held an agenda-setting power by making his opinion heard in the legislature. Whoever was prime minister, and whichever party was in government, the cabinet was caught between Scylla (the president) and Charybdis (the upper house), which was destined to malfunction.

## Conclusion: Lessons Learnt for Contemporary Japanese Politics?

We revisited the Korean experience in 1960–1961 as one of the critical cases in a bicameral parliamentary system and showed that the strong

upper house played a pivotal role in legislative performance, the birth and survival of the Chang Administration, party unity of the ruling Democratic Party, and the resilience of a fledging democratic regime. Although the upper house in bicameral parliamentarism was independent from the birth and survival of the cabinet by a constitutional design, it not only brought about low performance in legislation and weak discipline of the ruling party, but also led to the breakdown of a democratic regime itself. In short, bicameral parliamentarism with a strong upper house caused a constitutional crisis.

Coincidentally, the names of both the upper house and the ruling party are identically the same in both cases of Korea in 1960–1961 and Japan at the time of March 11, 2011. The Democratic Party-led Chang Cabinet failed to address a constitutional crisis and collapsed through a military coup. The presidential system was reinstalled by the subsequent constitutional revision in 1963 and basically kept intact until today, whereas parliamentarism is generally understood as a malfunctional constitutional system in Korea. Post-war Japan as well faced difficulties in cabinet leadership and governability in a divided government in both houses of the bicameral Diet immediately after the Constitution of Japan was enacted in 1947.<sup>40</sup> In a sense, the 1955 system in which LDP, merged by some conservative parties and virtually a coalition of different factions, kept majority in both houses, was a political response to such constitutionally induced difficulties. As it is quite natural that the problems of a minority in the upper house emerged once again after the 1955 system collapsed, it is high time to address the divided government in a bicameral parliamentary system. Some propose “prime minister’s control”<sup>41</sup> as a characteristic of Japanese politics in the post-1955 system, but what was at stake until July 2013 is rather a “weak cabinet in time of HC’s veto.” After LDP and its junior partner Komei won the upper house election, then Prime Minister Abe Shinzo enjoys a “Japanese style of unified government” in which the ruling coalition has a majority in both houses of the bicameral Diet.

In order to address unprecedented national challenges in the wake of the quake on March 11, 2011, and the meltdown at Fukushima Daiichi nuclear power plant, legislative and budgetary supports were desperately needed. Nevertheless, the prime minister’s leadership, in particular, and the governability in general were severely limited by the opposition-controlled HC. If it is the case that such responses were belated due to a minority in the upper house, it is suffice to say that it was a constitutional crisis caused by a bicameral parliamentary

system with a strong upper house. Whoever is the prime minister and whichever party is in government, it is difficult, if not impossible, to enjoy a stable unified government and to tackle national agendas as long as the constitutional structure is kept intact. In this sense, it remains to be seen whether the unified government under sitting Prime Minister Abe is an exception.

Lastly, we point out unresolved research questions. Whether they are constitutional or electoral systems, whether they are legislative system or central-local relations, political institutions make a difference, not as constitutive terms respectively but as interaction terms. Both parliamentarism as one of the constitutional systems and bicameralism as one of the legislative systems should be understood in combination as a bicameral parliamentary system. As full-fledged studies on political institutions with these particular institutional dynamics are in a very preliminary stage, little is known both theoretically and empirically about the relations between a bicameral parliamentary system, on the one hand, and party organization and the control of the bureaucracy and the military, on the other hand. Much more is needed to add to the analysis on Korean experiences in 1960–1961 in which the military coup led to the breakdown of a democratic regime.

## Notes

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1. The number of members in the House of Representatives, the National Diet of Japan (480), for each floor group was as follows as of June 11, 2011, exactly three months after the quake: DPJ (303); LDP (118); Komei (21), Japan Communist Party (9); Social Democratic Party (6); Your Party (5); People's New Party and New Party Nippon (4); Sunrise Party of Japan (2); independents (11); vacancy (1). The House of Representatives, "The Name of Floor Groups and the Number of Members for Different Groups," [www.shugiin.go.jp/index.nsf/html/index\\_kousei2.htm](http://www.shugiin.go.jp/index.nsf/html/index_kousei2.htm) (accessed June 29, 2011).
2. The number of members in the House of Councillors, the National Diet of Japan (242), for each floor group was as follows as of June 11, 2011: DPJ (106); LDP (83); Komei (19), Your Party (11); Japan Communist Party (6); Sunrise Party of Japan and New Renaissance Party (5); Social Democratic Party (4); People's New Party (3); independents (5). The House of Councillors, "The Number of members for different groups," [www.sangiin.go.jp/japanese/joho1/kousei/giin/177/giinsu.htm](http://www.sangiin.go.jp/japanese/joho1/kousei/giin/177/giinsu.htm) (accessed June 29, 2011).

3. Satoshi Machidori, “*Inin to Sekinin no Rensa’ Kakuritsu wo*” (The chains of delegation and accountability are badly needed), *Nikkei Shimbun*, June 14, 2011; Masaki Taniguchi, “*90 nendai Kaikaku no Ketsuraku wo Umeyo*” (Deficiencies in the political reforms in the 1990s should be addressed), *Nikkei Shimbun*, June 15, 2011. Machidori argued that the biggest challenge for the Kan Administration was neither the quake itself nor intra-party power struggles with Ozawa Ichiro, a power broker and former DPJ leader, but a minority in HC, or a divided government in bicameral Diet. Taniguchi added that it was high time for both LDP and DPJ to address the problem of a divided government as they all shared difficulties in governability once in power.
4. Although it was not a coalition government between parties in its strict sense of the term, the purpose of luring Kazuhiko Hamada individually to quit LDP and join the DPJ-PNP coalition government as Vice Minister of Internal Affairs and Communications in June 2011 was to seek majority in HC. In fact, this meant the coalition including SDP and Japan Communist Party reached a half of the total seats in number.
5. Harukata Takenaka, “*Nihongata Bunkatsu Seifu’ to Sangiin no Yakuwari*” (‘Japanese Style of Divided Government’ and the House of Councillors), *Nenpou Seijigaku (Japanese Political Science Review)* (2005): 99–125.
6. For the relations between constitutional systems and party organization, see David J. Samuels and Matthew S. Shugart, *Presidents, Parties, and Prime Ministers: How the Separation of Powers Affects Party Organization and Behavior* (Cambridge: Cambridge University Press, 2010).
7. *Ibid.*
8. See, for examples, Roland Strum, “Divided Government in Germany: The Case of Bundesrat,” Robert Elgie (ed.), *Divided Government in Comparative Perspective* (Oxford: Oxford University Press, 2001); Yasui Hiroki, “Doitsu no Bunkatsu Seifu to Rippou Katei” (Divided Government and Legislative Process in Germany), *Nenpou Seijigaku: Minsyu Seiji to Seiji Seido (Japanese Political Science Review: Democratic Politics and Political Institutions)* (2009-I): 303–321.
9. Yasui, “Divided Government and Legislative Process in Germany,” p. 306.
10. *Ibid.*, p. 314.
11. *Ibid.*
12. “No person shall be permitted to be a member of both Houses simultaneously (Article 48, The Constitution of Japan).” “No person shall be permitted to hold concurrently the membership for both Houses (Article 32, The 1960 Constitution in Korea).” As an official English translation of the past Korean constitutions is not available, the following article is helpful. Kim Hyo-Jeon, “The Constitutions of the Republic of Korea,” *Journal of Law of the Donga University* 25: 341–388. The translations of the Constitution of Japan is officially available at Kantei, Prime Minister of Japan and His Cabinet, [www.kantei.go.jp/foreign/constitution\\_and\\_government\\_of\\_japan/constitution\\_e.html](http://www.kantei.go.jp/foreign/constitution_and_government_of_japan/constitution_e.html) (accessed March 13, 2012).
13. The cabinet can dissolve HR anytime in other than the cases in which a non-confidence resolution is passed or a confidence resolution is rejected (Article 7).

14. In this sense, indicative is the constitution provision that says, "The Cabinet, in the exercise of executive power, shall be collectively responsible to *the Diet*" (Article 66-3, emphasis added by the author).
15. The State Council, or the cabinet, can dissolve the House of Representatives anytime in other than the case in which a non-confidence resolution is passed (Article 72).
16. "The State Council shall be collectively responsible to *the House of Representatives*" (Article 68, emphasis added by the author). This provision is in stark contrast with the following one in the Constitution of Japan. "The Cabinet, in the exercise of executive power, shall be collectively responsible to *the Diet*" (Article 66-3, emphasis added by the author).
17. "The Diet shall be the highest organ of state power, and shall be the sole law-making organ of the State" (Article 41, the Constitution of Japan). "The legislative power shall be exercised by the National Assembly" (Article 31, the 1960 Constitution in Korea).
18. The constitutional provisions by which the cabinet submits bills are respectively as follows. "The Prime Minister, representing the Cabinet, submits bills, reports on general national affairs and foreign relations to the Diet and exercises control and supervision over various administrative branches" (Article 72, the Constitution of Japan). "The members of the National Assembly and the executive submit bills" (Article 39, the 1960 Constitution in Korea).
19. "Unless otherwise provided for in the Constitution or in the National Assembly Law, the attendance of a majority of the members duly elected and seated the vote of a majority of the members present shall be necessary for acts of each House" (Article 37, the 1960 Constitution in Korea).
20. "A bill which is passed by the House of Representatives, and upon which the House of Councillors makes a decision different from that of the House of Representatives, becomes a law when passed a second time by the House of Representatives by a majority of two-thirds or more of the members present" (Article 59-2, the Constitution of Japan). "In case the decisions of the two Houses on a matter required to be decided by the National Assembly are not in accord with each other, the matter shall be referred to the House of Representatives for reconsideration; any one of the two decisions respectively made by each House, which has been renewedly adapted by the House of Representatives with the attendance of one-half or more of the members duly elected and seated, and with concurrence of two-thirds or more of the members present, shall be the decision of the National Assembly" (Article 37, the 1960 Constitution in Korea).
21. "Upon consideration of the budget, when the House of Councillors makes a decision different from that of the House of Representatives, and when no agreement can be reached even through a joint committee of both Houses, provided for by law, or in the case of failure by the House of Councillors to take final action within thirty (30) days, the period of recess excluded, after the receipt of the budget passed by the House of Representatives, the decision of the House of Representatives shall be the decision of the Diet" (Article 60-2, the Constitution of Japan). "Upon consideration of the budget,



- when the House of Councillors makes a decision different from that of the House of Representatives, the budget shall be brought before the House of Representatives for reconsideration and the latter's decision shall be the decision of the National Assembly" (Article 37, the 1960 Constitution in Korea).
22. "The budget must first be submitted to the House of Representatives" (Article 60-1, the Constitution of Japan). "Bills and Budgets shall be first presented to the House of Representatives" (Article 39, the 1960 Constitution in Korea).
  23. "The President shall hold office during the term of five years. However, re-election to consecutive term shall be permissible only once" (Article 55, the 1960 Constitution in Korea).
  24. "The President shall not be affiliated with political party, nor engage in a public or private profession nor practice any business" (Article 53, the 1960 Constitution in Korea).
  25. In addition, in the case of the Korean upper house, its speaker presides over joint sessions of both houses in which the president is elected (Article 36, the 1960 Constitution in Korea). The upper house selects three out of nine Constitutional Court justices (Article 83-4).
  26. "Both Houses shall consist of elected members, representative of all the people (Article 43-1, the Constitution of Japan)."
  27. "Members of the House of Councillors shall be elected from Special City and Provinces, as an electoral district, in accordance with the provisions of law and the fixed number of members thereof shall not exceed one-fourth of those of the House of Representatives" (Article 32, the 1960 Constitution in Korea).
  28. The seats allotted by regions are as follows: Jeollanam-do, Gyeongsangbuk-do and Gyeongsangnam-do (8); Seoul, Gyeonggi-do, Chungcheongnam-do and Jeollabuk-do(6); Chungcheongbuk-do and Gangwon-do (4); Jeju-do (2). As of 1960, Busan, the second largest city in Korea after Seoul, was a part of Gyeongsangnam-do. Voters cast ballots of less than one-half of the seats in their regions. For example, voters in Seoul where six seats were allocated cast less than three ballots.
  29. "The Councillors shall be assigned equally to two classes, the first class and second class, according to the order of the number of votes they have received in each electoral district. The term of Councillors of the first class shall be six years, and that of the second class three years" (Supplementary Rules, the 1960 Constitution in Korea).
  30. Lijphart, Arend, *Patterns of Democracy: Government Forms and Performance in Thirty-Six Countries* (New Haven, CT: Yale University Press, 1999), ch.11.
  31. There exist three major differences between the 1952 Constitution and the 1960 Constitution. First, electoral cycle and the proportion of seats elected each time are different. In the 1960 Constitution, "The term of the members of the House of Councillors shall be six years, and *one-half* of the members shall be replaced every *three years*" (Article 33, emphasis added by the author). In the 1952 Constitution, "The term of the members of the House of Councillors shall be six years, and *one-third* of the members shall be replaced every *two years*" (Article 33, emphasis added by the author)." Second, in the 1952 Constitution, "in case the decisions of the two houses on

- bills or other matters are not in accordance with each other, the joint session of both houses is convened by the attendance of a majority of the members in each house and the decisions are made by vote of a majority of the members present” (Article 37). Third, in the 1952 Constitution, “matters for the election of, and the fixed number of members of *the National Assembly* shall be determined by law” (Article 32, emphasis added by the author). No specific provision exist on the upper house.
32. U.Song, *Hangu Heonbeob Gaejeongsa (History of Constitutional Revisions in Korea)* (Seoul: Jimmundang, 1980), pp. 167–191.
  33. National Assembly of the Republic of Korea, *Daehanmingug Gughoe 60-nyeonsa (Sixty Years of the National Assembly of the Republic of Korea)* (Seoul: National Assembly of the Republic of Korea, 2008), p. 977.
  34. *Ibid.*, p.982.
  35. *Ibid.*, pp.199–200.
  36. “The case of reconsideration of the bill on restricting civil rights of those people who committed anti-democratic acts,” Knowledge Management System of the National Assembly of the Republic of Korea, <http://ow.ly/5uy14> (accessed June 29, 2011); “The case of reconsideration of the bill on punishing those who rigged an election,” <http://ow.ly/5uy4S> (accessed June 29, 2011); “The case of reconsideration of the bill on the inspection committee,” <http://ow.ly/5uy6w> (accessed June 29, 2011); “The case of reconsideration of the bill on the Constitutional Court,” <http://ow.ly/5uy7F> (accessed June 29, 2011); “The case of reconsideration of the bill on electing the chief justice and other justices of the Supreme Court,” <http://ow.ly/5uy8F> (accessed June 29, 2011); “The case of reconsideration of the bill on abolishing the Act on Temporary Administrative Measures against Restored Areas,” <http://ow.ly/5uyc7> (accessed June 29, 2011).
  37. “The case of reconsideration of the bill on special treatment on dishonest accumulation of wealth,” Knowledge Management System of the National Assembly of the Republic of Korea, <http://ow.ly/5uye1> (accessed June 29, 2011); “The case of reconsideration of the bill on revising the National Assembly Act,” <http://ow.ly/5uyfh> (accessed June 29, 2011).
  38. For more accuracy, it is necessary to trace legislation processes respectively one act by another before the final deliberation and voting in the legislature by using Knowledge Management System of the National Assembly of the Republic of Korea and newspapers.
  39. Kang Won-taek, “Je 2 Gonghwagug Naegagje-ui Bul-anjeong-e daehan Jeongchijedojeog Pyeongga (Revisiting the fall of the Second Republic in South Korea: An Institutional Approach),” *Hangu Jeongchi-Oegyosa Nonchong (Journal of the Korean Association for Political and Diplomatic History)* 30:2 (2009): 5–30.
  40. Harukata Takenaka, *Sangin towa Nani ka: 1947–2010 (A Study on the Upper House in Japan: 1947–2010)* (Tokyo: Chuko Sensyo, 2010).
  41. Harukata Takenaka, *Syusyou Shihai: Nihon Seiji no Henbou (Prime Minister’s Control: Transformation of Japanese Politics)* (Tokyo: Chuko Sinsyo, 2006).



# Foreign Policy: Japan and Korea



## Japanese Foreign Policy: Abe II and Beyond\*: With a Future Perspective of Japan-Korea Relations

*Kazuhiko Togo*

### On Abe Becoming Prime Minister: The Surrounding Domestic Situation

Abe Shinzo's electoral victory in the House of Representatives in December 2012 and in the House of Councillors in July 2013 and its implications on Japanese politics is not easy to analyze. After the long reign of the Liberal Democratic Party (LDP) (1955–1993), Japanese politicians have been trying to establish a stable two-party system since the start of the 1990s. But the failure of three years of governance by the Japan Democratic Party (JDP) and the total disarray of opposition parties in summer 2013 led Abe to a new situation, at least allowing him to stop the one-year revolving door of prime ministers and possibly making him a prime minister for a few years or even longer, unless some catastrophic errors are committed either on the economy or on politics.

