

# The New Trend in Japanese Domestic Politics and Its Implications

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## ABSTRACT

Japan has long been the most important ally of the United States in East Asia and it is widely viewed in Washington as a pillar of stability in the Asia-Pacific region. For a long time, the relationship with the U.S., especially attitudes toward the Japan-U.S. Security Treaty, determined the division between ‘right’ and ‘left’ in Japanese politics. However, this division has become meaningless during the last two decades since the Cold War ended, and a new division has emerged in Japanese politics over the attitudes toward domestic economic reforms and state-market relations. On the one hand, ‘conservatives’ (*hoshu-ha*) try to protect the vested interests (*kitoku keneki*) that were created during the dominant rule by the Liberal Democratic Party (LDP). On the other hand, ‘reformists’ (*kaikaku-ha*) try to advance economic reforms that would severely undermine the vested interests created during the long-time LDP dominance. This paper discusses the implications of this new trend in Japanese politics.

March 19, 2015

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Japan has long been the most important ally of the United States in East Asia and it is widely viewed in Washington as a pillar of stability in the Asia-Pacific region. After World War II was over, Japan immediately became a U.S. partner in preserving the postwar international economic and political system. At the same time, Japan's rapid economic development quickly made it a source of vigorous economic competition and an American rival. Up until recently, the U.S. was concerned that Japan's prowess in manufacturing would lead to the deindustrialization of the U.S. In recent years, the U.S. has worried that economic stagnation in Japan could bring the global economy to a grinding halt.

For a long time, Japan's relationship with the United States, especially attitudes toward the Japan-U.S. Security Treaty, determined the division between 'right' (*u-ha*) and 'left' (*sa-ha*) in Japanese politics. The overall trend was that the right, corresponding with 'hawks' (*taka-ha*), appreciated and supported the alliance with the U.S., while the left, corresponding with 'doves' (*hato-ha*), criticized and argued against the treaty-based alliance with the U.S. The attitudes toward security issues trumped those toward economic issues. Thus, even when Japan had severe trade frictions with the U.S. in the 1980s, confrontational American attitudes in the negotiations did not sway the right's support for the bilateral security alliance (Schoppa 1997).

However, this trend has changed. The division between the right and the left has become meaningless during the last two decades since the Cold War was ended, parties in Japan's party politics have become more centrist in recent years (Kabashima and Takenaka 2012), and a new division has emerged in Japanese politics over the attitudes toward domestic economic reforms and state-market relations (Schoppa 2011b). On the one hand, 'conservatives' (*hoshu-ha*) try to protect the vested interests (*kitoku ken'eki*) that were created during the dominant rule by the

Liberal Democratic Party (LDP).<sup>1</sup> On the other hand, ‘reformists’ (*kaikaku-ha*) try to advance economic reforms that would severely undermine the vested interests supporting the LDP-dominant regime.

In this article, I explore the impact of the end of the Cold War on Japanese domestic politics, examining how the conservative-reformist division has emerged in Japanese domestic politics and the implications of the division on debates on Japan’s security, domestic political structure, and economy. It is true that the conservative-reformist division is only one of many aspects of Japanese politics. However, this new division explains many important issues about who gets what at whose cost, how, and why. Japanese politics has swung between hope for new politics and disappointment with old politics. It is an opportune time for some stock-taking. How has the division between the conservatives and the reformists emerged? What do ‘conservatives’ and ‘reformists’ mean? How did the vested interests work to support the LDP-dominated regime until the 1980s? Why does the old system that supported LDP dominance for a long time no longer work? What change has occurred since the old system did not work? How has Japanese politics changed, if at all? Why has it changed, or why not? What broad implications can the examination of the conservative-reformist division bring to the international relations of the Asia-Pacific? Finally, but not least importantly, is Prime Minister Abe Shinzō conservative or reformist?<sup>2</sup>

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<sup>1</sup> As one can easily see from this definition, conservatism in Japanese politics is not related to the conservative ideology in American politics.

<sup>2</sup> For Japanese names, I follow Japanese practice and write the surname first, followed by the given name.

## The Conservatives and the Reformists

‘Destroy the LDP!’ (*Jimin-Tō o bukkowasu!*) When Koizumi Jun’ichirō campaigned for the LDP’s presidential election with this phrase in 2001, many people were taken aback. A candidate for the party’s presidential election said that he would destroy the party over which he would preside. Of course, Koizumi never meant that he would destroy himself. The ‘LDP’ that he targeted was that which protected the vested interests that had provided the basis for the LDP-dominant regime since 1955.

Rosenbluth and Thies (2010, chap. 6) consider the rise of Koizumi to be LDP president and Japan’s prime minister puzzling. They describe the ‘Koizumi puzzle’:

By Japanese politics standards, there has never been a politician at the national level who has drawn attention to himself as ostentatiously as has Koizumi Junichiro. But...he rose to the top and stayed there...As prime minister, he was better loved outside his own party, but he led his party to several consecutive electoral triumphs. (Rosenbluth and Thies 2010, 95–6)

Takenaka Heizō, who served as the top economic advisor for the Koizumi administration, concurs, saying that it was a ‘miracle’ (*kiseki*) that Koizumi became prime minister, given that Japanese politics had been harsh against the reformists that tried to remove the fetters of vested interests (Takenaka 2006, chap. 1). Because of the unique structure of Japanese politics, ‘necessary reforms were postponed due to the decision making by the politicians and bureaucrats that gave the priority to protecting their vested interests and avoiding any risks’ (Takenaka 2006, 13).

During his campaign for the LDP’s presidential election, Koizumi declared, ‘those who oppose my reforms are all “opposition powers” (*teikō seiryoku*)’; and he later said, ‘it is

inevitable to have opposition powers when conducting reforms' (*Foresight* 2001, May 1). In this way, he positioned himself as a leader of the reformists and those who opposed his reforms as the opposition powers, whom I call the conservatives. Moreover, Koizumi located the conservative-reformist division in the context of inter-factional rivalry within the LDP. Thus, Koizumi came from the Seiwakai faction and his 'destroy the LDP' was directed at the Keiseikai faction that had occupied the dominant position in the LDP. Indeed he faced a lot of opposition powers during the campaign. For example, Nonaka Hiromu, a leading Keiseikai lawmaker when the 2001 party presidential election took place, criticized Koizumi: 'Mr. Koizumi is saying that even a negative growth will be fine [for the sake of his reforms]. If so, Japan will sink.' Koizumi argued in response to Nonaka, 'if you are not ready to break off with the vested interests, the LDP will never change' (*Foresight* 2001, April 1).

