

ASIA TODAY



JAPANESE AND KOREAN POLITICS

Alone and Apart from Each Other

Edited by
Takashi Inoguchi



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 Inoguchi¹ 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 poem²:

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.³

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 Bremmer⁴) 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.”⁵ 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.⁶

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 Laidi⁷ 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 Kivimäki⁸ 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

* © 2014 by The Regents of the University of California. Reprinted from *Asian Survey*, Vol. 54, No. 1, pp. 101–12, by permission of the Regents.

1. Takashi Inoguchi, "Voters Swing, then Voters Swing Away Soon," *Asian Survey* 53:1 (January/February 2013).
2. Yasuko Tabata, *Hosokawa Galasha* (Kyoto: minervashobo, 2010)
3. "Expansionary Monetary Policy Revised," the paper prepared for "Japan-Korea conference: Japan and Korea in vortex compared," Sanjo Conference Hall, University of Tokyo (Hongo Campus) sponsored by the Japan-Korea Cultural Foundation and University of Niigata Prefecture, June 27, 2013. (included in this book as a Ch. 2)
4. *The Mainichi*, August 26, 2013, <http://mainichi.jp/english/english/perspectives/news/20130826p2a00m0na002000c.html> (accessed August 26, 2013).
5. *Chosen Online*, July 2, 2013. http://www.chosunonline.com/svc/auth/index_login.html?contid=2013100800922&code=news.
6. "World University Ranking 2012–2013," *Times Higher Education*, <http://www.timeshighereducation.co.uk/world-university-rankings/2012-13/world-ranking> (December 15, 2012).
7. Zaki Laïdi, *Norms over Force : The Enigma of European Power* (New York: Palgrave Macmillan, 2008).
8. Timo Kivimäki, "East Asian Relative Peace and the ASEAN Way," *International Relations of the Asia Pacific* 11 (2011): pp. 57–58.