The “system of 1955,” which was the major political achievement in postwar Japan was composed of an asymmetrical two-party system, where the LDP, supported by agricultural lobby and powerful industry and conducting realist foreign policy, stayed in power permanently and the Japan Socialist Party (JSP), supported by urban electorates, workers, and some opposition intellectuals, and advocating an idealist foreign policy stayed in permanent opposition. The

political reform that started in 1993 under Ozawa Ichiro successfully halted 40 years of LDP reign but quickly returned the LDP to power in 1996, led to Koizumi Junichiro's reformist policy to "destroy the LDP" for six years from 2001, and finally allowed the Democratic Party of Japan (DPJ) to take power in 2009.

But three years of JDP governance and a seemingly two-party system failed. Lack of political experience that resulted in incompetence, failure of wildly idealist policies, such as a five-trillion-yen budget for children subsidy, failure of hollow slogans, such as "from concrete to human being," alienation of bureaucracy that provided effective governance capability, and finally, inability to lead Japan out of deflationary stagnation that resulted in a disappointed electorate. On international relations, Hatoyama Yukio alienated the United States by his careless, if not antagonistic, remarks toward greater autonomy, and Noda Yoshihiko's inadvertent, if not careless, policy on the Senkaku/Diaoyu Islands purchase triggered an explosive response from China. Both resulted in deep anxiety among opinionated voters. As electoral support of JDP diminished, LDP gained a smashing victory in the House of Representatives' election on December 16, 2012, and the Abe Cabinet was formed on December 26.

Abe, who returned to power after his one-year stint as prime minister from 2006 to 2007, clearly had one objective. The re-creation of a strong LDP, which would at a minimum be able to run for several years and to end the revolving prime ministerial system that characterized Japanese politics for six years after Koizumi's departure in 2006 and to allow him to govern as long as his tenure endured. These were the primary objectives of Abe. To allow this to happen, Abe and his team appear to have established several clear strategies. First, the most important strategy for Abe's second term (Abe II) in the first half year was to win the House of Councillors election, which was to occur before July 28, 2013, when one-half of the deputies were up for reelection. The second strategy was to concentrate during the first half of the year on socioeconomic issues, with the recognition that deflationary economy and the feeling of social economic malaise were perhaps the issue with which Japanese electorate were most concerned and that the proper redress of this issue alone would give Abe the stable victory he wanted at the July 2013 election. Conversely, Abe II's third strategy was to ensure that his national objective and foreign policy agenda maintained a low profile, so that it did not become the center of the electorate's attention during the July 2013 election.

Before assuming power, Abe and his team had already established a detailed work plan to implement, giving the socioeconomic agenda the highest priority. The work plan appears to have been implemented basically as planned. Three arrows of Abenomics were launched and set, and despite some fluctuations, all seem to be moving ahead.<sup>1</sup>

The “first arrow” from Abe’s quiver targets an easing of monetary policy with a bull’s eye of 2 percent inflation target. Kuroda Haruhiko, the new governor of the Bank of Japan, is responsible for implementing this policy and the policy to enlarge the monetary base to 135 trillion yen in two years. The expectation for the new monetary policy caused a stunning rise of the Nikkei average stock price from 9,000 yen in November 2012 to 15,942 yen on May 23, 2013, combined with a sharp depreciation in the yen from 78 yen to over 103 yen per US dollar on May 17, 2013. The “second arrow,” designed to activate the economy, focuses on enlarging the budgetary expenditure that was implemented first in the form of a supplementary budget of 13 trillion yen, adopted by the House of Councillors on February 26. On May 15, the House of Councillors approved the 2013 budget totaling 92 trillion yen, the largest amount in history, with 5.3 trillion yen designated for public works. Abe announced the “third arrow” in his quill of development strategy on April 19. This aims an enlarged role for women in society, more space in nurseries, and three years for maternity leave. Then on May 17, the announcements continued with news to enhance greater private sector investment by 70 trillion yen, infrastructure export by 30 trillion yen, and agricultural export by 1 trillion yen. The final piece to Abenomics came on June 5, with the announcement of adding 30 trillion yen to electricity-related investment and increasing per capita growth national income (GNI) by 1.5 million yen in 10 years.<sup>2</sup>

The outcome of Abenomics at the middle of August 2013 appears to be basically sustainable, with some fluctuations. The Nikkei began to fall in the latter part of May, and on June 13, it bottomed at under 12,500 yen. It surged again just before and after the July election to a level of 14,800 yen, but dropped to 13,700 yen at the middle of August 2013. The yen began to appreciate below 100 yen per US dollar and reached 94 yen on June 14 and settled at 98 yen at the middle of August 2013. The markets did not react that positively to Abe’s victory in the House of Councillors. But, all in all, the general social and economic mood is still positive after the 2013 House of Councillors election.



## Abe's First Tenure, 2006–2007

It is generally perceived that Abe's national objective and foreign policy agenda were given a low profile because Abe II's clear objective during the first half year was to concentrate on socioeconomic issues that interested the electorate. To understand the origin's of Abe's national objective and foreign policy agenda, no better insight can be gained than by examining Abe's first Cabinet in 2006–2007 (Abe I) and his major political thinking then and how it was implemented. During Abe I, the primary area of his interests and policy proposals were related to the national objective—security, and re-creation of an autonomous Japan.

The best synthesis of his thinking was summarized in his 2006 book, "Toward a Beautiful Country."

- (1) Fundamentals in the 2006 book, "Toward a Beautiful Country," show amply that Abe's political thinking is deeply influenced by his grandfather Kishi Nobusuke. Through his description of LDP history and the original tasks of that party, Abe's basic thinking of contemporary Japanese politics emerge very clearly. He outlines that when the former Liberal Party under Yoshida Shigeru and former Conservative Party under Hatoyama Ichiro united, LDP had two missions. The first was the need to recover as quickly as possible Japanese economic power, which had been devastated by the war. In the 50 years since then, Abe argued, the LDP has succeeded in achieving this first objective marvelously well.
- (2) The second motivation is summarized below and is taken directly from his book:

But another reason the two conservative parties decided to merge was to regain independence in the true meaning of that word. Japan formerly gained independence by the conclusion of the San Francisco Peace Treaty but the framework of postwar Japanese development was made during the occupation, including the Constitution and the Basic Education Law. It is true that those who drafted the Constitution had a passion for idealism, but the initial intention by the Allies was to tie Japan's hands and feet so that it would never rise as a great power. The structure of a country has to be created by the hands of the people right from scratch. "True independence can be achieved only through this path... One of the spirits of the formation of the LDP was 'the establishment of an autonomous constitution',...the revision of the Constitution was the symbol as well as concrete measure to regain independence." That second objective was put behind and several shortcomings came to be born because of this postponement.<sup>3</sup>

- (3) With this fundamental thinking, he describes in detail his inspiration to become a politician, the necessity to have an autonomous state, nationalism as a necessity to establish a patriotic country, necessity to gain collective right of defense in the context of Japan-US relations, separation of political and economic relations with China, assertion of a nationwide unified pension scheme, and need for patriotic education. Abenomics, or his economic and social policy, occupied very little space in his original agenda.

But when we see actual implementation, we can clearly identify two streams. One was the steady implementation of his idealist-nationalist agenda as described above: adoption of a new basic education law on December 5, 2006; elevation of Defense Agency to Defense Ministry on January 9, 2007; establishment of wise men's group to reconsider the issue of collective right of defense on April 25, 2007; and the adoption of procedural law for the revision of the Constitution on May 14, 2007.

But what surprised many was Abe's totally pragmatic and realist policy toward China and Korea: Abe overcame the most difficult issue with China, the Yasukuni Shrine, by his new policy of "not confirming and not denying"; approved both the Murayama Statement and the Kono Statement as his Cabinet's policy in an early Diet debate; visited Beijing in October 2006 as his first foreign trip and relinquished his approach to the separation of politics and economics, asserting that politics and economics are two wheels of a vehicle; visited Korea immediately after China; welcomed Wen Jiabao to Tokyo in April 2007, and practically brought back the relationship to the position it was before Koizumi created difficulties with his Yasukuni visits. From March until summer 2007, one issue haunted him, the issue of comfort women, in which the US media caught Abe's assertion that "there was no coercion in a narrow sense." But even with this issue, Abe extracted himself successfully by taking an attitude of humility.

One year as prime minister is too short to conclude whether the true Abe was "Abe the idealist-nationalist" or "Abe the realist-pragmatist." It is fair to say that both faces coexisted in Abe I.

### The First Half Year of Abe II: Is He an Idealist-Nationalist or a Realist-Pragmatist?

In January, Abe published a revised version of "Toward a Beautiful Country" with an added article that he published in the *Bungei*

*Shunju* January 2013 version. That book was named *Toward a New Country*. Other than the additional chapter, the contents remained unchanged. At the very end of the new article in the book, Abe reconfirmed his basic thinking:

Looking at these issues that Japan faces now, such as the question of abductees, territorial issues, Japan-U.S. relations, or even such economic issues as TPP, it seems that the root-cause is one. Not having a clear recognition that the life and wealth and territory of the Japanese shall be protected by the Government of Japan itself, we have postponed the resolution of the problem and just enjoyed material wealth, and now are forced to pay the bill. The fact that the key issue of “getting out from postwar regime” became the most important issue for Japan has not changed since five years ago, when I was the prime minister. For the election in December 2012, the LDP’s major slogan is “to regain Japan.” This does not mean just to take back Japan from the JDP. If one may say so, it means to take back Japan from its post-war history.<sup>4</sup>

Despite this long-standing position of idealist-nationalist, the first six months of Abe’s tenure was reasonably quiet on this item. This is because his national goal and security-related agenda were given a low profile. Or in other words, the realist-pragmatist Abe took the lead in the first half year. But there was one exception: the issue of historical memory. So, I would like to analyze first, the seven policy areas that were reasonably contained: revision of the Constitution, China, United States, Russia, South Korea, North Korea, and multilateral or regional policy. Then reflect on the last area, which for a period were outside the realist-pragmatist control, that is, the historical memory issue.

In terms of advisors in the prime minister’s office: Yachi Shotaro, who worked as vice-minister for Foreign Affairs and who is reputed to have given Abe the best realist-pragmatist advice, was selected as one of the seven special advisors. Nobukatsu Kanehara, known to be the closest advisor to Yachi in the Ministry of Foreign Affairs (MOFA) seven years ago, was specifically chosen to work as deputy assistant cabinet secretary. Thus, Abe is supported in his inner circle by two of the best and brightest of MOFA career diplomats.

### *Revision of the Constitution*

Of the idealist-nationalist agenda items that Abe pursues, constitutional revision may be the most deeply rooted. His view was that the Meiji Constitution was a constitution decided from the top and that the current constitution was given by the occupation forces, and so

the time has come for the Japanese people to adopt a Constitution that comes from the fundamentals of LDP formation when his grandfather Kishi Nobusuke played a powerful role in bringing together the liberals and the conservatives of postwar Japan.

The first concrete step Abe took toward constitutional revision was the reactivation of the wise men's group tasked with reconsidering the interpretation of Article 9. On February 8, 2013, the wise men's group, officially named "The Consultative Committee Concerning the Reconstruction of Legal Basis of Security," convened, and the chairman of the committee, Yanai Shunji, former ambassador to the United States, reported to Abe the conclusion drawn in June 2008, that is, four areas exist where legal structure should be modified, two necessitating a change in the interpretation of the Constitution. After the meeting, Yanai explained to the media that "security threat exists from terrorists but also from the other countries. There may be other types of threat than the four patterns that we analyzed, so we are going to study them."<sup>5</sup> Some newspaper commentary reported constraining factors now present for the group's work: the pacifist position of the Komei Party; questionable timing to change in interpretation when tension with China could escalate into military confrontation; low priority on the issue of collective self-defense at the U.S. side even among some Japan specialists; and finally, minimal support heard from the Ministry of Defense, even among self-defense people.<sup>6</sup>

Abe's initiative to enter into constitutional revisions after the July 2013 election met cautious responses from Komei Party and others in the public, fearing a radical security policy change. Abe's initiative took the form of implementing first procedural revision of Article 96, that is, lowering the votes needed from both houses from two-thirds to one-half of the members. From animated parliamentary debates on March 12, 2013,<sup>7</sup> Abe realized by late spring that such an amendment to Article 96 needs more time.<sup>8</sup> From early June, applying the majority rule only to technical articles and keeping core articles under the two-thirds rule came under serious discussion. But finally in the election platform for the House of Councillors, in the tenth point of the constitutional revision, the eighth item appeared as follows: "To ease the requirement to initiate constitutional amendment to 'half of each House' so that the sovereign people, through referendum' would have greater opportunity to join the occasion of constitutional judgment."<sup>9</sup>

Thus, although his basic direction for revision was clear, Abe took a somewhat cautious approach on the timing of the revision, taking into account surrounding political situations. Instead, he initiated

and charged the Yanai Committee to change the interpretation of Article 9. This seems to be the first real decision that the pragmatist-nationalist Abe took after his July election victory.

At a press conference held on July 22, Abe stated that “we need to develop the discussion from the point of view of finding what is necessary to protect the people in a security environment that is rapidly changing.”<sup>10</sup> Ambassador Yanai, chairman of the committee, on August 4 at a TV debate stated that “the right of collective self-defense is allowed constitutionally.”<sup>11</sup> Abe’s most drastic measure was to appoint on August 8, Komatsu Ichiro, ambassador to France and former director-general of the Treaties Bureau of MOFA to the post of the director-general of the Cabinet Legislation Bureau. This is the bureau that maintains the rigorous policy of minimalism of defense policy, headed by lawyers, exclusively brought up within the organization. By placing an ex-diplomat whose legal training is based on international law at MOFA as director-general, Abe revealed his determination to revise the interpretation of Article 9.

### *Relations with China*

The situation that Abe inherited from the DPJ on China is unprecedented. The maritime threat from China on the Senkaku/Diaoyu Islands completely altered Japan’s security-defense position in the postwar era. Signs of a rising China threat have existed for many years, but in 2012 that threat exploded.

China first asserted its ownership over Senkaku/Diaoyu Islands in 1971, but for 20 years benignly shelved the issue with the Japanese government’s tacit understanding. As too loose to characterize as a formal agreement but too substantial to say there was no agreement, “tacit understanding” was an accepted description for the author.<sup>12</sup> China’s rise caused this understanding to be challenged. Around the 1990 the Japanese government began asserting publicly that “there is no territorial issue to resolve between Japan and China.”<sup>13</sup> The first real challenge came in the 1992 Chinese territorial water law that formerly legalized Senkaku/Diaoyu as within China’s territorial waters. The Japanese government concerned about the change protested strongly.<sup>14</sup> For another 15 years, however, both countries in an age of post-Tiananmen reconciliation and the 1992 Imperial visit quietly maintained the status quo. But in December 2008, the official spokesman of the Chinese coast guard declared that China was going to implement “effective physical control” to prove their sovereignty over

these islands. Then in 2010, a Chinese fishing boat collided with a Japanese coast guard boat, and the ensuing diplomatic row revealed the seriousness of the situation. The Chinese accused the Japanese of taking concrete action to negate the shelving agreement. In 2012 using Noda's well-intended, but poorly handled, idea to purchase the islands, China reacted by entering the territorial waters of Senkaku/Diaoyu, in which Japan had exercised effective control since 1895.

Abe's message on Senkaku/Diaoyu before the December 2012 election was very sharp: "On Senkaku...there is no room for negotiations. What is required there is not negotiations but physical strength...Japan's effective control is maintained by placing 24-hour patrol boats there and let Chinese boats leave instantaneously."<sup>15</sup>

Abe then wrote about the need to strengthen the power of the Maritime Security Agency. He emphasized that Japan and China should resume strategic and mutually beneficial relations but nothing indicated how it could apply to Senkaku/Diaoyu. The LDP platform for December 2012 election also included consideration of a permanent stationing of civil servants on Senkaku/Diaoyu.<sup>16</sup>

After Xi Jinping took power, China's policy was to regularly intrude on the territorial waters of Senkaku/Diaoyu. By the end of July 2013, Chinese coast guard vessels had reportedly entered the waters 53 times after the Japanese government purchased these islands in September 2012.