By the time Koizumi ran for the LDP presidential election in 2001, he had become aware of the rising frustration with politics and the economy under LDP dominance. Responding to the survey by political scientist Kabashima Ikuo (Professor of the University of Tokyo) announced in January 2001, which showed that disapproval against the LDP had doubled compared with a year earlier, Koizumi said:

The reason the public disapproval against the LDP increased so much is probably because they have been 'tired' (*aki*) with the long-term regime...I think that ordinary people's feeling is 'we may occasionally have a regime change (*seiken kōtai*)'...So far the LDP's strategy has been focusing on the support by special interest groups (*tokutei dantai*) and increasing votes by expanding the vested interests...[But] we need to destroy (*uchikowasu*) the image of 'the party protecting the vested interests' (*kitoku ken'eki o mamoru seitō*) to win public

support, especially the support of the non-partisan voters who are now a majority.

(*Foresight* 2001, May 1)

At the same time, along with the end of the Cold War, the traditional right-left, or hawk-dove, division that had defined Japanese politics during the Cold War was already anachronistic. Until the 1980s, ‘Japanese politics revolved around the competition between the dominant LDP and the always-losing but resilient Japan Socialist Party (JSP)’ (Schoppa 2011a, 3). Under the LDP-JSP competition, called the 1955 system, both the LDP and the JSP had an implicit consensus to protect what Schoppa calls ‘convoy capitalism,’ which consists of ‘the practice of life time employment’ and ‘the regulatory system that managed competition in a wide range of sheltered sectors’ (2006, 10). While this ‘old LDP-Socialist consensus in favour of a “convoy” system of social protection has broken down completely’ (Schoppa 2011a, 7), the hawk-dove division on security policy was also outdated due to the end of the Cold War. The collapse of this LDP-JSP division was evident when JSP President Murayama Tomiichi became prime minister of a coalition government of the JSP with the LDP and a small party (New Party Sakigake) in 1994. In his Diet speech on July 18, Murayama declared that his administration would maintain the Japan-U.S. Security Treaty and recognize the constitutionality of the Self-Defense Forces (SDF), although the JSP platform had declared that both the Japan-U.S. Security Treaty and the SDF were unconstitutional and that its goal was abolishing them. With this ‘historical transformation’ of the JSP’s position on the security issue, the hawk-dove division collapsed and became meaningless to define Japanese politics (Shinoda 2013b, 79).<sup>3</sup>

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<sup>3</sup> In an interview with political scientist Shinoda Tomohito, Murayama said: ‘The prime minister is a commander of the SDF, so if the prime minister said that the SDF was unconstitutional, then he could not work as a prime minister, and our coalition would have collapsed. I decided to be practical about the SDF’s constitutionality as I had become a prime minister from the JSP’ (Shinoda 2013b, 78–9).

At that time, the Japanese public was increasingly frustrated due to the economic stagnation starting with the ‘bubble burst’ in the early 1990s. The 1990s was called the ‘lost decade’ and the average annual growth rate was around 1 per cent. In the meantime, the administrations during the 1990s attempted to revive the economy by expanding fiscal expenditure (Takenaka 2006, 15). The Japanese public identified conservative policies to protect the vested interests as a cause of the long-term economic stagnation, giving support for the reforms that would destroy the structure of vested interests. Thus, in discussions about the Japanese economic recovery, reformist arguments emerged. For example, in 1999 the Council on Economic Strategies (*Keizai Senryaku Kaigi*) under Prime Minister Obuchi Keizō proposed that the Japanese economy needed structural reforms such as deregulation and privatization to strengthen the supply side of the economy (Takenaka 2006, 16).<sup>4</sup> However, structural reforms would not be realized until Koizumi became prime minister in 2001 because of strong opposition from the ‘Iron Triangle’ (*Tetsu no Sankakkei*), consisting of industries (*gyōkai*), politicians (*seijika*), and bureaucracy (*kanryō*), whose vested interests the conservatives tried to protect (Takenaka 2006, 17).

### **The Iron Triangle and the LDP-Dominant Regime**

The Iron Triangle is what had formed the foundation of the LDP-dominant regime since 1955 and what the conservatives have tried to protect. In order for Japan to benefit from the global economic interactions, it will be necessary to destroy the vested interests and be

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<sup>4</sup> Although Obuchi, coming from the Keiseikai faction, should be considered a conservative in this article’s framework, and his administration focused primarily on stimulating the economy by increasing fiscal expenditure, the fact that reformist arguments emerged even from a conservative administration suggests how frustrated the Japanese public was with the economic stagnation of the ‘lost decade.’

committed to structural reforms. However, for the conservatives, protecting vested interests is more important than reviving the Japanese economy. By contrast, reformists advocate the structural reforms that would destroy vested interests and bring Japan to economic prosperity, benefiting from the global economic interactions.

The fact that the Japanese economy stagnated despite the increase in fiscal expenditure for public construction projects in the 1990s shows that the policy failed to stimulate economic growth. However, Takenaka (2006, 17) argues that there was a political logic behind this policy outcome:

Construction-related industries are notorious about their strong collusive relationship with the ruling party [i.e., the LDP]. These industries support the ruling party by financial contribution (*seiji kenkin*) and various means of electoral cooperation (*senkyo kyōryoku*), and the ruling party supports the industries by expanding public construction projects (*kōkyō jigyō*). And the bureaucracy maintains its strong influence by coordinating the relationship between the LDP and the industries.