The aim of this chapter is to understand the security concerns that the Senkaku/Diaoyu dispute poses for Japan. I believe that China, as a sovereign state, has every right to pursue claims it deems appropriate, though others may disagree. But there is one condition. China, as a responsible state in the twenty-first century, is obligated to observe fundamental principles of the current international system. The United Nations Charter, its stipulation and the principles and spirits embodied there, as well as treaties that China has solemnly concluded are the norms that it must observe. Forceful entry into territorial waters around Senkaku/Diaoyu, where Japan has exercised actual control from 1895, is close to a violation of the UN Charter and a clear manifestation of hegemonism. As China's action is nothing but an implementation of its declared policy as of 2008, and as Japan has no effective measures so far to prevent these Chinese actions, China's diplomatic victory in the immediate term is uncontested. But in the long run, China's hegemonism may cost dearly because its continuous approach to use physical force to resolve international disputes is seeding distrust, even among the most China friendly of people

in Japan and elsewhere. It is no surprise that Abe introduced in his Cabinet's policy speech, on February 28, a special section on "crisis that exists now, right here" after the section on "principled foreign and security policy," and talked exclusively of the threat facing the maritime islands, implying China without naming it once.<sup>17</sup>

In that situation, Abe's policy is one of restraint. Abe is still keeping the policy of not landing, not researching, and not constructing, as if voluntarily following Zhou Enlai and Deng Xiaoping's legacy. LDP's platform of permanently stationing civil servants on the disputed islands was dismissed as an option to be used in times of negotiation.<sup>18</sup> The LDP July 2013 election platform did not directly discuss the Senkaku/Diaoyu disputes.

But at the same time, Abe's policy of deterrence is understandably firm. Abe's policies are being implemented: his approach to enhance deterrence through strengthening coast guard and maritime self-defense forces in the 2012 supplementary budget and in the 2013 budget; revision of the National Defense Program Outline (NDPO) in late 2013; and summoning the wise men's group to revise Article 9's interpretation. Also, efforts to hold dialogue with the Chinese leadership are essential. On February 22 at his public speech at CSIS in Washington, Abe stated that "my door to the Chinese leaders is always opened" and Abe repeated this statement in his February 28 policy speech.

On the issue of dialogue, from early July 2013 newspaper reports of talks began on the Japanese side. In mid-June, the Chinese government reportedly conveyed that the Japanese government should acknowledge the existence of the territorial issue and the two sides should agree to shelve it, and on those conditions they would agree to hold a summit meeting. Yachi, as special advisor to the prime minister, travelled to China and met with Bingguo Dai, former State Councillor of China. Yachi's response was that "the Japanese government cannot accept these conditions." On June 28, Abe disclosed that China attached conditions to holding a summit meeting and on June 30 emphasized to the press that "China should not place conditions on whether to meet or not to meet."<sup>19</sup>

The appearance of this media report three weeks before the 2013 House of Councillors election is astonishing, as it reveals how poorly Abe and his government controlled information. The Chinese reported proposal appears to be a serious one, and yet by disclosing it during talks, the prime minister takes a high-handed approach, using this incident to show disrespect to the Chinese leadership. Ultimately, it cast serious doubt about the Abe Cabinet's sincerity in seeking a solution through dialogue.

On a positive note that reflects the successful policy implementation of Abe's realist-pragmatist orientation is the fishery agreement around the Senkaku/Diaoyu islands that the Japanese and Taiwanese governments concluded on April 10. In 1997, China succeeded in reaching an agreement with Japan on fishery that included economic zones around Senkaku/Diaoyu, but Taiwan fishermen were not included in the agreement. Time was ripe for an agreement, and the Japan-China rift could be viewed as stimulus to expedite such an agreement. Although Taiwanese President Ma Ying-jeou is a staunch defender of Senkaku/Diaoyu sovereignty, his approach is for resolution through negotiations. Japan's strategic advantage not to alienate Taiwan is obvious.

### *Relations with the United States*

Obviously, in a situation where possible maritime confrontation with China could lead to a military clash, management of the US alliance and overall bilateral relations bears paramount importance. Abe made his first visit on February 22 to Washington and met with Obama. Abe's key message was that "Japan is back!" but the message did not move the Washington community. For Abe to show that he could deliver on such a message, he has to prove that the period of revolving-door prime ministers was over and that he is the man who can deliver.<sup>20</sup>

For Abe, even though his largest security concern is the imminent threat posed by China, he could not expect much of a public statement from Obama. The US position on this issue is clear. The United States cannot expect China to change the status quo by force, but it does not want to become involved in regional territorial disputes. Hillary Clinton as one of her last messages as US Secretary of State told Japan's foreign minister Kishida Fumio, on January 18, 2013, that "U.S. opposes any unilateral action which harms Japanese administrative power"<sup>21</sup> and that was as far as the United States could go. Abe, on his visit, must have reassured Obama that he was aware of the danger of collision, and that he had no intention to provoke China and that his door is open for dialogue.

The media during Abe's US visit focused on Japan joining the Trans-Pacific Partnership (TPP). Abe's taking leadership to join the TPP can be viewed as part of his geopolitical effort to underpin his alliance with the United States. Yet during the December 2012 election campaign, Abe clearly stated on TPP that "I am against tariff abolition without *seiiki* "(exceptional) sacred area."<sup>22</sup> To resolve this dilemma, the two administrations prepared a joint statement that



acknowledged that (A) all items would be subject to negotiations but (B) there exists sensitive items both in Japan (agriculture) and the United States (certain industrial products) and no country is asked to commit to unilateral tariff abrogation by joining the negotiations. This joint statement enabled Abe to overcome strong opposition from within the LDP and opposition parties who had economic concerns. On April 12, 2013, the two governments formalized their bilateral agreement and, on April 20, 11 countries endorsed Japan's TPP membership. As the twelfth TPP member, Japan joined the three-day TPP negotiations held in Malaysia on July 23.

Concerns and strong opposition within LDP and other parties remains. The fear is that TPP will destroy the economic structure necessary for Japanese development. For example, the auto industry received *de facto* preferential treatment, but agriculture was not mentioned properly in the April 12 agreement.<sup>23</sup> Given the geoeconomic nature of this problem, on March 26–28, the first round of talks on Japan-China-Korea Free Trade Agreement (FTA) took place and, despite deteriorating political relations, on May 7, environmental ministers of the three countries met and issued a joint statement. The second round of Japan-China-Korea FTA took place in July 30–August 2 in Shanghai. TPP negotiations and the need to satisfy both international and domestic requirements pose real challenges after the July 2013 election.

Another contentious issue between Japan and US administrations is US bases in Okinawa. According to a Japanese spokesman, the two leaders “agreed to expedite the transfer of Futenma Air Base and reversion of the land south to Kadena Base.”<sup>24</sup> The two administrations reached an agreement on April 5.<sup>25</sup> In general, the agreement is to transfer six bases that cover over 1,000 ha south to Kadena, starting in 2013 through 2028 and beyond. Three levels of transfer are envisaged: (a) those which can be transferred swiftly (65 ha); (b) those which can be transferred only after their functions are transferred somewhere within the Okinawa Prefecture (841 ha); and (c) those which can be transferred only after their functions of the marines are transferred outside the country (412 ha). A total of 1,048 ha and the controversial Futenma Base that accounts for 481 ha are included within category (b) and the time frame is after 2022 or later.

The efforts are commendable from both sides, but the mood in Okinawa is certainly agitated. Abe's government filed an official request to the Okinawa governor on March 22 to grant the order for an area around Henoko in Nago city. But LDP Okinawa prefectural

deputies are against a transfer within the prefecture and want the replacement land to be outside of Okinawa.. Again, to satisfy both international and domestic requirements on this issue is challenging.

### *Relations with Russia*

Logic holds that if China's policy of resorting to force is becoming Japan's greatest security threat, then the importance of allied relations with the United States and the establishment of solid relations with Japan's surrounding countries should be prioritized. Geography indicates that Russia and Korea are the key to this strategy. Thus the critical task for Japan in its relations with Russia is to resolve the territorial issue that has separated them for 68 years and to expand economic relations based on the principle of mutual interests.

President Vladimir Putin, from the time of his decision in September 2011 to run for the presidential election on the following year, sent a clear message that Japan was going to be important at the initial stage of his presidency. The key statement came in a press interview on March 1, 2012, where he stated that he was determined to make a breakthrough in Japan-Russia relations through strengthening economic ties and resolving the territorial issue based on the principle of "draw" (*hikiwake*, a Judo term). In the ensuing year, Japan did not respond, and by not following through, the window of opportunity may have closed.

Prime Minister Abe's visit to Moscow on April 28–30, 2013, was called a success, but it was really a last-minute effort by the prime minister and his foreign policy team to save the relationship. One hundred businessmen accompanied Abe, and several agreements to enhance Japan's investment in Russia and expand energy trade were reached. The message was to encourage future bilateral economic activity. The establishment of "2+2" format of defense-foreign ministers' talk was a concrete step toward strengthening security ties. Until now, Japan has held such dialogue only with the United States and Australia. Instructions to diplomats to identify a mutually acceptable solution to resolve the peace treaty issue is a necessary starting point. Moreover, at the end, President Putin, in a joint press conference, deflected a "provocative question" from a Japanese journalist about the negative potential impact investment and enhanced activities on the islands could have on negotiations. Putin's diplomatic response reinforced the impression that he is genuine about Russia's desire to resolve the disputed territories. In the immediate months following this summit, efforts lagged but the expectation for a solution remains.

### *Relations with South Korea*

It goes without saying that probably more so than Russia, South Korea is situated as an ideal partner for Japan to strengthen its diplomatic leverage to face the new security environment. But the relations that Abe inherited from Noda were difficult. Starting from Kim Young-Sam, it has become almost a custom that in the initial years of each presidency hopes rise on the future prospects for bilateral relations, but toward the end of the presidency, relations become sour because of historical memory issues. Four issues loom: textbooks, Yasukuni Shrine, comfort women, and Takeshima/Dokdo islets. To varying degrees each presidency dealt with these issues. But the situation that President Park Geun-hye inherited from her predecessor Lee Myung-bak was especially difficult and prevented her from starting her presidency with the usual high hopes for bilateral relations. She inherited at least two issues that required immediate solutions before pursuing normal relations with Japan.

The first issue was Takeshima/Dokdo, and it was unusual. Up until 2012, it was typically the Koreans who were angry with the Japanese over actions or inactions toward historical issues. Summer 2012 was different. President Lee visited the disputed Takeshima islets for the first time, and then in a statement offended the Japanese emperor, and in doing so the majority of Japanese people. The Japanese reaction was swift. Tokyo proposed that the International Court of Justice (ICJ) settle the issue. Governments in both countries did not pursue this option, and the suggestion quietly disappeared as both governments prepared for national elections. I consider that the government of Japan has never really sought to change the status quo of the islets, so a *modus vivendi* should be reachable, although care and caution are needed by both sides.

Abe's first reaction to the Takeshima affair was reasonably cautious. Abe sent Nukaga Fukushima, the president of Japan-Korea Parliamentary Association, in a goodwill visit to Korea after his election as prime minister. Abe decided against the suggestion of the Shimane Prefecture to make February 22 a national Commemoration Day for Takeshima. Although a government representative attended the Shimane Prefecture Commemoration Day and angered the Korean media, Abe sent the deputy prime minister Aso Taro to attend President Park's inauguration on February 25.

The issue of comfort women is much more complicated. From the end of the 1980s, this issue has appeared in various forms between Japan and South Korea, for instance, the 1993 Kono Statement and

1995–2007 Asian Women’s Fund activities. In the late 1990s, this topic was put on the back burner in Korea, but in the United States and international fora, the issue gained momentum. In 1996 and 1998, the UN human rights commission issued a report, and after years of debate at the Asia-Pacific Committee of US Congress, a 2007 US Congressional Resolution was adopted, seeking an unequivocal apology from Japan. But in August 2011, the Korean situation changed drastically. The Korean constitutional court ruled that the Korean government had not taken sufficient measures to protect the honor of former comfort women and measures to redress the situation must be immediate. Noda Lee’s exchanges failed to produce any tangible outcomes. Abe and Park were destined to face this difficult issue, which demands profound thinking and forbids mistakes that could raise tensions. The last section of the chapter examines the measures that the two sides might take now.

A third historical memory issue emerged in July 2013. On July 10, the Seoul High Court ruled in favor of compensation for four plaintiffs who were forced laborers pre-1945 for a Japanese steel company, now named Shin Nittetsu. Then on July 30, the Pusan High Court handed down a guilty verdict to Mitsubishi Jyuko and ordered it to compensate five former forced laborers.<sup>26</sup> These verdicts are based on the May 2012 decision of the Korean Supreme Court, which ruled that individual rights to seek compensation are not blocked by international agreements<sup>27</sup> and that compensation made by the Japanese government, based on the Agreement of the Settlement of Claims, cannot be a final solution in relation to the colonial period. The Korean government compiled a list of 299 companies that used Korean forced laborers, and there is a possibility that the first two verdicts will trigger further litigation against Japanese companies.<sup>28</sup>

### *Relations with North Korea*

It is evident that Abe’s political rise in 2002–2006 is strongly based on his tough position toward the Japanese abductee issue. It gave him nationalist credentials and increased popularity among the electorate, paving the way toward the office of prime minister. Hence, the expectation for his second time in office is that his policy toward North Korea would be equally tough, especially given recent developments: Kim Jong-Un’s sabre rattling in 2013, including a third nuclear test (February 12), nullification of Korean War Armistice (March 5), nullification of North-South nonaggression agreement (March 8), and reactivation of Nyongbyon nuclear facilities (April 2). The cabinet

policy speech, as expected, included a tough section on North Korea. On April 7, the defense forces went on high alert, preparing for any eventuality in the rising tensions.<sup>29</sup>

In that context, the visit by Iijima Isao, special advisor to the cabinet and former secretary to Prime Minister Koizumi, to Pyongyang on May 14–17 came as a surprise. He was greeted by Kim Yongnam, Chairman of the Presidium of the Supreme People’s Assembly, second in party rank in North Korea. Reportedly, Iijima had frank talks with North Korean representatives and conveyed a “comprehensive approach to resolving abductions and nuclear and missile testing together,” while making it clear that the immediate return of all abductees, revealing the truth on abduction issues, and extradition of those who committed the abduction are necessary. Abe had decided that Japan should act on its own to get concrete results, and together with Yoshihide Suga, the chief cabinet secretary, initiated Iijima’s visit to North Korea.<sup>30</sup> Abe’s prior notice to the United States and to South Korea was reportedly not done to the dissatisfaction of these allied partners, but Abe’s move from total rigidity on the abduction issue to a more flexible, and possibly comprehensive, approach may be another sign of his realist-pragmatic approach. How North Korea responds is unknown at this point in time.

### *Regional Countries and Global Community*

Next to its relations with the United States, Russia, and Korea, there is the need to look at Abe’s policy toward other regional countries as well as the global community. Country visits by Abe and other key members of his Cabinet provide insight into the government’s priorities. The list is not just indicative, but it signals a strengthening of ties with like-minded countries in the Asia-Pacific region and global community. Although not explicit in policy pronouncements,

**Table 9.1** Countries Visited by Abe and Key Cabinet Members, excluding Washington DC

	<i>Premier Abe</i>	<i>Deputy-P. Aso</i>	<i>F. M. Kishida</i>
January New Year	Vietnam, Thai, Indonesia	Myanmar	Philippines, Singapore, Brunei, Australia
March	Mongol		
April–May Holiday	Russia, Saudi Arabia, UAE, Turkey	India, Sri Lanka	Mexico, Peru, Panama, Los Angeles
May	Myanmar		

indications show a revival of the concept of the Arc of Freedom and Prosperity, promulgated by Foreign Minister as under the Abe Cabinet in 2006–2007 (see Table 9.1).

### *Historical Memory Issues*

Given the above analysis, one is left to wonder why Abe's approach on historical memory issues has not experienced a similar kind of success.

Abe's Cabinet's initial approach was cautious. This was in line with his declared strategic objective of "economy first until July 28." This cautious positioning was expressed by series of statements that Suga, chief cabinet secretary, made in press conferences. On the apology statement, known as the Murayama Statement of 1995, and inherited by previous governments, it was announced that "the Murayama Statement shall be inherited but at the same time Abe will come up with a future-oriented statement." On the Kono Statement, which outlines previous government's position on comfort women, Suga did not mention that Abe planned to inherit it, but stated that his Cabinet was not going to make the issue a political or foreign policy issue.<sup>31</sup> The author has reservation about both these two positions but at least they were not taken as open and direct challenges to the positions maintained by previous cabinets.

But Abe's December 31, 2012, interview in *Sankei Shimbun* indicated that, among others, he was departing from the Kono Statement, thereby prompting the *New York Times* to post an editorial on January 3, 2013, bashing Abe's historical revisionism. Abe almost immediately toned down his statements, emphasizing women's rights in the twenty-first century.

For the next three months, there were no political flare-ups. Abenomics gained tangible results on the Nikkei, and then suddenly from late April for about 40 days, the issue of historical memory surged to the surface. Deputy Prime Minister Aso committed the first critical failure when he visited Yasukuni on April 21, 2013, during its spring festival. A potentially, risky action given the established pattern that when the prime minister, foreign minister, or chief cabinet secretary visits Yasukuni, China protests strongly. Given the certainty of negative Chinese reaction and its probable impact on a wide range of areas, the assumption is that the visit was made with Abe's approval. If Abe and Aso thought that a visit by a deputy prime minister might not have serious repercussions, then their judgment failed. The consequences were predictable and devastating. Immediately, the Korean

foreign minister's visit was cancelled and China refused to receive Komura Masahiko, vice-president of the LDP, who was scheduled to visit China very soon. On April 23, China for the first time after the Japanese government's purchase of the islands sent in eight coast guard vessels to the Senkaku/Diaoyu territorial waters. China did not connect the intrusion with the Yasukuni visit, but to an ordinary observer, the causal relations are clear. For the next three successive day, Abe made robust statements in the Diet, arguing that "he was not going to inherit the Prime Minister Murayama's 1995 Statement on apology in its entirety"(April 22) and that "the definition of aggression was not made clear in international society"(April 23) and that "I shall not be bent by bullying"(April 24). These statements created a backlash in US media editorials with poignant bashing of Abe's revisionism: the *Washington Post* on April 26<sup>32</sup> and the *Wall Street Journal* on April 27<sup>33</sup> both carried editorials, heavily bashing Abe.

Serious criticism from abroad, prompted Abe to tone down his views at the parliamentary debate on May 8, and on May 10, Suga officially restated the government's position as one to "inherit the Murayama Statement in its entirety just as other cabinets did." When Takaichi Sanae, chairperson of the LDP Policy Committee made a public speech, on May 12, that she was not comfortable with the usage of the word "aggression" in the context of objective recognition of history,<sup>34</sup> Suga called her the following day to heed Cabinet policy, and on May 14, Takaichi withdrew her position and stated that "I understand government policy and henceforward will refrain from making comments that may contradict it."<sup>35</sup>

Just when Yasukuni, Murayama Statement, and war responsibility issues were receding from the spotlight, another historical memory issue exploded by the sudden unexpected statements of Osaka mayor Hashimoto Toru. The initial statements by Hashimoto, on May 13, that when men are at war it is natural to supply women to meet soldiers' sexual desire and that such practices existed everywhere in the world, shocked not only foreigners but also a great majority of Japanese people. Adding fuel to fire, Hashimoto "pompously" revealed that he had advised the US commander in Okinawa earlier in May that US soldiers use sexual services provided by Japanese women working for this purpose around US Okinawa bases. Hashimoto almost immediately came under fire from all parties and an overwhelming majority of Japanese opinion leaders. Political parties very quickly distanced themselves from Ishinno Kai, the party headed by Hashimoto. Among

those who distanced themselves from Hashimoto, included Inada Tomomi, minister of political reform, a long-time associate of Abe on historical memory issues and a lawyer, known for her criticism against the Kono Statement and as an advocate that comfort stations was an accepted practice of public prostitution in prewar days. On May 14, Suga clearly stated with the utmost humility that for the present government “our hearts ache deeply for the horrendous pain inflicted upon those women, and we share the same feeling with all previous cabinets.”<sup>36</sup> On May 27, Hashimoto tried to counteract mounting disfavor against him by holding a press conference at the foreign correspondents’ club to streamline his views: (1) he considers the system wrong and condemns past Japanese military practices, and criticism against him is not justified as his statements were misreported; (2) on his advice to the US commander in Okinawa he apologizes for giving such wrong advice; (3) he maintains that “there was no proof of coercion in a narrow sense and to that extent the government has to take responsible decisions to amend it (Kono Statement); and (4) practically all militaries have used such practices, including the United States, Britain, Korea, and Germany.<sup>37</sup> Hashimoto’s efforts did not repair the damage caused. His scheduled trip to the United States was cancelled. By the early days of June 2013, historical memory issues were under control, and did not play a substantial role in the election outcome. The Ishinno Kai gained only 8 seats and many observers noted that Hashimoto’s comfort women comments negatively affected the party.

But the 40 days of turmoil in Japanese politics left a mixed signal for the future handling of politics and foreign policy after the July 2013 election. On the one hand, Abe’s three-point statement on April 22–24, namely that the Murayama Statement would not be inherited in its entirety, that the definition of “aggression” can vary, and that he would not be bent by provocation, might represent Abe’s personal idealist-nationalist perspective. But on the other hand, the way that debate was forced to be closed in the statements made by Abe and Suga, respectively, on May 8 and May 10, shows that their official position at this point is much closer to the views outside Japan, including the United States, China, and South Korea. As for Japanese public reaction to Hashimoto’s comments, it shows unambiguously that the common sense of the silent majority in Japan meets the global standard of women’s rights far more than usually thought and that those “comfort women deniers” are a real minority in Japan.



## Future Perspectives: What Will Happen after July 21, 2013?

### *Particularly in Japan-Korea Relations*

I argued in this chapter that Abe's overall foreign policy has been reasonably moderate and effective in his first half-year with the exception of one area: historical recognition. Much will depend on whether Abe and his political supporters have learned from the tense 40 days, in late April until the end of May, that the official position regained in early June is the best and probably the only position to establish a long-term stable government.

The first political news on the horizon was deputy prime minister and minister of finance Aso's statement, which he made during a lecture on July 29, in the context that the debate concerning constitutional revision must be conducted calmly: "Therefore let's do it quietly. The Weimar Constitution was changed almost before people realized it. Why don't we learn from that method?"<sup>38</sup>

Aso's suggestion that Japan learn from the Nazi method to ensure a quiet constitutional debate was beyond comprehension for the overwhelming majority of Japanese and foreigners. The US Jewish human rights association, the Simon Wiesenthal Center, and Chinese and Korean governments all strongly criticized him. Suga reportedly contacted Aso on the July 31, and by August 1, Aso "withdrew his statement, which caused misunderstanding." Suga, as had become the practice before the July election, began supporting this retracted statement at his press conference on the same day: "Aso himself withdrew the statement. I am assured the Abe Cabinet does not acknowledge in the affirmative the Nazis regime. So I seek understanding."<sup>39</sup>

Later on August 6, Sakurai Yoshiko wrote that Aso's intention was to criticize her and other organizers of the meeting on becoming too impatient for constitutional amendment, and in that context used the *inappropriate* language of "why cannot you learn from their (i.e., Nazi's) methodology?" but only as a rhetorical way to say that what is proposed actually might have opposite consequences. According to Sakurai, Aso criticized her implying that "we should all learn from the mistakes that occurred in the process of the collapse of the Weimar system."<sup>40</sup> That explanation is far from satisfactory to justify Aso's statement. The remaining impression is that even Sakurai has to agree that his statement was inappropriate.

The future of Japan-Korea relations requires some thought. Right from the beginning of the Abe-Park tenure, the bilateral relationship

has been under strain. At the same time, huge strategic necessities, at least from Abe's perspective, mandate the creation of strengthened relations with South Korea, taking into account Japan's strategic relations with neighboring countries. Korea is the closest to Japan. Long years with the same tradition and culture, Korea has become one of the most democratic countries in the region, and shares many problems common to advanced industrialized countries. To spoil the opportunity of establishing mutually beneficial and trustworthy relations, primarily because of historical recognition issues is such a waste for Japan's national interest, and perhaps is so for Korea's national interests.

From this perspective, is there a way to deal with the three historical memory issues? Yes, from a rational mindset, there is no doubt a certain direction needed to overcome present-day difficulties. For the immediate policy areas, however, greater emotions appear to be rapidly accumulating on both sides.

#### *Takeshima/Dokdo Islets*

First, the Takeshima/Dokdo islets: It is critically important that each side realizes what the bottom line is for its national interest and also that they grasp the essence of the other side's bottom line. For Koreans, the essence of these islets is never to relinquish them and they symbolize contemporary Korean honor and identity. For Japanese, the essence is to safeguard the Shimane Prefectural fishermen's rights without necessarily requiring change of the status quo on sovereignty. Korea should examine the rich and various approaches that Japan and Russia have developed to resolve the Northern Territories issue. There are three policies that Japan and Korea could pursue.

First, the two sides would be well advised to establish confidence-building measures to ease tensions related to these islands and to gradually transform these islands into a symbol of cooperation and coexistence. The rich experience on Japan-Russia relations in this area would certainly help. In June 2009, the School of Advanced International Studies (SAIS) in Washington, D.C., already held a conference where participants from Japan, Korea, and the United States discussed enthusiastically such ideas.<sup>41</sup> In this arena, there is no reason why Track II discussions could develop into Track I negotiations.

Second, the two sides may be able to begin at a Track II level of serious discussions on the sovereignty issue, including its historical and legal aspects. Among some scholars this kind of dialogue has already been initiated, for instance, in Seoul in September 2011.<sup>42</sup>

Third, the abovementioned process would surely create a new basis for more serious talks between the two governments regarding all aspects of the existing issue on Takeshima/Dokdo islets. The Korean government perhaps would be able to shift from today's position that "territorial issues do not exist and therefore there is nothing to talk about" to an intermediary position that "territorial issues do not exist but I am prepared to talk on any issue that you may raise."

On August 13, 2013, 12 Korean opposition party members landed and demonstrated their "honor and allegiance" to these islets.<sup>43</sup> Such a display of Korean emotions for these islets which Korea actually controls and about which Japan is not taking any particular action for its physical reversion, just results in chills if not anything else.

### *Comfort Women*

It is critically important for both sides to consider seriously the best solution for this intricate problem. The question is whether the two sides believe that it is advantageous for their national interest to have this issue resolved while the remaining comfort women are still alive or to leave this issue unresolved for the foreseeable future. Many Japanese compatriots may argue that there is not much that Japan can do today, so let this issue remain as a symbol of unresolved issues between Japan and Korea. If so, there may not be much to consider. But if one disagrees and finds it conducive to the respective national interests to resolve this issue both from the point of view of liberal values as well as realist power interest, then the two governments have a lot to contemplate.

One possible solution is not that complicated. Once again, the Japanese side would initiate a new fund, but this time it would be funded by a budgetary subsidy. The Japanese government may well use the Supreme Court decision of 2007 that makes Japanese government immune to legal prosecution. The Korean side would be in a position to appreciate the initiative because Korea's primary objection to the Asian Women's Fund was that the government failed to subsidize the atonement, thus avoiding taking responsibility for past wrong doings. At the same time, in appreciation to the decision taken by the Japanese government, the Korean side may quietly withdraw its requirement that there be a formal acknowledgement of legal responsibility. In my overall judgment, Korean insistence on legal responsibility could mean opening the Pandora's box to further controversy. That could lead to a situation that is very remote from caring for the ones who have suffered the most.<sup>44</sup>

Meanwhile, on July 9, a public hearing in Glendale, California, on building a monument to Korean comfort women was debated and approved, but after very serious challenges from the Japanese American community, reacting against the attempt to criminalize Japan on this issue. Their concerns were thoughtfully heard, but the final voting was in favor of the construction, not to criminalize Japan but to express sympathy for women's suffering.<sup>45</sup> The impact that such events could have both in Japan and Korea is difficult to tell.

### *Legal Responsibilities by Companies*

I have been of the view immediately after the 2007 Supreme Court verdict that this is a historic opportunity for Japanese companies to face this issue from a humanitarian and moral point of view.<sup>46</sup> Unfortunately, apart from a few companies that agreed to coming to terms with the plaintiffs, my advice went practically unnoticed.

I still believe that the best way for each company is to come to terms voluntarily with those who suffered. But Korean judicial measures now have opened an entirely new perspective to resolve this issue on a compulsory basis, and that entails huge problems. Given the number of the companies that could be involved, the future cannot be anything else but gloomy.

Suffice it to say that many more rounds of talks should be held between the two administrations to find another way.

As of August 2013, Korean parliamentarians are planning to visit Yasukuni to express their views. What constructive news can we expect from this seemingly sensational approach to an issue that simply needs to be laid to rest, at least for the moment, between Japan and China?

## **Conclusion**

The major coverage of this article is Prime Minister Abe Shinzo's foreign policy from December 2012 until summer 2013 (Abe II). It also includes Abe's fundamental political thinking dating from his first year as Prime Minister from 2006 until 2007 (Abe I). The main focus of the article is the six dimension foreign policy agenda in Abe II: China, United States, Russia, South Korea, North Korea, other regional countries and global community with some added emphasis on Japan-Korea relations. Many things have already taken place since the latter part of 2013, including Abe's visit to Yasukuni on December 26 2013, Abe's meeting with Putin on February 8 2014 at

Sochi Olympics and some derailment of Japan-Russia relations since then due to the Ukraine crisis, Obama's visit to Japan on April 23–25, publication by the GOJ on the process of Kono Statement formulation on June 20, and his Cabinet's decision to revise the interpretation of Article 9 of the Constitution on July 1, 2014. The current situation of Abe's foreign policy is far from stable, but the author hopes that this chapter becomes a reliable background analysis on how to understand what is happening today at the end of September 2014.

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## Korean Foreign Policy: Park Geun-hye Looks at China and North Korea

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### Introduction

Park Geun-hye was inaugurated as the eighteenth president of the Republic of Korea (ROK) on February 25, 2013, winning 51.6 percent of votes in the December 2012 presidential election. During the presidential campaign, Park pledged to change the foreign and North Korean policies of her predecessor Lee Myung-bak after realizing their limitations and failures. As with the Lee government, she emphasized the importance of maintaining credible deterrence against the North through the US strategic alliance. However, she proposed *trustpolitik* as the new benchmark for her foreign policy, which is essentially the process of trust-building on the Korean Peninsula and the Northeast Asia Peace and Cooperation Initiative, often referred to as the Seoul Process. Whereas the former aimed at improving inter-Korean relations through exchange and cooperation, and confidence-building measures (CBMs) in the political and military arenas, the latter attempts to shape a new regional environment in Northeast Asia by fostering cooperation in nontraditional security issues.

Park's new diplomatic initiative encountered numerous challenges even before the advent of her government. On December 12, 2012, North Korea successfully launched a rocket into orbit. A UN Security Council resolution condemned the rocket launch, and yet Pyongyang became more defiant by undertaking a third underground nuclear test on February 12, 2013. Since her inauguration, provocation from



the North has only amplified. Pyongyang unilaterally nullified the Armistice Agreement signed in 1953 and shut down the Kaesong Industrial Complex, citing heightened hostility caused by ROK-US joint military exercises and training. Tension across the demilitarized zone (DMZ) also deepened, with fear of a major military conflict becoming widespread. A major reversal came on June 6, 2013, when the North accepted the South's proposal for dialogue and agreed to an official meeting on June 12, 2013. On the day of the meeting, the North cancelled, claiming inappropriate protocol measures by the Park government. Both Koreas have since held six rounds of negotiations without any tangible outcomes, deepening mutual distrust and confrontation.

This roller-coaster pattern of interaction is typical of inter-Korean relations. President Park has increasingly counted on China, believing that only China can influence and even change North Korea's behavior. She hoped that her June 2013 summit talk with President Xi Jinping would bring about new momentum for the resumption of inter-Korean dialogue and progress in the denuclearization of North Korea. As such, North Korea and China continue to dominate the foreign policy agenda of the Park government.

Against this backdrop, this chapter examines the Park government's foreign policy, in general, and its North Korea and China policies, in particular. The first section of the chapter presents a brief overview of the government's foreign policy, examining the Korean Peninsula Trust-building Process, the Northeast Asia Peace and Cooperation Initiative, and its US and China policies. The second section addresses Park's North Korean policy within the framework of *trustpolitik*, and the third section examines the nature and direction of her China policy. Finally, the chapter critically assesses the promises and limitations of Park's foreign policies.

## The Three Pillars of Park Guen-hye's Foreign Policy: Alliance Diplomacy, the Northeast Asian Peace and Cooperation Initiative, and the Korean Peninsula Trust-building Process

South Korea is a democratic nation, and as with other democracies, its foreign policy is very much shaped by electoral politics. Some leaders might be able to follow through on their election pledges, but most leaders are unlikely to do so. Nevertheless, election pledges often serve as a crucial guide for foreign policy formulation and implementation.

Thus, it is logical to begin with an examination of the foreign policy pledges made by Park during her 2012 presidential campaign.

During her presidential campaign, Park placed trust at the center of her foreign policy. She offered three cornerstones and seven policy tasks of her foreign policy necessary to opening a new age on the Korean Peninsula on the basis of “people’s trust, inter-Korean trust, and international trust.”<sup>1</sup> The three policy cornerstones were sustainable peace, reliable diplomacy, and happy unification. Park argued that sustainable peace can be achieved when North Korea abandons its provocations and becomes a responsible member of the international community, as well as when South Korea’s policy on North Korea becomes more balanced and overcomes the dichotomous polarization between appeasement and hard-line pressure. In turn, reliable diplomacy can be realized when South Korea fulfills its responsibility to resolve global problems. Lastly, happy unification should be sought without further delay by enhancing domestic unity and strength, and cultivating close cooperation with international society.

She also identified seven policy tasks: (1) preserving sovereignty and national security, (2) resolving the North Korean nuclear problem, (3) normalizing inter-Korean relations, (4) making progress from small to big unification, (5) promoting East Asian peace and cooperation for Eurasian development, (6) upgrading economic diplomacy and discovering new engines of economic growth, and (7) opening a new age of public diplomacy. Of these, Park placed the highest policy priority on the North Korean nuclear problem, improving inter-Korean relations, and promoting East Asian peace and cooperation.