The LDP politicians that have strong connections with particular industries and an influential bureaucracy are called *zoku giin* ('tribe Diet members'). The *zoku giin* are defined as 'veteran representatives with expertise and influence in a policy sector' (Krauss and Pekkanen 2011, 17). However, their 'expertise' is not based on detailed knowledge of particular policies but on their influence over how government money is used for the benefit of particular businesses.<sup>5</sup> For example, the politicians of *kensetsu zoku* ('construction tribe') usually do not have construction

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<sup>5</sup> The personal support organization office of the *kensetsu zoku* Diet member I visited in Miyazaki Prefecture in January 2011 was located in the local construction company's headquarters, suggesting strong collusive ties between the *zoku giin* and local construction industries.

engineering expertise but they are familiar with the political engineering of budget increases for the construction projects that would benefit pro-LDP construction industries (Scheiner 2006).

Krauss and Pekkanen (2011) suggest that the vested interests of the Iron Triangle were supported by three political institutions: *kōenkai* (the ‘personal support organization’), intraparty factions (*habatsu*), and the Policy Affairs Research Council (PARC: *Seimu Chōsakai*). These three institutions gave LDP Diet members a strong incentive to run electoral campaigns producing personal votes and to become experts in distributing public money to particular industries as a *zoku giin*. Rosenbluth and Thies (2010) argue that these three institutions emerged in Japanese politics because of the unique electoral system called the ‘single nontransferable vote’ (SNTV), which existed in the Lower House of the Japanese Diet from 1947 to 1993. The SNTV electoral system consisted of multimember districts, where three to five candidates were elected from each district, and hence the LDP had to have multiple candidates win from a single district to stay in office as a ruling party. As a result, to differentiate themselves from other LDP candidates, each LDP candidate had to produce their own personal votes and their own particular industries for their constituencies.

The *kōenkai* was an institution ‘through which individual Diet candidates constructed or incorporated a network of groups in which their constituents participated’ (Krauss and Pekkanen 2011, 17). Saitō Jun, a leading political scientist and a former Diet member in Japan, observes that the *kōenkai* institution formed a collusive mechanism of the LDP’s long reign by providing a forum of reciprocal patron-clientelistic interactions between the LDP (patron) and the voters (client) (Saitō 2010). It is important to note that the *kōenkai* was not a policy-based organization but a personal network-based one, and hence a voter did not have to agree with the candidate’s policy positions to become a member of the candidate’s *kōenkai*. Thus, these institutions are

‘ideal vehicles to develop a personal vote because they are dedicated to a person, not an ideology, a policy, or a party’ (Krauss and Pekkanen 2011, 31). Interestingly, although many of a LDP Diet member’s *kōenkai* supported the LDP, the *kōenkai* member would not have to be a supporter of the LDP nor have to be a party member of the LDP (Krauss and Pekkanen 2011, 32).<sup>6</sup>

Rosenbluth and Thies (2010, chap. 4) argue that the *kōenkai* institution emerged because of the SNTV electoral system. Because each district has multiple LDP candidates, each individual LDP candidate was unable to rely on the direct organizational support from the party and had to establish their own personal supporting network based on the *kōenkai*. Krauss and Pekkanen (2011, 56) disagree with this argument, pointing out the fact that the *kōenkai* institution had developed even before the LDP was formed by the integration of the Liberal Party and the Democratic Party in 1955 (Krauss and Pekkanen 2011, 56). However, after the LDP had been established, it found the *kōenkai* institution to be very helpful to win multiple seats in each district under the SNTV electoral system. At the same time, the already existing *kōenkai* system discouraged the newly integrated LDP from building a strong local party branch system. As a result, each LDP candidate had no choice other than running personalistic electoral campaigns, using their individual *kōenkai* organizations. In short, the *kōenkai* institution was not born because of the SNTV but survived and expanded its functions because of this unique electoral system.

Another political institution that supported the vested interests of the Iron Triangle was the intraparty factions of the LDP. Factions were considered ‘an indispensable aid to the careers

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<sup>6</sup> As a result, some powerful Diet members were successful in creating their own ‘kingdoms’ (*ōkoku*). For example, in Iwate Prefecture, where Ozawa Ichirō was located, he and most of his supported candidates won the national election every time before the 2012 Lower House election, although he changed his party affiliation several times since 1993 when he left the LDP.

of LDP Diet members' (Krauss and Pekkanen 2011, 18). Just as the *kōenkai* institution was separate from policy preferences or political ideology, it is important to note that 'the major goal of LDP factions and the reason for their existence were unrelated to policy' (Krauss and Pekkanen 2011, 100). Moreover, as the *kōenkai* provided a forum of reciprocal interactions, the factions are based on the exchange relationship for a party leader to obtain 'support from Diet members in the party to gain the party presidency and thus become the prime minister' (Krauss and Pekkanen 2011, 102).

Rosenbluth and Thies (2010, 64–9) suggest that factions emerged as a response to the SNTV electoral system. Under the electoral system where each district generates multiple winners, an LDP candidate would have to compete with another LDP candidate in each district. Thus, 'no faction liked to support more than one candidate within a single electoral district...so each LDP candidate within a given district was backed by a different faction' (Rosenbluth and Thies 2010, 65). Krauss and Pekkanen (2011, chaps. 4) disagree, and argue that factions emerged not because of the electoral system but to win an LDP presidential election. While '[t]he SNTV electoral system naturally makes this intraparty factional competition in the districts possible' (Krauss and Pekkanen 2011, 122), they explain, intraparty factional politics in the LDP developed through the competition for LDP presidential elections. Beginning in 1955 when the LDP was established, factions were indeed realized as convenient vehicles when leaders 'needed a more stable and reliable basis of support if they were to have a chance of becoming prime minister' (Krauss and Pekkanen 2011, 109).

Then, beginning in the 1970s, cabinet posts were distributed proportionally according to factions, and hence factional politics became important for every LDP Diet member (Krauss and Pekkanen 2011, 113). The intraparty factional politics of the LDP gave faction leaders a strong

incentive to increase their own members. If your faction was bigger, then you would receive more votes when you ran for the LDP presidential election. Thus, one of the principles in politics under LDP dominance was ‘the number [of LDP Diet members] means power’ (*kazu wa chikara nari*) (Shinoda 2013b, 47).