As Table 10.1 illustrates, Park wished to address the North Korean nuclear problem by initiating inter-Korean talks for denuclearization, revitalizing the six-party talks, activating a China-US-ROK trilateral strategic dialogue, and expanding cooperative ties with the United Nations and European Union. As to the normalization of inter-Korean relations, the second top priority, Park set four major operating principles: complementary pursuit of political, military CBMs and socio-economic exchange and cooperation; realization of the spirit of peace and mutual respect embodied in existing agreements; ongoing operation of multiple channels of dialogue and North-South summit talks; and extension of humanitarian assistance regardless of political climate. Furthermore, she made a public promise to pursue the “Vision Korea” project for a peninsular economic community dependent on the progress of trust-building and denuclearization, to upgrade mutually beneficial economic cooperation and social and cultural

**Table 10.1** Three Major Policy Tasks and Strategies: A Summary

<i>Policy tasks</i>	<i>Operational principles</i>	<i>Implementation strategy</i>
Fixing NK nukes	<ul style="list-style-type: none"> <li>• concomitant pursuit of N-S Korean and Northeast cooperation</li> <li>• deterrent capability to nullify NK's nukes and missiles</li> <li>• forging international cooperation to force NK to comply with existing agreements and resolutions</li> </ul>	<ul style="list-style-type: none"> <li>• inter-Korean talks for denuclearization</li> <li>• revitalizing the Six Party talks</li> <li>• China-US-ROK trilateral strategic dialogue and expanding cooperation with the UN and EU</li> <li>• seeking political, diplomatic, and economic incentives that correspond to progress in NK's denuclearization</li> </ul>
Peninsula Trust Process and inter-Korean normalization	<ul style="list-style-type: none"> <li>• complementary pursuit of political military CBMs and socioeconomic exchange and cooperation</li> <li>• realization of the spirit of peace and mutual respect embodied in existing agreements</li> <li>• constant operation of multiple channels of dialogue and N-S summit talks</li> <li>• humanitarian assistance regardless of the political climate</li> </ul>	<ul style="list-style-type: none"> <li>• pursuit of the 'Vision Korea' project for a peninsular economic community depending on progress in trust building and denuclearization</li> <li>• upgrading mutually beneficial economic cooperation and social and cultural exchanges</li> <li>• exchanging liaison offices in Seoul and Pyongyang</li> </ul>
East Asian Peace and Cooperation	<ul style="list-style-type: none"> <li>• coping with history conflicts in Northeast Asia</li> <li>• sustaining cooperation with the United States and China</li> <li>• Northeast Asia Peace and Cooperation Initiative</li> </ul>	<ul style="list-style-type: none"> <li>• overcoming history conflicts through gov't to gov't and civil society cooperation</li> <li>• transforming ROK-US alliance into a comprehensive, strategic alliance</li> <li>• upgrading ROK-China relations</li> <li>• CBMs, cooperative security, economic, social cooperation, and human security</li> <li>• initiating the Seoul Process comparable to the Helsinki Process</li> </ul>

*Source:* Compiled from Saenuri Party's Presidential Election Pledge Data Base.

exchanges, and to exchange liaison offices in Seoul and Pyongyang. Finally, in order to promote peace and cooperation in East Asia, Park stressed the importance of resolving history conflicts, maintaining close ties with big powers such as the United States and China, and initiating the Northeast Asian Peace and Cooperation Initiative.

After Park's inauguration, her government concretized its foreign, unification, and national defense policies, mostly in line with the election pledges discussed above.

On March 27, 2013, the foreign ministry made its first policy report to President Park. In the report, Foreign Minister Yun Byung-se presented "happiness" as a common theme by setting the realization of "happiness of citizens, happiness of the Korean Peninsula, and happiness of the global village" as its new diplomatic vision. He also identified "peace and common development of the Korean Peninsula, a reliable Korea that can contribute to human development, and promotion of citizen happiness and the realization of an attractive Korea" as its three core policy objectives. He proposed seven policy tasks as strategies to realize the policy goals. They are: (1) creating new momentum to resolve the North Korean nuclear problem, (2) harmonious development of the ROK-US alliance and the ROK-China strategic partnership, as well as stabilization of ROK-Japan relations, (3) initiating the Northeast Asia Peace and Cooperation idea and expanding cooperation for Eurasian development, (4) realizing Korea as a middle power that can make contributions to world peace and development, (5) promoting the safety and welfare of overseas Koreans and expanding public diplomacy and job-creating diplomacy, (6) strengthening economic cooperation, and (7) expanding official development assistance (ODA) and pursuing model development diplomacy.<sup>2</sup>

Central to the foreign ministry's new policy direction was the emphasis on the US alliance and the Northeast Asian Peace and Cooperation Initiative. Such emphasis was later solidified during President Park's US visit in early May. During her visit, she reaffirmed her commitment to the ROK-US alliance by redefining the nature of the alliance in terms of a comprehensive, strategic alliance, as well as a sharing and caring alliance.<sup>3</sup> Whereas the comprehensive alliance refers to an alliance that goes beyond military to include economic and political alliance, strategic alliance implies the expansion of cooperation from the Korean Peninsula to the Asia-Pacific region and the world. The alliance of "sharing and caring" can be seen as a new humanitarian alliance in which South Korea joins the United States in extending humanitarian assistance on a global basis. It is noteworthy that the

Park government replaced the Lee Administration's "value alliance" with its alliance of "sharing and caring." This can be attributed in part to China's rejection of the "value alliance." Although the Park government pledges to pursue a harmonious relationship between its US alliance and its strategic Chinese partnership, it has yet to present details on how to reconcile the two.

Meanwhile, the Northeast Asian Peace and Cooperation Initiative can be seen as a prudent strategic move to balance Seoul's relations with two great powers, the United States and China. In a speech to the US Congress on May 8, 2013, President Park presented her ideas on regional peace and cooperation:

Asia suffers from what I call "Asia's paradox," or the disconnect between growing economic interdependence on the one hand, and backward political, security cooperation on the other. How we manage this paradox will determine the shape of a new order in Asia. Together, we must meet these challenges. And so I propose an initiative for peace and cooperation in Northeast Asia. We cannot afford to put off a multilateral dialogue process in Northeast Asia. Together, the United States and other Northeast Asian partners could start with softer issues. These include environmental issues and disaster relief. They include nuclear safety and counter-terrorism. Trust will be built through this process, and that trust will propel us to expand the horizons of our cooperation. The initiative will serve the cause of peace and development in the region... If we start where our interests overlap, then later on it will be easier to find common ground on the larger challenges, easier to find solutions to our mutual benefit.<sup>4</sup>

President Park's Northeast Asian Peace and Cooperation Initiative reflects her prior thoughts on multilateral security cooperation schemes, which she emphasized in her 2009 speech at Stanford University<sup>5</sup> and in her *Foreign Affairs* article of 2011.<sup>6</sup> She declared the launching of the Seoul Process, comparable to the Helsinki Process, during her presidential campaign.<sup>7</sup> The Seoul Process would start with annual multilateral conferences, primarily focusing on relatively easy nontraditional security issues such as terrorism, drug trafficking, climate change, energy, economic and social exchanges, and cooperation. The Seoul Process would eventually institutionalize intraregional cooperation by hosting Northeast Asian foreign ministers and summit talks for peace and cooperation and would include traditional security agenda items, such as peace and security, as trust builds in the process.<sup>8</sup> Since multilateral security cooperation is usually based on

open membership and a collective security system, China, and even North Korea, would be invited. Such a stance could easily contradict the existing alliance, leading to US concerns.<sup>9</sup> To defuse such worry, President Park has assured US politicians that the process would be firmly rooted in the Korea-US alliance. In this sense, it could reinforce President Obama's strategy of rebalancing toward Asia-Pacific.<sup>10</sup>

The Ministry of Unification also reported to President Park on the nature and direction of unification policy on March 27, 2013. Unification minister Rhyu Gil-jae set his ministry's goal as "settling the Korean Peninsula question peacefully and preparing the foundation for national unification." He outlined as its strategy the normalization of inter-Korean relations through the Korean Peninsula Trust-building Process and a practical approach to unification through small steps. They included: the practical resolution of humanitarian issues; the resumption of North-South official talks and institutionalization of existing agreements; the pursuit of mutually beneficial exchanges and cooperation; the internationalization of the Kaesong Industrial Complex; and contribution to the settlement of the North Korean nuclear problem through improvement in inter-Korean relations.<sup>11</sup>

The origin of Korean Peninsula Trust-building Process, the unification ministry's policy platform, can be found in President Park's 2011 *Foreign Affairs* article:

A lack of trust has long undermined attempts at genuine reconciliation between North and South Korea... In order to transform the Korean peninsula from a zone of conflict into a zone of trust, South Korea should adopt a policy of "*trustpolitik*," establishing mutually binding expectations based on global norms... "*Trustpolitik*" does not mean unconditional or one-sided trust without verification. Nor does it mean forgetting North Korea's numerous transgressions or rewarding the country with new incentives.<sup>12</sup>

Her *trustpolitik* is further refined by an alignment policy that is buttressed by public consensus and would remain constant regardless of domestic or international political changes. It would involve "aligning South Korea's security with its cooperation with the North and inter-Korean dialogue, along with parallel international efforts. An alignment policy would sometimes entail assuming a tough line against North Korea and at others, a flexible policy open to negotiations... It must show Pyongyang that the North will pay a heavy price for its military and nuclear threats. This approach is not new, but in

order to change the current situation, it must be enforced more vigorously than in the past.”<sup>13</sup>

The goals of *trustpolitik* are clear. It attempts to make North Korea a responsible member of international society, one that not only complies with international norms but also contributes to peace on the Korean Peninsula and Northeast Asia. The new policy initiative also aims at creating a healthy and sustainable peace through the evolutionary process of trust-building, an open-ended process that would unfold even if there are no exchanges and cooperation. Its ultimate objective is to induce change in North Korea’s behavior and structure, and to create peace on the Korean Peninsula through the establishment of predictable trust. Such inter-Korean trust would be inconceivable without building trust between the government and the people, and with international society.

Park’s *trustpolitik* employs several operational principles:<sup>14</sup>

- (1) To sever the vicious cycle of provocation and reward. Park strongly believes that North Korea has failed to change because its provocative behavior has always been rewarded, which has in turn perpetuated its provocation. Thus, bad behavior should be met with punitive measures, whereas good behavior should be rewarded. *Trustpolitik* would adopt both a positive and negative trust process.
- (2) To be neither too forgiving as in the Sunshine Policy of previous progressive governments nor too rigid as in the hard-line policy of the Lee government. It is wiser to combine the positive aspects of both policies, namely principled engagement with flexibility.
- (3) To build trust through the fulfillment of promises. Broken promises undermine mutual trust. When promises are kept, mutual exchanges and cooperation become more meaningful, which in turn facilitates trust-building processes, and ultimately the enduring institutionalization of such processes.
- (4) To guide trust building through mutual interests. It is difficult to build trust without gaining from mutual interaction. Thus, *trustpolitik* emphasizes “easy things first, build trust, and handle difficult things later,” which very much resembles Kim Dae-jung’s Sunshine Policy.
- (5) To maintain a consistent alignment across issues. Security concerns should be calibrated with exchange and cooperation issues, and inter-Korean dialogue with international cooperation.
- (7) To build trust first, followed by the peace process, as the latter is not conceivable without the establishment of the former. The idealism embodied in a peace process is particularly vulnerable to subsequent setbacks, and resulting mutual distrust can hinder the very process of trust-building.

- (8) To assume an open-ended process with no easy fixes. Prudence, patience, and endurance should serve as cardinal terms of engagement with North Korea.

## The Park Government's Policy on North Korea: Promises and Limitations

### *Failure of the Lee Government and Park's Encounter with Kim Jong-il*

The failure of the Lee government's North Korean policy and deteriorating inter-Korean relations shaped Park's own policy. Park could have not won the presidential election without resolving to improve inter-Korean relations by fundamentally altering Lee's North Korean policy, which hit a low point during his five-year term. After a series of missile and nuclear tests and military clashes, tensions on the peninsula transitioned toward near-crisis levels, and the animosity from Pyongyang became increasingly vitriolic and confrontational. In 2009, the North described the Lee government as "a fanatical regime that is obsessed with hostile confrontation with the North," and labeled its central initiative, the Mutual Benefits and Common Prosperity Policy (*Sangsaeng Gongyoung*), as a policy of "aggravating inter-Korean confrontation by impure clowns."<sup>15</sup>

In July 2008, the death of a South Korean tourist closed the Mt. Keumgang tourist project, and during this strained period of inter-Korean relations, North Korea launched a rocket on April 5, 2009, followed by a second underground nuclear test on May 25, 2009. International society reacted, and the UN Security Council adopted strong sanction resolutions against the North. In November 2009, a naval clash in the West Sea saw the South deal a critical blow to the North, which was then followed by the sinking of the South Korean naval corvette, Cheonan, in the West Sea on March 26, 2010. The South Korean government investigated and concluded that the sinking was a result of a torpedo attack by a North Korean submarine, and the South subsequently undertook the May 24th measure that banned all manner of exchange and cooperation with the North, including trade and even humanitarian assistance. Amid heightened military tension, North Korea then shelled Yeonpyeong Island and killed two marines and two civilians on November 23, 2010. The feeling of insecurity on the peninsula soared. Having been nominated



as the presidential candidate from the ruling Grand National Party (GNP) in a time of crisis, Park was obliged to provide a new policy direction to win back public support during the presidential election.

Equally important was Park's encounter with Jong-il on May 13, 2002. Kim Jong-il showed a personal interest in inviting Park to the North. Park visited Pyongyang and met with then North Korean leader Kim. After her return, Park described Kim as a "comfortable counterpart to have dialogue" and saw "a chance for trust-building that can be mutually beneficial."<sup>16</sup> Chairman Kim must have impressed Park, because he respected her father Park Chung-hee's achievements. Such perception played a crucial role in shaping her North Korean policy after her election as president of the opposing GNP in 2004. On December 21, 2004, Park declared in a keynote speech four principles of the party's North Korean policy: mutually beneficial relations, institutionalization of North-South relations, international cooperation, and alleviation of South Koreans' feeling of insecurity.<sup>17</sup> In a 2005 US speech, she also encouraged the US government to dispatch a special envoy to North Korea, while calling for the South Korean government to show a more resolute attitude on the denuclearization of North Korea.<sup>18</sup> Her policy stance was similar to that of the engagement policy championed by the Kim Dae-jung and Roh Moo-hyun governments and can be attributed partly to her meeting with Kim Jong-il.

### *Park's Shifting Posture*

Park's flexible attitude toward North Korea did not last long. Her North Korean policy has vacillated over time. She was very flexible with respect to the North and advocated an engagement policy after her 2002 meeting with Kim Jong-il, but Park's stance changed abruptly after North Korea's first nuclear test on October 9, 2006. Park called for an immediate suspension of inter-Korean economic cooperation and assistance to the North, and the overall readjustment of the North Korea policy. In a speech at the Kennedy School of Harvard University on February 13, 2007, Park even defined the nuclear test as a "second security crisis," comparable to the Korean War (1950–1953). Her prescription was the strengthening of military deterrence through the alliance with the United States.<sup>19</sup> She also stressed international coordination and cooperation in pressing the North.

This hard-line stance was sustained throughout 2007. In Park's presidential nomination race in 2007, she proposed her own three-stage approach to national unification, in which the complete elimination of

North Korean nukes and peaceful settlement through the resolution of military confrontation structure was identified as the first stage. The second stage of economic unification through the construction of economic community, and the third stage of political and territorial unification would come only after first resolving the nuclear and military issues. She challenged the North “to change the ‘Military First Politics’ into ‘Civilian First Politics,’” and pledged to pursue a North Korean policy based on “altered incentive structure,” in which “promises kept are rewarded, while giving strong disincentives to broken agreements and promises.”<sup>20</sup> Park believed that there would not be any meaningful trust-building, exchange, and cooperation without Pyongyang’s genuine behavioral change.

But her stance again changed during the 2012 presidential election. In her debate with rival Moon Jae-in, Park stated, “There will be no pre-conditions for inter-Korean dialogue, and if necessary, I am willing to hold summit talks with North Korea. And humanitarian assistance will be separated from the political situation.”<sup>21</sup> Surprising was her willingness to separate the North Korean nuclear issue from inter-Korean exchange and cooperation, diametrically opposite to Lee’s policy. Although Park was still negative toward North Korea’s motives and behavior, she was willing to engage the government. Such a move could have been a tactical maneuver to garner electoral support, but her proposal was generally balanced. Her election pledge of *trustpolitik* certainly contributed to her successful election bid. Nevertheless, North Korea continued its provocative behavior. It violated UN Security Council resolutions 1695, 1718, and 1874 by launching a space rocket on December 12, 2012, and North Korea undertook a third nuclear test on February 12, 2013, despite the Security Council’s adoption of another sanction resolution on January 22, 2013. Park’s stance rapidly turned hard-line. Although keeping the door open for inter-Korean dialogue, she urged Pyongyang to honor existing agreements and international norms and banned exchange and cooperation with the North and even informal contacts with North Korean authorities during the transition period.

#### *Inauguration, Volatile Inter-Korean Relations, and a Return to a Hard-line Policy*

In her inaugural speech on February 25, 2013, Park promised to “create the foundation for a unification age that would make all Koreans happy through the Korean Peninsula Trust-building Process.” The

trust-building process was predicated on exchange and cooperation between two Koreas, but soon after her inauguration relations deteriorated. As the ROK and the United States conducted their annual military exercises, Key Resolve, and joint military training, Foal Eagle, starting from March 1, 2013, the North's almost frenetic response is visible on Table 10.2. Pyongyang announced the nullification of the Armistice Agreement on March 5, and the abrogation of the North-

**Table 10.2** Crisis Escalation after Park's Inauguration: Sequence of Major Events

<i>Date (2013)</i>	<i>ROK-US</i>	<i>North Korea</i>
12 February		The 3rd North Korea nuclear test
1 March	Start Foal Eagle military drill	
5 March		North Korea declares armistice agreement invalid (as of March 11), Halt activities of Panmunjom mission
8 March	B-52 bombing practices in South Korea UNSC Resolution 2094 adopted unanimously	Nullify the nonaggression pact with South Korea Discard Joint Declaration of denuclearization of the Korean peninsula
11 March	Start Key Resolve military exercise	Severs hotline that runs through the truce village of Panmunjom
19 March	B-52 bombing practices in South Korea	
20 March	US nuclear-powered attack submarine is docked at Busan Navy Operations Command.	
25 March	B-52 bombing practices in South Korea	
26 March		North Korea at "No. 1 Combat Readiness" status
27 March		Severs military hotlines in the military liaison office of the jointly managed area in the West Sea
28 March	B-2 stealth bomber practices	
29 March		Kim Jong Un orders strategic rocket forces to discuss strategic rockets' missions and review strike plans
31 March	US deploys F-22 Fighter jets to OSAN AIR BASE in South Korea	

<i>Date (2013)</i>	<i>ROK-US</i>	<i>North Korea</i>
2 April		Restarts Yongbyon 5MW reactor
4 April	US speeds up the deployment of an advanced missile defense system to Guam	Approves nuclear attack against the US Deploys Musudan IRBMs near Wonsan
9 April		Warns all foreign companies and tourists in South Korea to evacuate
6 May	ROK-US antisubmarine drill involving a nuclear submarine (West Sea, 6–10 May)	
7 May		Criticizes a ROK-US joint naval exercise and threatens to take immediate actions against the South
13 May	ROK-US joint naval exercise involving <i>USS Nimitz</i> (East Sea, 13–16 May)	
18–20 May		Launches three short-range guided missiles into the country's eastern coast
23 May	President Park criticizes Kim Jong-un for “playing a gamble to escalate tension” and North Korea's new policy of pursuing economic construction and the building of nuclear force together would “never” succeed	
25 May		North Korea accuses South Korean President Park Geun-hye of undermining the dignity of its leadership and slammed her as “a confrontation maniac.”

South Non-aggression Accord of 1992 and the 1991 Joint Declaration on the Denuclearization of the Korean Peninsula on March 8. North Korea's hostile rhetoric escalated in response to the military exercises of ROK-US combined forces.

The Foal Eagle exercise was originally designed to prepare against North Korean Special Forces' infiltration into the rear area of South Korea. But the 2013 exercises marked a significant difference from prior exercises, as the United States deployed an unprecedented

plethora of strategic weapons. In addition to a nuclear submarine, the United States deployed B-52 and B-2 strategic bombers capable of delivering nuclear bombs, with the B-2 bomber mobilized from a base on the US mainland. Additionally, F-22 stealth fighters and an Aegis destroyer were also mobilized in the latest exercise. Facing this massive deployment of US strategic weapons, Kim Jong Un, new leader of North Korea who succeeded his father in April 2012 upon his death, responded with harsh rhetoric and assertive behavior (e.g., approval of a nuclear strike on a US target and instruction to his missile combat unit to prepare for targeting Guam). Obviously, Kim had to respond as such in order to display charismatic decisiveness to the people, to address the harsh reality of mounting insecurity, and to consolidate his control over the military. Kim Jong Un skillfully utilized such threats for domestic political purpose, which in turn contributed to solidifying Park's harder stance on the North.

The crisis escalation negatively impacted the Kaesong Industrial Zone, which had remained intact through a turbulent five-year period under the Lee government. On April 8, 2013, North Korea announced Kaesong's temporary closure and withdrawal of 54,000 North Korean workers. Seoul urged Pyongyang to reconsider the decision and to propose an official dialogue for its resumption. But Pyongyang rejected the offer and demanded Seoul's apology for its hostile activities against North Korea. Seoul grew increasingly impatient, and sent an ultimatum that unless Pyongyang returned to official talks, it would make an important decision. As the North did not respond, the South decided to withdraw its firms and workers from Kaesong, leading to its complete closure. Consequently, inter-Korean relations came to a complete halt, including military and civilian hotlines, a state not seen even during the Lee period.

As North Korea escalated its provocative responses, President Park got tougher. First, she reinterpreted the meaning of her signature policy, the Korean Peninsula Trust-building Process. It originally aimed at engaging the North without any preconditions and inducing its policy changes through the alignment of security and cooperation. After escalating tensions, however, she linked the progress of the trust-building process to Pyongyang's attitude, particularly its nuclear policy. She also tied the pace and extent of inter-Korean exchange and cooperation to progress in North Korea's denuclearization, and the establishment of a Pyongyang liaison office was to be re-examined, dependent on the overall conditions of inter-Korean relations.<sup>22</sup> During her official US visit in May 2013, Park made clear

that North Korea's survival was at stake should it continue to play the nuclear card.<sup>23</sup>

President Park continued to emphasize the need for North Korea to make the right choice throughout her US tour. Unless North Korea showed a more forthcoming attitude on the nuclear issue, she reaffirmed, the Korean Peninsula Trust-building Process would not be activated. Her determination is apparent in her speech at a joint session of the US Congress:

The Republic of Korea will never accept a nuclear-armed North Korea. Pyongyang's provocations will be met decisively. At the same time, I will not link humanitarian aid provided to the North Korean people, such as infants and young children, to the political situation. And with the trust that gradually builds up, through exchange, through cooperation, we will cement the grounds for durable peace and—eventually—peaceful reunification... North Korea must make the right choice. It must walk the path to becoming a responsible member in the community of nations.<sup>24</sup>

Park's tough stance carried into policy implementation. Despite her assurances of the resumption of humanitarian assistance to the North, the Ministry of Unification did not send any to the North. It did not permit even nongovernmental organizations (NGOs) and the private sector to engage in humanitarian assistance, with the one exception of Eugene Bell Foundation's request to send tuberculosis medicine in April. And all forms of economic, social, and cultural exchanges and cooperation with the North were also suspended.<sup>25</sup> A minor change came on July 28, when the Ministry of Unification approved humanitarian aid, such as medical supplies and baby food to North Korean children and infants, as requested by five NGOs. It can be attributed partly to active lobbying by the Korea NGO Council for Cooperation with North Korea, which is composed of 56 organizations,<sup>26</sup> and partly to the government's strategic move to bring the North back into the seventh round of talks on the Kaesong Industrial Complex.<sup>27</sup> Nevertheless, no profound changes are yet detected from the Park government, and so, the specter of the Lee government continues to haunt inter-Korean relations.

Despite the Park government's trust-building gesture, North Korea was skeptical from the beginning. Immediately after Park's announcement of *trustpolitik*, the Secretariat of the Committee on Peaceful Unification of Motherland (*Jopyongtong*) issued an open letter to Park, criticizing her policy as not honoring previous agreements

between the two Koreas and of adhering to Lee's "De-nuke, Open 3,000" policy, which was predicated on the sequential approach of "de-nuke first, improvement of inter-Korean relations later."<sup>28</sup> North Korea also harshly criticized Park's remarks made during her meeting with UN Secretary General Ban Ki-moon on May 10, 2013, that "We will not tolerate North Korea's nuclear weapons, and its provocation and threats will pay a price."<sup>29</sup>

A major turning point came on June 6, 2013, when the the North announced its willingness to officially talk with the South, covering a range of issues, including the Kaesong Industrial Complex, the Mt. Keumgang tourist project, reunion of separated families, and other pertinent matters. The statement also indicated that Pyongyang would honor Seoul's choice of date and venue. It was a radical departure from the previously rigid attitude, and the change can be attributed in part to China's pressure on the North. Seoul responded positively, and a preparatory meeting was instantly convened in Panmunjom from June 9 to 10. Both parties agreed to hold the official meeting in Seoul from June 12 to 13, but on agreed upon day, the North refused to send its delegation over differences in head delegate's seniority. The North decided to send a minister-level head, whereas the South designated its vice minister of unification as head delegate. For the North, it was unacceptable and viewed as a violation of the agreement. Seoul responded that Pyongyang never had had any genuine interest in the official talks. This setback notwithstanding, Seoul and Pyongyang held five additional rounds of talks, but failed to reach a agreement on the resumption of the Kaesong Industrial Complex. Whereas Pyongyang sought an immediate normalization of the complex without any preconditions, Seoul asked Pyongyang to make a formal commitment to nonrecurrence of its arbitrary closure and to compliance with norms and rules regarding internationalization of the complex. Finally, the North complied with Seoul's demands, and inter-Korean relations significantly improved with the reunion of separated families and the establishment of high-level talks in the early part of 2014.

But inter-Korean ties have deteriorated after the North strongly reacted to the annual ROK-US military training between January and March 2014 and to President Park's speech in Dresden, Germany, on March 25. Pyongyang accuses Seoul of plotting for unification by absorption. As of June 2014, official contacts remain suspended and military tension is increasingly elevated. Pyongyang has engaged in a series of missile test launches, military drills in the West Sea,

and unmanned aerial vehicle infiltration, in addition to warning of a fourth nuclear experiment and long-range missile test. Ministry of Defense spokesman Kim Min-seok publicly said that North Korea is “a country that must disappear soon.” Pyongyang responded with threats of a “war of retaliation” and “an order to strike Seoul.” Inter-Korean relations have hit bottom.

#### *Assessment: Promises and Limits*

It appears too early to make a meaningful assessment of Park’s North Korean policy. However, current developments show that her policy is no different from that of the Lee government. First, departing from her earlier pledges, the trust-building process has become increasingly reactive and conditional on North Korea’s behavior. President Park has repeatedly argued that her government cannot engage with the North without signs of genuine change. Fulfillment of promises and honoring of international norms and obligations, such as UN Security Council resolutions, are viewed as crucial preconditions for inter-Korean trust building. But the North argues that it has never broken any promises and that UN resolutions are nothing but the tyranny of an oppressive hegemonic power. For the North, nuclear weapons are the most critical means for ensuring national and regime survival. Park’s *trustpolitik* has now become hostage to North Korea’s rigid and bad behavior. Thus, the “North Korea changes first, then inter-Korean trust-building” formula is not likely to work.

Second, inter-Korean relations have always been burdened with emotionally charged confrontation, often resulting in a game of chicken. Protocol issues involving the venue and level of delegates have often derailed North-South talks. The only escape is to resort to pragmatism. In fact, Park’s *trustpolitik* is all about pragmatic approaches to pending issues. Judged on her words and deeds, however, her *trustpolitik* seems far removed from pragmatism. After the aborted inter-Korean official talks, President Park remarked that “form dictates substance.” This seems a worrisome omen to the future of Park’s North Korean policy.

Third, the Korean Peninsula Trust-building Process presupposes a practical approach to inter-Korean relations in which easy problems are resolved first and difficult ones later. But this operating principle seems to have been compromised amid Pyongyang’s provocative behavior. As Park has repeatedly argued, trust can be built only when promises are fulfilled on a mutual basis. But the Park government seems to be paying more attention to difficult agenda items such



as the nuclear issue than to relatively easier ones (e.g., the Kaesong and Mt. Keumgang ventures and the reunion of separated families.) North Korea wants to pursue economic prosperity while maintaining nuclear weapons, but President Park warned that North Korea cannot do both, and that it will not succeed if it tries. That recipe will only lead to isolation and self-destruction, she predicted. Such a stance makes it difficult for her *trustpolitik* to succeed. At the same time, it contradicts her earlier commitment to pursuing denuclearization of North Korea and inter-Korean exchange and cooperation in parallel.

Fourth, domestic and external challenges also seem daunting. Staunch South Korean conservatives are extremely critical of Park's *trustpolitik*. Some of them oppose the July 4, 1972, North-South Joint Statement to pursue reunification on the principles of sovereignty and a grand coalition of Korean people. They believe North Korea regards tourism to Mt. Keumgang, the Kaesong Industrial Complex, and the reunion of separated families as money-making ventures and may not be happy with renewed dialogue between the two Koreas. The same goes for the hawkish interests in North Korea. The North Korean military wants to maintain tensions and a hostile mood to buttress its power. The mood in Washington is also not favorable. Susan Rice, who was behind the sanction resolutions against North Korea while serving as the US ambassador to the United Nations, has been picked by Obama to serve as his new national security adviser. The conservative Rice may demand stronger actions against the nuclear-armed North Korea.

Finally, the overall decision-making structure seems problematic. It is rumored that Park herself is dictating the details of the North Korean policy. Whereas the National Security Council lacks a policy coordinating function, very little autonomy has been given to the unification ministry. Furthermore, the National Intelligence Service has detached itself from the North Korean policy-making process. Consequently, it can be argued that there is no rational center of policy coordination and formulation aside from President Park's personal preference. Such a decision-making mechanism can easily cripple the formulation and implementation of policy toward North Korea.<sup>30</sup>

## The Park Government's China Policy

### *Legacies of the Past and New Awareness of China's Rise*

The People's Republic of China (PRC) and South Korea celebrated 20 years of diplomatic normalization in late September 2012. It

should have been a grand occasion. After all, Deng Xiaoping made normalization of state-to-state relations a centerpiece of his reform and opening-up policy, starting with US-China normalization in 1979. South Korea was the last major country on the list. One could say that contemporary China's reintegration into the international system was consummated with ROK-PRC normalization. For Seoul, meanwhile, 1992 was a diplomatic coup, by normalizing relations with North Korea's ally without having to let North Korea "cross-normalize" with its own ally, the United States. Normalization also opened the floodgates for trade and investment across the West Sea; China-ROK trade volume rose from US\$6 billion in 1992 to over \$220 billion in 2012.<sup>31</sup>

In fact, the Lee government published a report praising improved China-South Korean relations as a major diplomatic achievement.<sup>32</sup> Establishment of a strategic cooperative partnership with China, 20 summit meetings, activation of high-level talks between the two governments, the launching of China-South Korean Free Trade Agreement (FTA) negotiations, a remarkable expansion of trade, and flourishing social, cultural, and tourist exchanges were cited as evidence of robust bilateral ties. The Lee government emphasized the remarkably improved China-South Korean relationship as one of its great diplomatic successes.

But a reality check reveals that China-South Korean bilateral relations severely deteriorated during the Lee government. Lee's China policy was ineffective at best and counterproductive at worst. North Korea was not isolated into collapse; rather, it survived the death of Kim Jong-il and was driven closer to China. North Korea was not deterred or denuclearized; instead, it ramped up its nuclear program activities and struck violently against the South, with Beijing taking an agnostic position of blaming a vicious cycle of inter-Korean hostility rather than siding with Seoul. As the host of the six-party talks, China exhibited a clear preference to address the North Korean nuclear issue through negotiations within the six-party framework. However, the Lee government derailed the six-party talks process by proposing a succession of independent initiatives such as "Denuclearization and Opening, 3000" (2008), the "Grand Bargain" (2009), and inter-Korean talks as a necessary "pre-step" (2010-11), all of which attempted to shift settlement of the nuclear issue into South Korea's control. Beijing's dismay over the Lee government's tacit position on the futility of the six-party talks spurred China to openly and explicitly separate North Korea's nuclear issue from overall North

Korean relations, and to significantly enhance bilateral engagement with Pyongyang. In the end, it was South Korea that became more isolated, not North Korea.

The difference in approach and perception of North Korea between the two countries severely hampered ROK-China relations. The Lee government's policy toward North Korea broke away from the approach of his predecessors' governments of engaging in South-North dialogue and increasing cooperation, especially through economic integration, while maintaining "defensive" deterrence. Instead, Lee chose a path of pressure, sanctions, and "offensive" deterrence. Lee's strategy was predicated on pressuring China to cooperate with the sanctions and containment approach by presenting a united front with the United States and Japan. But Beijing consistently stood by the principle of dialogue and engagement, similar to South Korea's previous Sunshine Policy.

Along the way, the Lee government's pro-US balancing diplomacy generated serious discomfort in Seoul's relations with Beijing. During Lee's first state visit to China in May 2008, the PRC, in an unusual break with diplomatic convention, openly criticized the ROK-US alliance as a relic of the past.<sup>33</sup> The Lee government ignored this warning from China, and pursued dramatic strengthening of the ROK-US alliance and trilateral cooperation between ROK-US-Japan. The trilateral bond failed to develop, due to opposition from the South Korean public. The ROK-US alliance did tighten considerably, but with negative effects on relations with Beijing and Pyongyang.