Tanaka Kakuei followed this principle most explicitly. While serving as prime minister (1972–1974), Tanaka made strong connections with construction industries and created a large fundraising mechanism through his famous *kōenkai* organization, Etsuzankai. After stepping down from the prime minister position due to the Lockheed financial scandal in 1974, he used the fund to form the largest faction in LDP, the Tanaka Faction (later known as the Keiseikai), which influenced the LDP’s decision of who would become the party president from the mid-1970s until Koizumi became prime minister (Shinoda 2013b, 47–8). In 2001, when Koizumi ran for the LDP presidential election with the slogan of ‘destroy the LDP,’ he criticized LDP’s factional politics as ‘factions without a party’ (*habatsu atte tō nashi*) and declared that he would be ‘free from factional politics’ (*datsu habatsu*), especially from the pressure of the Tanaka Faction (Keiseikai)—then called the Hashimoto Faction (*Foresight* 2001, May 1).

Among the three political institutions that, Krauss and Pekkanen (2011) suggest, supported the vested interests of the Iron Triangle, the PARC arguably contributed most to bringing *zoku giin* to the center of the decision-making processes of the LDP-dominant regime. There was an unwritten rule in the LDP that ‘all proposals for legislative bills had to go through the party first, before going up to the cabinet and then to the Diet for passage’ (Krauss and Pekkanen 2011, 19). It was the norm in the LDP’s decision-making processes that policy proposals were discussed at the PARC first, and then brought to another important intraparty institution, the Executive Council (*Sōmukai*) (Takenaka 2006, 82). It is important to note that the

PARC was not just the chief policymaking body, but that it also ‘performed important socialization, training, and career-structuring functions for both the party and government, [and hence] it was an almost uniquely powerful party organ among the parties of parliamentary democracies in the industrialized countries’ (Krauss and Pekkanen 2011, 158). Thus, like the *kōenkai* institution and the intraparty factions, the PARC helped create reciprocal interactive relationships in the LDP-dominant regime.

And most importantly, LDP Diet members differentiated themselves by specialization in the PARC divisions, which became the basis of the ‘expertise’ of the *zoku giin* (Inoguchi and Iwai 1987). Ramseyer and Rosenbluth (1993) and Rosenbluth and Thies (2010, chap. 4) argue that the PARC emerged and functioned in this way because of the SNTV electoral system. They suggest that after competing against each other in their district, the LDP Diet members from the same district tended to be separated from each other when they were assigned to PARC committees. Krauss and Pekkanen (2011, 159–60) also agree that LDP Diet members’ differentiating themselves follows the divisions of the PARC specialization, although they raise factors other than the electoral system that influenced the rise of the PARC’s importance in the LDP’s decision-making processes.

It was Tanaka who tried to strengthen the functions of the PARC to institutionalize the LDP’s intraparty decision-making processes, aiming to create a system of *zoku giin* cultivating the vested interests that supported the LDP-dominant regime. Krauss and Pekkanen (2011, 167) explain:

Tanaka’s aim...was not to displace either bureaucracy or interest groups but, rather, to link them through these Diet members, thus allowing the party to become the key pivot and using the bureaucracy to cater to interest groups to

accomplish party and political goals. It was Tanaka who deserves much of the credit, or blame, for establishing the *zoku giin* structure—and its consequent ‘structural corruption’—that was to come to characterize the 1980s.

As a result of Tanaka’s institutionalization of the PARC, the relationship of each *zoku giin* with specific bureaucratic agencies in a certain policy area was institutionalized (Krauss and Pekkanen 2011, 169). In other words, beginning in the 1970s, the bureaucratic ministries, the PARC divisions, and the *zoku giin* share the same compartmentalized policy areas. For example, the LDP Diet members of *kensetsu zoku* and *dōro zoku* (‘roads tribe’) colluded with officials of the Ministry of Construction (MOC); *un’yu zoku* (‘transportation tribe’) with the Ministry of Transportation; *yūsei zoku* (‘postal tribe’) with the Ministry of Post (MOP); *nōrin zoku* (‘agriculture and forestry tribe’) with the Ministry of Agriculture, Forestry and Fisheries (MOFF); *bunkyo zoku* (‘education tribe’) with the Ministry of Education; *kōsei zoku* (‘health tribe’) with the Ministry of Health; *sharō zoku* (‘labor tribe’) with the Ministry of Labor; *boei zoku* (‘defense tribe’) with the Ministry of Defense; *shōkō zoku* (‘commerce and industry tribe’) with the Ministry of International Trade and Industry (MITI); and *kin’yu zoku* (‘finance tribe’) with the Ministry of Finance (MOF).<sup>7</sup>

The LDP’s intraparty decision-making process through the PARC weakened the party president’s (hence prime minister’s) policymaking leadership. The norm that every proposal for a legislative bill would go through the *zoku giin*-dominated PARC divisions before reaching the cabinet meant that the prime minister was unable to control the bill until it was modified by the *zoku giin*. As a result, the decision-making process in the LDP was decentralized and was very different from a centralized cabinet government of the British Westminster parliamentary model

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<sup>7</sup> The ministries’ names are the ones used before the 2001 administrative reform.

where the prime minister has full control over the decision-making process in the ruling party.<sup>8</sup> Under the LDP-dominant regime, the prime minister was unable to exercise his leadership but simply responded to collusive vested interests of particular industries, the *zoku giin*, and bureaucracy.

### Changes in Action

More than three decades ago, Chalmers Johnson described the distinctive features of Japan's state-market relationship as a 'developmental state' (Johnson 1982). He argued that the industrial policy (*sangyō seisaku*) by the government, especially by the MITI, was key for Japanese postwar rapid economic growth.<sup>9</sup> He suggested that bureaucracy could play a positive role in the economy if there were a set of overarching goals widely agreed upon by the public. Therefore, from the 1950s to the 1970s, when high-speed economic growth was the easily agreed common goal, bureaucracy played a positive role in Japan's economic development.

Incorporating social response to the developmental state, Schoppa (2006, 2) describes Japan's state-society relationship under LDP dominance as 'convoy capitalism,' characterized by '[the] bank-centered financial system, cartels, and extensive regulations, all carefully managed by the state.' He argues:

[Although this system] has been known mostly for the role it played in facilitating the success of Japanese export industries and the rapid economic growth of the nation as a whole...[it] was also designed to protect vulnerable members of

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<sup>8</sup> Citing Cox (1987) who calls the centralized decision-making system of the British parliamentary system 'efficient secret,' Krauss and Pekkanen (2011, 259) call the decentralized decision-making system of the Japanese parliamentary system under LDP dominance 'inefficient secret.'

<sup>9</sup> The MITI and the MOF are the most powerful economic bureaucrats. For the emergence of bureaucratic supremacy, see Shinoda (2013a, 14–8).

Japanese society, including workers and their families, by keeping firms in business so they could keep their commitments to employees and business partners. (Schoppa 2006, 2)

The state-led capitalist system worked as long as the Japanese economy was at a developmental stage, which kept bureaucracy's role effective in economic development. By the 1980s, however, the system became anachronistic in the globalized world, and the Japanese government started receiving huge pressure from foreign countries (called *gaiatsu*) for opening the domestic market along with Japan's economic growth (Schoppa 1997).

Economic globalization made it difficult for the LDP 'to satisfy [both] exporters and import-competing sectors, a task that looked increasingly like a stunt rider standing astride two horses that have begun moving in different directions' (Rosenbluth and Thies 2010, 89). Moreover, the urbanization of Japanese society made it more difficult for the *kōenkai*-based electoral campaign to work, and hence led to the continuous decline of LDP support until the late 1970s (Kabashima 2004, chap. 4). In the 1990s, after the Cold War was over, support for the LDP continued to decline and the party was ousted from office for the first time in 1993—although it was for less than a year and the LDP still kept a plurality in the Diet. Although the LDP stayed in power until 2009, its significant decline was already evident in the 1990s. Koizumi was aware of the change in voters' preferences, and argued in 2000 that LDP policy should focus on urban areas, saying:

I think that there is still a good chance for the LDP to gain the majority and stay in office. However, to achieve the goal, the LDP should make bold policies appealing to non-traditional supporters (*mutōha-sō*) even if it will hurt our traditional supporters. But we have not been able to be bold...We still believe

that we can win the election with the economic stimulus policy increasing the budget for public construction (*baramaki*), based on the ‘big government’ (*ōkina seifu*) theory. (Sugawara 2009, 11)

It was the urban voters who were dissatisfied with the policymaking nurturing the vested interests of the Iron Triangle (i.e., particular industries, the *zoku giin*, and bureaucracy) that had supported the LDP-dominant regime. As Schoppa (2011b, 29) nicely summarizes,

an expanding segment of the Japanese electorate was growing frustrated by the sums of money going to rural public works, tax policies that allowed small businesses and farmers to avoid paying taxes at the rate salaried workers paid, subsidized rice prices, and the corrupt money ties between interest groups and the long-dominant LDP.<sup>10</sup>

Kabashima’s (2004, chap. 3) survey research shows that during the Lower House election in 1983—which the LDP won—there was a tendency that those who voted for the LDP viewed the Japan-U.S. security alliance as the most important issue in the election while those who viewed political corruption and tax reduction as the most important issues voted for an opposition party or did not vote. In other words, the main reason the LDP was still able to win the elections in the 1980s was that the Cold War continued and the JSP—the main opposition party—denied the constitutionality of the Japan-U.S. Security Treaty and the SDF. Once the Cold War was over,

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<sup>10</sup> One can easily trace the collusion between the *zoku giin* and bureaucracy in these policies. For example, large sums of money went to rural public works because of the collusion between *kensetu zoku* / *dōro zoku* and the MOC, as well as that between *nōrin zoku* and the MOFF; tax policies allowed small businesses and farmers to avoid paying taxes at the rate salaried workers paid because of the collusions between *shōkō zoku* and the MITI, between *nōrin zoku* and the MOFF, and between *kin’yu zoku* and the MOF; rice prices were subsidized because of the collusion between *nōrin zoku* and the MOFF; and the corrupt money tied business interest groups (such as the Federation of Economic Organizations [*Keidanren*]) and the long-dominant LDP because of the collusion between *shōkō zoku* and the MITI.

the hawk-dove division corresponding with the LDP-JSP distinction was replaced with the conservative-reformist division, putting both the LDP and the JSP on the conservative side.

Japanese politics, slowly but significantly, responded to the shift of voters' preferences. While the LDP was ousted from office because of the increasing public frustration with the party's corruption, in 1994 the non-LDP Hosokawa Morihiro administration legislated electoral reform, which introduced to the Lower House the mixed-member majoritarian (MMM) electoral system consisting of single-member districts (SMDs) and the proportional representation (PR) electoral rule, replacing the SNTV electoral system that had been considered the basis of the collusion and corruption of the LDP-dominant regime. In the MMM electoral system, 300 seats were elected by the SMDs and 200 were elected by the PR rule. Rosenbluth and Thies (2010, chaps. 6–7) argue that the 1994 electoral reform drastically changed Japanese politics. The three political institutions that supported the vested interests of the LDP-dominant regime (i.e., *kōnkai*, intraparty factions, and the PARC) were rooted in the SNTV system, and hence the new MMM system was expected to break up the vested interests shared by particular industries, the *zoku giin*, and the bureaucracy.

Shinoda (2013a) argues that the 1994 electoral reform was one of the factors, but not the only factor, bringing changes in Japanese politics. For example, the Hashimoto Ryūtarō administration conducted administrative reform during his term (1996–1998), which strengthened the function of *kantei* (the prime minister's official residence) by establishing the Council on Economic and Fiscal Policy (CEFP: *Keizai Zaisei Shimon Kaigi*) and restructuring the ministries (implemented in 2001). Krauss and Pekkanen also point out the fact that

the new Cabinet Office [*kantei*] was to contain within it advisory councils [such as the CEFP] to the prime minister on economic and fiscal policy, financial

services and administrative reforms, consumer affairs, and population and gender equality issues, with cabinet-level appointees made by the prime minister from both within and outside the government.