Bilateral ties were at their worst during the Lee administration as underscored by Beijing's nonchalance toward North Korea's deadly attacks against South Korea's warship, Cheonan, and Yeongpyong Island in 2010. Chinese officials were displeased with South Korea's hard-line stance against North Korea on the premature belief of internal conflict and collapse of the Pyongyang regime. The Chinese clearly stated, "Promotion of China-DPRK friendship is our strategic choice."<sup>34</sup>

Aware of Lee's failing China policy, Park framed her China policy as a correction of it. She appreciated China's strategic importance long before she became president. She must have vividly remembered her father Park Chung-hee's anxiety after the 1972 Nixon shock. In 1969, President Richard Nixon announced the Guam Doctrine under the slogan of "Asian defense by the hands of Asians" and began to reduce US ground forces stationed in South Korea amid heightened military provocation. More critically, Henry Kissinger and Nixon sought a

secret détente with China that bypassed South Korea. President Park Chung-hee felt abandoned by the United States, propelling his quest of self-defense and nuclear weapons and actively seeking to cultivate ties with Chinese leadership in vain. Park's memory of the early 1970s must have renewed her interest in China. Park studied Chinese language long before China's rise and paid utmost attention to cultivating personal ties with Chinese political leaders.

*Park's China Policy in the Making: Balancing between Alliance and Strategic Partnership*

Cognizant of China's growing strategic importance, Park has placed a greater emphasis on diplomatic relations with China. Her policy objective is to find a balance between Seoul's alliance and strategic partnership. In particular, China's ability to influence North Korea is of major strategic value.

Park's attention to China was manifest during the transition period. In the past, president-elects used to send their special envoy to the United States first, followed by China, Japan, and Russia. Park was different. She sent her first envoy to China.<sup>35</sup> Park's China preference was instantly reflected in the policy priority of the Ministry of Foreign Affairs that placed "the harmonious development of ROK-US alliance with ROK-China relations" as the second most important foreign policy goal, only next to the settlement of the North Korean nuclear problem. On the surface, the status of China had been elevated to that of the United States, and sensing such a policy shift, China reciprocated by explicitly agreeing with Park's emphasis on the denuclearization of North Korea and lending unprecedented support to Park's Korean Peninsula Trust-building Process and Northeast Asia Peace and Cooperation Initiative.<sup>36</sup>

The foreign ministry of the Park government outlined several specific plans to improve its ties. The first is to develop cooperative ties with China in political and security arenas by diversifying and deepening channels of strategic dialogue and communication on diverse levels. The second is to expand mutually beneficial relations by not only promoting solidarity and trust through the strengthening of humanistic connections and the enhancement of public diplomacy, but also achieving the target of bilateral trade volume of US\$300 billion earlier than scheduled. It also urged the expansion of exchanges and cooperation among the local governments of both countries. Finally, the foreign ministry plans to develop a new vision of bilateral

development through which the strategic cooperative partnership based on trust can be furthered.<sup>37</sup>

Park's primary policy concern with China is North Korea. In her meeting with Tang Jia-xian, former state councilor of the PRC, on June 14, 2013, Park emphasized her North Korean policy of an open door for dialogue but standing firm to provocations. She also urged China to instruct the North so that "it can make the right choice."<sup>38</sup> Here, the right choice is denuclearization and opening and reform à la China. While stressing that the "China-ROK summit talk is one of three important summits along with China-Russia and China-US ones," Tang reiterated the official position of the Xi government, that is, China supports denuclearization of the Korean Peninsula and peace and stability through dialogue with both Koreas. He added that "North Korea's nuclear policy and nuclear testing are not conducive to PRC-DPRK relations and China does not recognize North Korea's nuclear weapons status."<sup>39</sup> He also stressed the Park government's need to fully utilize the momentum of inter-Korean dialogue.

The Park government also seeks cooperation with China on its Northeast Asia Peace and Cooperation Initiative. This is a strategic move to harmonize Seoul's US alliance with its strategic Chinese partnership. While maintaining a military alliance with Washington, Seoul attempts to shape new relations with China within the framework of multilateral regional cooperation, starting with nontraditional security issues. China's response has been very favorable. Foreign ministry spokeswoman Chunying Hua endorsed the initiative, noting that "China hopes relevant parties will make more efforts to defuse the situation, adding that China also hopes those parties will work together to maintain regional peace and stability."<sup>40</sup>

President Park's state visit to China during June 27–30, 2013, was an enormous success. Presidents Park and Xi agreed to enhance the strategic partnership between China and the ROK on the basis of trust, increase exchanges at multiple levels and in multiple areas, deepen economic and technological cooperation, make joint efforts to reach a FTA, augment cultural and people-to-people exchanges, and enhance coordination in the UN and other major international mechanisms.<sup>41</sup> Both leaders also agreed to work together to denuclearize the Korean Peninsula. And President Xi emphasized restarting the long-stalled six-party talks with the aim of ending Pyongyang's nuclear ambitions.<sup>42</sup> President Xi fully endorsed the Korean Peninsula Trust-building Process and the Northeast Asia Peace and Cooperation Initiative.

### Challenges Ahead

The Park Administration's China policy appears to be better poised than that of the Lee government, but several challenges await. The first challenge is how to reconcile differences in the North Korean problem. Beijing welcomes President Park's *trustpolitik* because it seeks to solve the North Korean nuclear problem through dialogue and negotiations. Yet during her summit to Washington, Presidents Park and Obama emphasized deterrence and pressure to end North Korean military provocations. Such an approach does not bode well for Park's vision of trust building. Moreover, China would disagree with such pressure tactics. Whereas Park seeks a trilateral dialogue (China, South Korea, and the US) to put pressure on the North, China wants the resumption of all forms of dialogue first, namely the six-party talks, DPRK-US, inter-Korean talks, and ultimately four-party talks.

Another challenge comes from an inherent incompatibility between alliance and multilateral security cooperation. The Chinese government has expressed deep interest in Park's *trustpolitik* idea, that is, building trust first in nonmilitary areas then in security areas as a process to ensure lasting peace and cooperation in Northeast Asia. The fundamental and ultimate goal of China's regional policy is to establish a collective security system, as opposed to collective defense system. It is what President Xi underscored during his keynote speech at the annual conference of the Boao Forum for Asia in April 2013, urging the international community to work together for comprehensive, common, and cooperative security.

But President Park has her eyes on an alliance. She envisions elevating US bilateral ties to a comprehensive strategic alliance to serve as a lynchpin of US rebalancing efforts in the Asia-Pacific region (pivot to Asia) and reinforcing missile defense cooperation. So far, her regional vision could come across as having less significance than a stronger alliance with the United States. Instead of vainly trying to harmonize the cacophony later, Seoul should try to seek cooperation while realizing the differences in perspectives and goals with Beijing. This is more appropriate given the increasing negative Chinese public perception of the US "pivot to Asia" policy. The following captures such sentiment:

The Pew Research Center found that the percentage of Chinese respondents who view the U.S.-China relationship as hostile has risen from eight percent in 2010 to 26 percent in 2012. These views are found not just among the public and in nationalist newspapers and micro-blogs,

but are widely shared among Chinese government officials, academics, and think tank strategists. Wang Jisi, dean of Peking University's School of International Studies and a leading expert on U.S.-China relations, has argued that in recent years the view throughout China has "deepened" that "the ultimate goal of the United States in world affairs is to maintain its hegemony and dominance and, as a result, Washington will attempt to prevent the emerging powers, in particular China, from achieving their goals and enhancing their stature."<sup>43</sup>

Currently, President Xi is seeking new power relations with the United States. At the Obama-Xi summit talk on June 7, 2013, Xi outlined three points of what he termed a "new type of great power relations": first, "no conflict and confrontation," one that "must view each other's strategic intention objectively and rationally." Second, they must "mutually respect each other's core interests and major concerns," and third, pursue cooperation based on "abandoning the zero-sum game."<sup>44</sup> Two implications can be drawn from the new power relations. South Korea will be in a difficult position if cooperative China-US ties are established within the G-2 framework, for a new "bigemonic" arrangement could dictate the future of the Korean Peninsula. Indeed, any potential conflict between the two great powers will also put South Korea in a dilemma of either siding with the United States against China or joining the China "bandwagon" while discarding the US alliance.

## Conclusion

The Park government's foreign policy, in particular its China and North Korea policies are still in a formative period. Thus, a definitive assessment is difficult, although one aspect is clear. Park will continue to place a heavy emphasis on the US alliance. As long as North Korea continues its provocative behavior and nuclear ambitions, credible military deterrence through the strengthening of the US alliance appears unavoidable. This then raises fundamental questions regarding her simultaneous pursuit of a harmonious relationship with two great powers. Park's June 2013 state visit to China underscores her efforts in this direction. Her Northeast Asian Peace and Cooperation Initiative could serve as a critical facilitator for such harmonization, but apart from the big picture proposal, details are scarce.

In contrast, the prospect for the Korean Peninsula Trust-building Process seems uncertain. North Korea's provocative behavior has

so far dealt a critical blow to the initiative. President Park's election pledge to combine the best parts of Kim Dae-jung and Roh Moo-hyun's engagement policy and Lee's hard-line policy is fading. She is now leaning toward a Lee hard-line policy 2.0 rather than an engagement policy 2.0. It is increasingly likely to continue because the Park government has failed to present a clear roadmap for the trust-building process, while hard-line conservatives surround her in the decision-making process. Thus, the probability of "another nightmarish five years" cannot be ruled out. Vital to this equation is how President Park resolves the North Korean nuclear problem. If she is able to foster the peaceful settlement of the North Korean nuclear quagmire through dialogue and negotiation, the Korean Peninsula Trust-building Process will gain unprecedented momentum. If not, it might sink into oblivion with many of its prior failed incarnations.

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## The Korean Peninsula and Japan: Global Money Flows as Framing International Relations\*

*Takashi Inoguchi*

### Leadership Change

In 2011–2013 leadership change occurred in Japan, South Korea, and North Korea<sup>1</sup> That change in leadership in these three countries, around the same time, is not something that domestic factors alone can explain. The most notable event is the 2008 collapse of the economic bubble in the United States, which followed a militarily aggressive and financially extravagant unipolar and unilateral period led by George W. Bush, Jr. Also, one cannot forget that quasiausterity had continued in Japan since 1991 when its own bubble collapsed. The exchange rate of Japanese yen increased steadily as world investors/speculators searched for safe currencies—the Japanese yen and Swiss franc. Japan continued to register a low-growth rate for all these years. South Korea overcame what South Korea calls the IMF crisis in 1997–1998 and enjoyed a currency rate that facilitated Korean exports en masse. North Korea continues its austerity policy since well before 2008. The US government under President Barack Obama and Federal Reserve Chairman Ben Bernanke adopted a policy of quantitative easing of money, a large bulk of which investors/speculators diffused to what are now called emerging economies, BRICS (Brazil, Russia, India, China, and South Africa), MIST (Mexico, Indonesia, South Korea, and Turkey), and the rest. South Korea rode high on this wave under President Lee Myung-bak as Korean exports expanded globally and aggravating income gaps grew between chaebol business

and small business. North Korea suffered further because of tightening economic sanctions.

Bernanke in July 2013 hinted that quantitative easing of money might be gradually scaled down between 2013 and 2014 as the US economy started to register indicators of recovery like employment and manufacturing products. Bernanke's statement triggered investors/speculators to bring a lot of money back to the United States from abroad. The resulting shortage of money in countries such as Brazil, Turkey, and Egypt triggered political protests. A few months before Bernanke's statement, Prime Minister Abe Shinzo and Bank of Japan's president Yasuhiko Kuroda dramatically started a massive quantitative easing of money policy in March 2013. What is called Abenomics aims to halt a two-decade-long recession and initiate respectable economic growth. The exchange rate of the Japanese yen vis-à-vis the US dollar decreased, which in turn facilitated Japanese exports.

Kim Jong-un, Park Geun-hye, and Abe Shinzo became top leaders when their respective economies registered alarmingly negative symptoms. Kim Jong-il's *sunngun* (military-first-ism) politics did not bear much fruit beyond a minimum level of regime survival. Lee Myung-bak's globalization politics developed incredible income gaps among the population. Noda Yoshihiko's politics of rebalancing government deficits with Bank of Japan's deflationary policy and treasury ministry's consumption tax hike policy met an overwhelming refusal by the population. Hence, their successors might have wondered whether they would be able to redirect their politics: Kim Jong-un seeks economic reform and reconciliation with the United States while not compromising on nuclear weapons development; Park Geun-hye's politics seeks to heal low-income and senior citizens while postponing indefinitely the 2015 transfer date of operational control from US armed forces to that of South Korean armed forces; Abe Shinzo's politics seeks to reflate the economy with massive quantitative easing of money while enhancing Japan's role in its alliance with the United States and mending fences with China and South Korea. Against this information background, I examine first Japan's policy toward the Korean Peninsula.

## Japan's Policy toward the Korean Peninsula

To examine Japan's policy toward the Korean Peninsula, it is important to provide a brief review of Prime Minister Abe's policy thrusts in three key areas.<sup>2</sup> Abe's priority is to restore self-confidence to

Japanese citizens. With national self-confidence restored, he believes many problems will more easily find pragmatic solutions. First, the economy will reinvigorate itself. Hence, the success of what is called Abenomics has to be achieved with utmost caution and alacrity. Second, the US-Japan alliance has to be enhanced. To achieve this goal, Japan has to be able to provide substantial assistance to the United States, thereby demanding that issues of history and constitution be overcome. This objective has to be handled with utmost caution and patience. Third, friends afar are no less precious than immediate neighbors in an era of globalization and interdependence. Geopolitics has to be carried out with the belief that geography is not a destiny.

Prime Minister Abe's politics toward the Korean Peninsula begins with his belief in the need to encourage patriotism among citizens and to correct a wrong history education. His grandfather, Kishi Nobusuke, who was held as a suspected Class A war criminal, jailed for three and half years, and later served as prime minister (1958–1960), believed that history as taught in Japan since 1945 treated him badly, that in particular the Far Eastern Tribunal's verdict was wrong, and that Japan must restore its true spirit.<sup>3</sup> In *Toward A Beautiful Country*,<sup>4</sup> a book Abe published before becoming prime minister in 2006, he espoused his belief in patriotism and nationalism as an essential ingredient of good politics. To understand his beliefs in this area is to better understand his policy toward the Korean Peninsula. But no less important is his pragmatism when his dream is not realistic. Many pitfalls abound in Japan's modern history, so it is to Abe's credit if he remains realistic and pragmatic. In 2006–2007 when he was first prime minister, he was praised for his efforts to improve relations with China, with whom Japan had not had a top-level meeting for five years during the Koizumi Administration. He was praised for not visiting the Yasukuni Shrine during his tenure. In the first 12 months of his second tenure, he also refrained from visiting the Yasukuni Shrine, but on December 26, 2013, he visited the shrine. His right-wing beliefs are so widely known that he is not afraid of a right-wing attack for whatever compromise he might make, be it a history issue vis-à-vis South Korea or economic cooperation vis-à-vis North Korea.

### *Japan's Policy toward North Korea*

Japan has not maintained normal diplomatic relations with the Democratic People's Republic of Korea. Yet colonial and wartime

legacies abound between Japan and North Korea. Symbolic of these legacies at the highest level is the story of Kim Jong-un's mother, Ko Young-hee, who was born in Osaka, Japan, and went to North Korea as part of returning Koreans to the North in the late 1950s and 1960s.<sup>5</sup> Ko Young-hee died a decade ago and no official admission in North Korea was made about her birthplace. No less symbolic of these legacies is the story of Park Geun-hye's father, Park Chung-hee. The senior Park graduated from a Japanese military academy and served in the Imperial Army. Yet politically these legacies are best kept secret in both Koreas. In South Korea, Park Geun-hye is politically vulnerable. This may have led her to make the following comment about a possible summit meeting with Abe: "I am not interested in meeting someone unless someone is a future-oriented person."<sup>6</sup>

Five issues are normally tabled on Japanese-North Korean talks of quasi-intergovernmental nature: (1) abducted Japanese citizens, (2) denuclearization, (3) wartime compensation or official developmental assistance (ODA), (4) humanitarian assistance, and (5) Chongryong (Pro-North Korean Federation of Korea residency in Japan) properties. The third issue is the oldest. At a time, when the first and second issues were not an agenda item, the third issue was most important and was the most difficult on which to reach agreement. The fourth issue came up when famines occurred intermittently in North Korea. The fourth issue has been relatively easy to manage, in part because international organizations like World Food Program and International Red Cross and Red Crescent Society manage it. The fifth issue is the most recent addition, and it has a lot to do with Chongryong's financial capacity to exist as an organization in Japan, reflecting the decline in the number of Korean residents in Japan who are friendly to North Korea and the detrimental financial impact this has on members and donations.

On the third issue, North Korea argues that because the 1965 Basic Treaty with the Republic of Korea (ROK) bound Japan to provide ODA and associated help on nongovernmental basis, North Korea should get an equal amount of help from Japan when diplomatic normalization is achieved. In the 1970s and 1980s, the issue was discussed between Japan and North Korea a number of times but to no avail.

A number of Japanese citizens were abducted to North Korea, mostly in the 1970s and 1980s, but for many years this issue was unknown. Once the abductions became public knowledge, public opinion turned against North Korea, with negative views still prevailing today. When Koizumi met with Kim Jong-il on this issue in

Pyongyang in 2002, Kim apologized to Koizumi. But of those listed as disappeared by Japanese authorities, only a few were identified and given permission to return to Japan, provided that shortly after arriving they would return to North Korea to bring their children and loved ones to Japan. Abe Shinzo, then cabinet undersecretary of the Koizumi Cabinet, vehemently opposed Kim Jong-il's conditions of a two-stage return to Japan. North Korea complied with the Japanese argument that once the abductees landed in Japan, their children and loved ones should leave North Korea for Japan. Since the details became public knowledge, Abe's popularity rose. Abe became a hero among Japanese who argue for a tough stance toward North Korea and it looked as if the sentiments prevailed nationwide.<sup>7</sup> Abe Shinzo sent his special envoy to North Korea in spring 2013. Details are not known about the meeting. However, rumors spread that for the commemoration of the sixtieth anniversary of the victory of North Korea (i.e., the 1953 armistice agreement between North and South Korea), North Korea might conclude diplomatic normalization with Japan. Neither the United States nor China appears willing to provide money to resuscitate the North Korean economy. Instead both the United States and China are urging North Korea to denuclearize itself. North Korea's argument is that without nuclear weapons, it would be exposed to the whims and wishes of the United States. Why does China push for North Korea's denuclearization? It would be ludicrous to speculate that North Korean nuclear missiles might be used against Beijing. If Beijing enters into nuclear nonproliferation talks with the United States, Pyongyang's card will be to forge ties with China's adjacent province, Liaoning, which does not want to see the United States and South Korean soldiers standing shoulder-to-shoulder on the other side of Yalujiang or Amnokkan River after a buffer state called North Korea is gone. If Liaoning cooperates with Pyongyang in targeting Beijing for a coup d'état with the help of North Korean nuclear weapons, China's demand for denuclearization will be averted by a new Chinese government that prefers having a buffer state. If one recalls Bo Xilai, dismissed from office, had solid political bases both in Liaoning and Sichuan, which also has nuclear weapons facilities. Such a scenario creates uneasy feelings.<sup>8</sup> There are rumors about North Korea leaning to Japan to warn against such a scenario with possible Chinese-US cooperation.

Denuclearization has been a key issue of the six-party talks (United States, China, South Korea, North Korea, Japan, Russia) for years. From North Korean perspectives, the six-party talks represent a



convenient vehicle for North Korea to prolong talks while gaining time to accelerate nuclearization. Japan is an outlier participant by prioritizing the abduction issue in the six-party talks. Such a position is not well regarded by the United States and South Korea. For North Korea, regime survival is the first priority. The North Koreans calculate that the cost-benefit ratio of developing nuclear weapons and power plants is favorable. Hence, *sunggun* politics and weapons development are placed first. Chinese leaders, keen on developing a more cooperative relationship with the United States, have started to advise North Korea to stop nuclearization. They seem to prefer a North Korea as a buffer state located against a fully armed South Korea and United States. Japan's position on North Korea's nuclearization is simple. Japan is steadfastly against it. Along with the United States and South Korea, Japan has often taken tough action against North Korea. Japan has pursued both economic sanctions and economic appeasement to influence North Korea. The salience of the abductions in Japanese government thinking has led the Japanese government to stress economic sanctions over economic appeasement. The result of the pressure brought by the six-party talks vis-à-vis North Korea is clear: pressure has not been effective in terms of North Korea's nuclear development. But it has been effective in weakening the North Korean economy and people's livelihood. This does not mean that North Korea would be more conciliatory when the six-party talks is more conciliatory. Abe's most frequently used word is pressure. On May 30, 2014, Japan and North Korea announced that they agreed on two points: (1) North Korea starts to investigate its abduction of Japanese citizens, and (2) Japan starts to lift sanctions that Japan separately and additionally imposed apart from those imposed by the US-led countries vis-à-vis North Korea.

### *Japan's Policy toward South Korea*

President Lee Myung-bak's parliamentary remarks symbolize his politics of globalization and economic interdependence: Although the ROK is territorially small, it has access to the world's greatest square footage. By this he means that if one includes the countries with whom the ROK has concluded bilateral free trade agreements (FTA), the ROK may have the largest economic space for free trade. The 2008 economic crisis, triggered by the Lehman Brothers, interrupted his policy of globalization and economic interdependence. The huge US market shrank for South Korean exports. Yet the exchange rate for

US dollars was more or less favorable to South Korean exports and investments in the United States and in emerging economies. In the latter half of his five-year tenure, Lee's globalization politics resulted in huge income gaps at home. To add salt to the wound, the Bank of Japan dramatically changed its policy from recessionary policy to reflationary policy in March 2013. That resulted in an unfavorable decrease in the exchange rate of Korean won for South Korean exports to the US market and those markets of emerging economies vis-à-vis US dollars in comparison to Japanese yen. South Korean competitiveness vis-à-vis Japan decreased drastically in March 2013. To add further injury, President Lee was dismayed by the Constitutional Court's verdict that the government/he had not acted effectively to defend the ROK position on the Dokdo Islands.<sup>9</sup> He hastily acted, landing on the islands and putting his hands on the stone epitaph, noting that the islands is under ROK sovereignty. Lee's sudden trip triggered extremely negative reactions from Japan, in and outside the government. Along with China, which took strong actions toward its claims over the Senkaku/Diaoyu Islands in 2012 and garnered very negative reactions from Japanese citizens, South Korea followed China in terms of negative images among Japanese citizens. China, South Korea, and North Korea are among the worst three ranked countries among respondents in Japanese polls.<sup>10</sup> As one's image tends to be reciprocated by others, these things are interactive. It is not a matter of who started what and who is to blame.

South Korea-Japan relations are reciprocal in an unusual sense. After Lee's rushed to visit the Dokdo Islands, his successor Park Geun-hye was prompted to act because of history and her father's association with it. Park Geun-hye went further to say that she does not want to meet anyone who is not future-oriented (perhaps Abe was still in her mind). It is in strong contrast to the 1998 joint communique between the two countries, when South Korea put more emphasis on reflecting on the past and Japan put more emphasis on designing the future. The communique represents a compromise between the two countries.<sup>11</sup>

Abe Shinzo is haunted by his own history. His maternal grandfather was prime minister in postwar Japan, but during the war as a lower house member opposed Prime Minister Tojo and thus went through a difficult period during the wartime. His own father was Shintaro Abe, who on the precipice of becoming prime minister fell ill to cancer and prematurely passed away. Abe Shinzo greatly respects his maternal grandfather Kishi.<sup>12</sup> Kishi's rise from a bureaucrat to a

cabinet minister who opposed a prime minister to a suspected war criminal to ultimately the PMO in 1958 and his resignation in 1960 is a remarkable story. Kishi resigned from office when he dared to ratify a revised Japan-US security treaty that enhanced Japan's alliance obligation in the National Diet through normal procedure when the extraparliamentary collective protests gathered en masse outside the Diet. Abe fondly and repeatedly recalls his time with his grandfather in 1958–1960. His memory is that of a grandfather who fought his opponents for the country and sacrificed a cabinet minister's position in 1944 and a prime ministership in 1960.

Park Geun-hye is also haunted by history. During the presidential contest opponents harassed her about her father who served in the Japanese Imperial Army as a junior officer with his Japanese name in the Kwangtung Army in Manchukuo. Park decided not to talk about the past at all. Instead, she wanted to identify and elevate the memory of heroic Koreans who fought against the Japanese in wartime China as exiles. That led to her China visit, after a US visit, and her proposal to Xi Jinping to erect a stone epitaph commemorating the heroics of the Korean army fighting together with Chinese against the Japanese. Although initially open to the suggestion, Xi had second thoughts about the relatively small size of the Korean army in China and about the protection it then received from the Kuomintang, the archenemy of the Chinese communist. As a state guest, Park engaged both China and the United States in her host's language. Any hint of Japanese in her life she expunged, including memory of her father in wartime, immediate postwar, and periods of military dictatorship.

The difference in US response to Abe Shinzo and Park Geun-hye is curious. Abe has not been granted a chance of meeting *tete-à-tete* with Obama in a full sense, whereas Park was treated as a state guest and given the opportunity to speak in Congress and was treated accordingly by Obama. But looking two to three years into the future from 2013, a slightly different picture might emerge. As I started this chapter with a quick summary of the macro global trend of money flying around the globe, it is necessary to forecast the likely economic trends, centering on China, Japan, and the United States. The Japan Economic Research Center (JERC) just published "The World Economic Forecast in 2050."<sup>13</sup> The forecast has a two-fold message: (1) the United States will continue to enjoy economic hegemony in 2050 and (2) China will fall into what is called the middle-income country trap.<sup>14</sup> The United States will increase its population significantly through immigration, with reservations placed on recent

tightening of immigration. The United States will achieve energy self-sufficiency through shale gas and shale oil as well as conventional oil. The US economy will remain free and will open economic and other institutions to push its GNP ahead of others. In contrast, China will retain state enterprises, more or less intact, to keep down total productivity. Institutions will continue to be exceedingly extractive to the extent that income gaps will increase almost indefinitely.<sup>15</sup> “As China completes its catch-up phase, it will be increasingly difficult to achieve growth relying on capital investments. Instead, productivity enhancements through reforms of political and economic institutions will be required.”<sup>16</sup> The forecast resembles the path many prosperous empires and republics have trodden to ultimate decline.

Most immediate are the formidable economic issues that both Park and Abe have to tackle. South Korea has manifested all the malaise of riding high on globalization during Lee’s presidency. In 2013, “the great deceleration”<sup>17</sup> started as Bernanke hinted of a possible scaling down of the massive quantitative easing of money that started with the 2008 Lehman shock. This was a great disappointment to South Korea. Three months earlier in 2013, the Bank of Japan started to implement its own massive quantitative easing of money. The result is that the exchange rate of the Japanese yen has become very competitive to the Korean won for exports abroad. The deceleration is occurring when income gaps among citizens are at a high. Park appealed to small- and medium-business enterprises for support, blaming chaebol-based large business that supported former president Lee Myung-bak. President Park received strong supports from low-income citizens, those living in Kangwondo province (her mother’s home base), Chungchongdo province and Kyungsang bukdo province (her father’s home base), and most visibly seniors. For the first half of her five-year presidential term, she must tailor her policies to those supporters.

Abe Shinzo faces no less a daunting task. He must navigate between the path of reflating the economy and not allowing interest rates to rise dangerously to where they would jeopardize the operation of paying back the interest on government bonds. Abe must steer against the vested interests of those who were not necessarily unhappy about the extended 20-year recession: almost no inflation, high Japanese yen exchange rate, and slow demographic decline. The first step of Abenomics has been provisionally successful, based on the latest indicators of the unemployment rate and annualized quarterly economic growth rate (very high of 4.6 percent). Now Abe must carry out a

large number of important legislative work on deregulation and innovation, especially in such areas as finance, medicine and agriculture, gender equality, social security and pension, and consumption tax. With a comfortable majority secured in the July 2013 upper house election and a large majority secured in the lower house December 2012 election, it is conceivable that Abe would will not face insurmountable difficulties in domestic politics. More unpredictable are global movements of money. Assessing situations is important particularly when the United States continues scaling down the quantitative easing of money in 2014 and when the deflationary spiral of the Japanese economy has been turned into a reflational spiral that targets a two-percent rate of inflation. Just as critical is the timing and size of a consumption tax hike. On October 1, 2013, Abe decided to raise consumption tax to eight percent in April 2014. His decision is based on the Bank of Japan Short-term Assessment issued in September 2013.

No less predictable, at least as viewed in Japan, is the negotiations of the Trans-Pacific Partnership (TPP) that Japan joined in July 2013. To many Asian watchers, the Asia-pivot strategy of President Obama has not made any spectacular difference therefore, it is more important to play up the US-led TPP free trade movement, especially since joining these negotiations. The outcome of the TPP negotiations is significant in relation to the other schemes, the Regional Cooperation of Economic Partnership (RCEP) and the Trans-Atlantic Trade and Investment Partnership (TITP). The RCEP is Japan-led and aims to create standardized bilateral FTAs on the basis of many varied bilateral FTAs in the Asia Pacific. The TITP is another US-led initiative and it aims to enhance transatlantic economic ties. Less frequently mentioned is the proposed trilateral FTA among Japan, China, and South Korea. As these three countries have been intermittently, and even arguably continuously, at odds, the final agreement has a long way to go. In comparison, the RCEP has made notable progress. China was initially reluctant to approve Taiwan and Hong Kong to freely conclude bilateral FTAs with other countries. Eventually, China found it benefited from allowing Hong Kong to pursue such agreements. In the case of Taiwan it was more difficult. China insists on a One-China policy, especially with regard to Taiwan. In 2010, China and Taiwan concluded a comprehensive agreement with each other on trade, investment, and in many other areas. Again, China eventually found it benefited from allowing Taiwan to seek FTAs. The one condition is that the One-China principle is not jeopardized.

Thus, recently, Taiwan concluded two FTAs with New Zealand and Singapore. However, representing Taiwan is not the Republic of China government but an organization that does not collide with the One-China principle. To Japan most interested in deepening and expanding free trade, it is good news. It is also good news in another sense. It appears as if China has relaxed the One-China principle without compromising its spirit.<sup>18</sup>

## Global Money Flows as Framing International Relations

In examining the changing nature of international relations of the Korean Peninsula and Japan since the end of the Cold War, a number of benchmark years are easily identifiable: 1991, 1997, 2008, 2013. In these years, the ebb and flow of global money is most pronounced. In 1991 after the Cold War ended, global money flows into Japan abated. Up to 1997, global money flowed into South Korea, Thailand, Indonesia, and the rest of Asia, but in 1997 all such money flowed back to the United States. In 2008, global money flows to the United States suddenly stopped and were diffused to emerging economies (BRICS, MIST, and the rest). In 2013, global money flows to emerging economies suddenly stopped and flowed back to the United States, leaving emerging economies to sink. Needless to say, domestic economic factors are probably the most important. Yet the nature of swift, massive movements of global money has become very pronounced since the 1985 Plaza Accord, when currency trade volume surpassed goods and services trade by 50 to 100 times for the first time in human history. Three factors are pertinent: (1) institution has changed from the predominance of goods and service trade to the prevalence of currency trade; (2) information technology has advanced to enable money to be transferred swiftly and massively in a revolutionary fashion; (3) global economic activities have become interconnected and interpenetrated irrespective of borders. As far as money flows are concerned, we live in a global borderless economy. Investors and speculators are assessors and actors of the global market. Most significant is that their assessment and action tend to converge on the point of making short-term and long-term gains. Once their assessment and action converge, either a bubble quickly forms or swiftly collapses. Astute in assessment, agile in action, and aggressive in instincts, all world investors and speculators do not want to miss opportunities.

In discussing relations between the Korean Peninsula and Japan, the focus tends to be on a number of domestic factors. Be it history, geography, economic interconnectedness, alliance, territory, sovereignty, norms, rules, language, religion, or national character, global capitalism is driven by how investors and speculators of the world unite. How those domestic factors adapt to global capitalism matters. What looks like the relentless and merciless nature of global capitalism is moderated by how we adapt our norms, rules, and institutions at home and abroad.

In a similar vein, an examination of the Korean Peninsula and Japan tends to focus on intergovernmental relations of the concerned major countries. Be it war or peace, conflict or reconciliation, the states governing the population in a certain territory with sovereign power are the major actors. Their relations attract the attention of most international relations specialists. Take two contrasting examples. Timo Kivimaki<sup>19</sup> presents chronological data on peace and conflict in East Asia since 1945. He says that since 1979, there have been only two incidents when international war-related deaths occurred. One is a Chinese Air Force pilot, killed in his pursuit of US reconnaissance aircraft above the Hainan Islands in 2001. The other is an incident in which North Korea torpedoed and sunk South Korea's Navy warship in 2010, killing 46 seamen. Also, North Korea's bombardment of Yeonpyeong Islands killed two civilians. The first death may be viewed as civil-war related. The last incident may be viewed as war-related as those killed were not soldiers but civilians. It is East Asia's long peace, according to Kivimaki. In contrast, Aaron Friedberg<sup>20</sup> argues that East Asia is ripe for war and that the current competition and cooperation between the United States and China is likely to become a major competition over world hegemony. According to him, the United States must make every effort to keep its world leadership not only through international norms and rules that the United States and others have shaped and reshaped since 1945 but more directly by overwhelming military might and strategic preparedness.

## Notes

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For other books and articles refer to <http://kazuhiko-togo.com>

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