Takenaka (2006, 245–6) agrees with the importance of the CEF, emphasizing that it was Koizumi who made the CEF as a ‘commander of the structural reforms’ (*kōzō kaikaku no shireitō*).<sup>11</sup>

### **Leadership Matters: Koizumi’s Politics and Reforms**

In 2001, Koizumi became Japan’s prime minister and promised that he would carry out ‘structural reforms with no sanctuaries’ (*seiiki naki kōzō kaikaku*). Rosenbluth and Thies (2010, 95) describe him a ‘mold-breaker’ as ‘he achieved celebrity status at home and abroad for all the ways that he defied the stereotype of a staid Japanese politician.’ There was good reason to believe that Koizumi’s reforms would fail because of the strong vested interests of the Iron Triangle. However, Koizumi made many reforms—including the most controversial, postal privatization (*yūsei min’eika*)—during his five-year tenure (2001–2006).

Rosenbluth and Thies (2010, chap. 6) argue that Koizumi was able to come into power and exercise his leadership thanks to the new electoral system introduced in 1994. Unlike under the SNTV electoral system, the party president’s leadership matters for winning an election under the MMM system, because each electoral district has only one LDP candidate in the SMDs and a voter must write in a party’s name under the PR rule. On the other hand, Shinoda (2007,

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<sup>11</sup> Considering that Mori Yoshirō—one of the most unappealing prime ministers in history—was the first prime minister after the institutionalization of the CEF and that he made no significant reforms, one can easily see that administrative institutions like the CEF are a necessary, but not sufficient, condition for reform or any policy achievement. One can also see why Koizumi’s successors have been unable to make achievements as impressive as Koizumi even if they have the same set of political institutions for policymaking.

chap. 3; 2013a, chap. 3) argues that the electoral reform is not sufficient to fully explain Koizumi's rise and success, highlighting the importance of Hashimoto's administrative reform that strengthened the function and authority of *kantei*. I concur with Shinoda, arguing that the new electoral system was necessary for Koizumi to exercise his leadership, but Koizumi's leadership was not created by the electoral system.<sup>12</sup> This argument can also explain why Koizumi's successors have failed to exercise the same level of leadership as Koizumi even with the same set of political institutions.

Koizumi was a very popular prime minister and he led the LDP to victory in all national elections during his tenure. His approval rate reached 80 per cent when he was inaugurated as prime minister in April 2001, and more importantly, his approval rate among the DPJ supporters reached 75 per cent (*Foresight* 2001, May 1).<sup>13</sup> Considering that the DPJ increased their seats in the Diet by taking reformist votes in the 1990s, the DPJ constituencies' support for the Koizumi administration would mean that Koizumi's LDP was taking the reformist support regardless from the LDP or the DPJ. And Koizumi knew that his real opponent was the LDP conservatives. Therefore, defining his position as a reformist vis-à-vis the conservatives, he pushed forward his reforms by emphasizing the 'farewell to the LDP politics' (*Jimin-Tō seiji tonō ketsubetsu*), which meant to create distance from *kōenkai*-based campaigning, intraparty factional politics, and *zoku giin*-based, PARC-oriented policymaking (*Foresight* 2001, June 1). In other words, he defined

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<sup>12</sup> Nakasone Yasuhiro was another prime minister who successfully exercised leadership during his tenure. Comparing Nakasone and Koizumi, for example, Machidori Satoshi, a leading political scientist in Japan, argues that Nakasone and Koizumi exercised leadership in different ways corresponding with the different electoral systems they faced (Machidori 2012, 86–93). Moreover, comparing Koizumi's postal privatization with Nakasone's privatization of three public corporations (Japan National Railways, Japan Tobacco and Salt, and Nippon Telegraph and Telephone), Maclachlan (2011a) suggests that Koizumi had more institutional tools to exercise his leadership.

<sup>13</sup> This number is particularly remarkable, considering that his predecessor's (i.e., Mori) approval rate was 7 per cent (Takenaka 2006, 31).

his position as a reformist to destroy the Iron Triangle–based vested interests and the opponents of his reforms as conservatives protecting the vested interests.

In his first Diet speech on May 7, 2001, Koizumi confirmed his reformist position by declaring ‘no reform, no growth’ (*kaikaku naku shite seichō nashi*), showing that his administration would make a clean break with fiscal expenditure increases for public construction projects (Takenaka 2006, 28). To make sure to break with the Iron Triangle of particular industries, the *zoku giin*, and bureaucracy, Koizumi—unlike his predecessors—did not allow officials of each ministry or the LDP’s intraparty institution to influence or intervene in his speech writing. Moreover, to propose an important legislative bill to the LDP, he often skipped the discussion at the PARC and the approval by the Executive Council. For example, when proposing a bill for financial reform measures against the bad debt problem in October 2001, he asked Takenaka, then Minister of State for Economic and Fiscal Policy (also Chair of the CEFPP), to explain the ‘Takenaka Plan’ in the LDP board meeting, instead of bringing the proposal to the PARC (Takenaka 2006, 80–83).

Koizumi did not ignore the bureaucracy but used it for legislating and implementing his reforms. Takenaka (2006, 57) recalls:

It was obvious that you cannot advance reforms without cooperation of bureaucracy. Thus, it was absolutely inevitable for the director (*chōkan*) [top of the bureaucratic agency] to be at my [minister (*daijin*)] side, for all the instructions to go systematically through the director, and for the administrative secretary (*jimu hishokan*).<sup>14</sup>

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<sup>14</sup> Takenaka (2006, 57) acknowledges the cooperation of Takagi Shōkichi (Director of the Financial Services Agency) and Inoue Hiroyuki (Administrative Secretary).

Shinoda (2013a, 227–9) argues that Koizumi was, to date, the only prime minister to exercise strong leadership and yet receive effective bureaucratic support.<sup>15</sup> In the meantime, ‘the post-Koizumi LDP leaders failed to take advantage of the new institutional arrangements and the situation reverted to that of the pre-Koizumi era’ (Shinoda 2013a, 228).

Koizumi positioned postal privatization as the ‘main pillar of the reform’ (*kaikaku no honmaru*). The Japanese postal system (*yūsei*) was not just an institution delivering mail but providing financial services and social welfare services (Maclachlan 2011b, introduction). In particular, the postal savings were invested by the government through the Fiscal Investment and Loan Program (FILP: *Zaisei Tōyūshi*).<sup>16</sup> Because the distribution of the FILP fund was a politically sensitive issue, the Japanese postal system became highly politicized.

The FILP created the vested interests of the Iron Triangle among commissioned postmasters (*tokutei yūbinkyokuchō*: industries), politicians of *yūsei zoku* (*zoku giin*), and the MOP (bureaucracy). The Japanese commissioned office system is unique in the sense that local commissioned postmasters and their spouses and retired colleagues constituted one of the country’s best organized, secretive, and influential interest groups...[and] participated in the electoral machine of the Liberal Democratic Party (LDP) by systematically gathering the vote behind individual politicians and recruiting new members for both the party and individual candidate support organizations (*kōenkai*)...Meanwhile, the postmasters cooperated with their LDP

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<sup>15</sup> Among the prime ministers from the Democratic Party of Japan, Shinoda (2013a, 228) categorizes Hatoyama Yukio as weak leadership without effective bureaucratic support, Kan Naoto as strong leadership without effective bureaucratic support, and Noda Yoshihiko as weak leadership with effective bureaucratic support.

<sup>16</sup> Thus, one can easily see that the vested interests rooted in the postal system were related to not only those of *yūsei zoku* and the MOP but also those of *kensetsu zoku*, *dōro zoku*, *nōrin zoku*, the MOC, and the MOFF.

allies to defeat or weaken reformers' efforts to adapt state-run postal institutions to a changing economy. (Maclachlan 2011b, 3)

Thus, the commissioned postmasters had a strong collusive relationship with the LDP, as their support for the LDP candidates through the *kōenkai* institution functioned as an effective vote gathering machine for the LDP to win elections, the FILP provided the funds to cover public construction projects, and the MOP officials maintained their influence by coordinating the relationship between the LDP and the commissioned postmasters. Therefore, it is no wonder that Koizumi targeted postal privatization as the main policy of his reform to 'destroy the LDP.'<sup>17</sup>

### **Electoral Outcomes and the Conservative-Reformist Division**

Koizumi called a snap election in the Lower House, calling it the 'postal election' (*yūsei sōsenkyō*), when the postal privatization bill was rejected in the Upper House, saying:

I will immediately dissolve the Lower House. We will break off with the old powers that obstruct the reform. We will destroy the old LDP and win the election by the new LDP. Then those opposed to the bill in the Upper House will be aware of their mistakes. (*Foresight* 2005, September 1)

One can easily see that Koizumi clearly categorized those who had opposed the postal privatization bill—calling them 'postal rebels' (*yūsei zōhangumi*)—as the conservatives, while those who had supported it as the reformists. Koizumi purged those who voted against the bill from the LDP, and ordered the party secretary (*kanjichō*) to assign new LDP candidates—calling them 'assassins' (*shikaku*)—in all the districts where the postal rebels were running for election.

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<sup>17</sup> Moreover, because many of the *yūsei zoku* LDP Diet members belonged to the Keiseikai (Tanaka Faction), targeting postal privatization as the main pillar of his reform is consistent with his directing his 'destroy the LDP' at the Keiseikai.

Koizumi took advantage of the new electoral system where each district had only one LDP candidate.<sup>18</sup>

In the late 1990s, when the then-largest opposition party, the Democratic Party of Japan (DPJ), was established, its party platform argued for the importance of structural reforms (similar to Koizumi's reforms). However, during the Koizumi administration the DPJ shifted its position to that of the conservatives' by opposing Koizumi's reforms, including postal privatization. The DPJ's decision to take the conservative position made Koizumi's strategy easier, because he was afraid of the scenario where he would have to face opposition from two sides: the LDP conservatives and the DPJ reformists (Takenaka 2006, 200–2). In the 2005 Lower House election, DPJ President Okada Katsuya proposed the least appealing slogan one can think of: 'don't give up Japan' (*Nippon o akiramenai*), suggesting that the DPJ would not give up the vested interests (Tase 2005, September 1).

The LDP won a landslide victory in the 2005 postal election, and overall Koizumi's reforms and politics were extremely popular during his tenure. When Koizumi stepped down in 2006, many believed that Japanese politics had changed sufficiently for the trend and momentum of Koizumi's reforms to continue (Estevez-Abe 2006). Under the new electoral system where the leadership of the ruling party's president mattered, the LDP had changed electoral strategies to acquire votes in urban areas, responding to the new electoral rules implemented in 1994 (Reed

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<sup>18</sup> Under this electoral system, the LDP party secretary is powerful because of the authority to decide who will run for which district, and it is important for the party secretary to follow the prime minister in order for the prime minister to exercise leadership (Takenaka 2006, 172–3). When Takebe Tsutomu became the party secretary on September 27, 2004, he said that he would be a 'great yes man' (*idainaru iesu man*). Many people laughed because the party secretary, who should have great authority, said he would simply be a 'yes man'. However, what Takebe said was a relevant remark because Koizumi could not have exercised leadership unless the party secretary was a yes man. In the meantime, I laughed at Takebe's remark because he called himself 'great.'

2011). Moreover, with the new administrative institutions—such as the CEFPP—to strengthen the prime minister’s leadership in the decision-making processes, Koizumi’s successor, Abe Shinzō, seemed resolved to continue the reforms that Koizumi had started.

However, interestingly, Koizumi’s successors overturned most of the reform policies and tried to go back to the ‘old politics,’ taking care of the vested interests of the old LDP-dominant regime. Abe and his successor, Fukuda Yasuo (succeeding Abe in 2007), both failed to carry out reform policies, and the momentum for structural reforms waned (Shinoda 2013a, 108–17; 2013b, 121–8). Abe allowed the postal rebels back in the LDP, sending a strong signal of de-commitment from structural reforms (*Foresight* 2007, January 1). This decision was so unpopular that it caused the LDP to lose the plurality in the Upper House in the 2007 election, and after that Fukuda was unable to pass any bill in the Diet (Sugawara 2009, 72–3). Fukuda’s successor, Asō Tarō, became prime minister in 2008 while promising to protect the vested interests of the LDP conservatives that had been ‘destroyed’ by Koizumi, and during his tenure (2008–2009) the momentum for structural reforms was completely lost (Takenaka 2013, 17–8).

In 2009, the LDP lost the Lower House election and the DPJ came into office, electing Hatoyama Yukio to be the new prime minister. The DPJ ran for election promising to protect the traditional vested interests formed during LDP rule. Interestingly, the DPJ party secretary that ran the campaign strategy in the election was Ozawa Ichirō, who used to be one of the leaders of the Tanaka Faction when he was in the LDP. Ozawa followed the traditional campaign strategy of the LDP-dominant regime using the *kōenkai* institution. Thus, the 2009 election was between the conservative LDP and the conservative DPJ. Facing this constrained choice, the reformist voters selected the DPJ, expecting they might be changed to reformist once coming into office because the DPJ used to be a reformist party. However, Hatoyama and his successors (Kan

Naoto and Noda Yoshihiko) never intended to regain the momentum for the Koizumi reforms. Thus, when Noda called a general election in 2012, there was good reason to believe that structural reforms were dead in Japan.

### **Abenomics, the Trans-Pacific Partnership, and Beyond**

Abe was back: the LDP won a landslide victory in the Lower House election in 2012 and Abe became prime minister again. In the election, Abe promised to resume structural reforms although he did not promise to resume the Koizumi reform. However, he ran the electoral campaign promising to protect the LDP's traditional vested interests—including agriculture, the postal system, and so on—although apparently being committed to structural reforms. His ambivalent attitude toward structural reforms is shown in the LDP's slogan for the election, 'take back Japan' (*Nippon o torimodosu*), suggesting that the LDP would take back the vested interests (Isoyama 2012, November 29).<sup>19</sup> Abe never clearly defined what this slogan would mean, but promised to resume structural reforms to regain Japan's economic growth although he did not promise to resume the Koizumi reforms. Moreover, he ran the 2012 election promising to protect the LDP's traditional vested interests—including agriculture, the postal system, and so on—while being committed to structural reforms.

Thus, just as in the previous election in 2009, the voters again faced the choice between the conservative DPJ and the conservative LDP. The voters did not forget that Abe failed to advance the Koizumi reform in his first tenure (2007–2008) even though he had started his

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<sup>19</sup> This concern culminated in January 2013 when Abe raised the concept of 'rice paddy state capitalism' (*inaho no kuni no shihonshugi*) to argue that the Japanese economy is different from another country's market economy (Isoyama 2013, May 30). However, Abe dropped this concept later. For example, he did not use this concept in his speech in London in June, although apparently conservative cabinet members, such as Asō and Amari Akira, wanted him to do so (Isoyama 2013, June 27).

tenure with a very high approval rating thanks to Koizumi's popularity. However, poor governance by the DPJ for three years made the voters feel that any administration other than a DPJ one would be better (*Foresight* 2012, December 7). Moreover, Abe's economic advisors included some of the reformists working for the Koizumi administration, such as Takenaka (Takenaka 2013, 62–79), and hence the reformist voters preferred the LDP to the DPJ. The reformists thought that it would be Abe, not a DPJ prime minister, who might be more likely to be committed to structural reforms such as deregulation, because the DPJ administrations had argued that Koizumi was committed to excessive deregulation (Takenaka 2013, 48).

His reform plan was called Abenomics, and his new monetary policy stopped the deflation that had lasted since 2008 (Takenaka 2013, chap. 1). However, monetary policy was merely the first 'arrow' of the 'three arrows' (*san-bon no ya*) of Abenomics. The second arrow was the expansion of fiscal stimulus to support the economy in the short term, and the third arrow was a growth strategy to promote investment, enhance the mobility of the labor market, create new markets, and advance global economic integration, as well as conclude free trade agreements such as the Trans-Pacific Partnership (TPP) (Takenaka 2013, chaps. 1–2). The key was how fast Abenomics could move from the first two arrows to the third arrow (Takenaka 2013, 211–3). Easing monetary policy was necessary to stop deflation, and the fiscal expansion policy would not create losers in the short run. However, the growth strategy policies, such as deregulation and the TPP, would immediately create winners and losers.<sup>20</sup>

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<sup>20</sup> While Abe's goal was reducing the public construction budget and social welfare expenditure, it was Asō who advocated for expanding fiscal stimulus to increase expenditure for public construction, which a Japanese journalist, Isoyama Tomoyuki, calls 'Asonomics' (Isoyama 2013, January 31). Asō became vice prime minister and financial minister in the Abe administration. When he was prime minister, he tried to overturn the Koizumi reforms as much as possible.

Japan announced its participation in the negotiation of the TPP in March 2013, and now the TPP includes 12 negotiating countries (Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam). Interestingly, public opinion polls in Japan have consistently supported the TPP (Kuno 2012). The Japanese economy is integrated into the production chains with other East Asian countries, and hence Japanese producers—both large corporations and medium-to-small corporations—believe in the positive effects of the advancement of such international production networks (Kimura 2013). As a result, when a Japanese manufacturing company opens a new affiliate in East Asia, that company's employment in Japan tends to *increase*, because a certain stage of new production in a foreign affiliate also *creates* another stage of new production in Japan (Ando and Kimura 2013). Thus, a new international division of labor has been created in the Asia-Pacific, providing the basis of public support for establishing a novel international economic order, like the TPP. In other words, international production networks play an important role in solidifying the basis of reformist public support for the TPP and the third arrow of Abenomics in Japanese politics.

Of course, Abe has to listen to the conservative voice, too. The Abe administration named five products (rice, wheat, meat, dairy products, and sugar) as the 'sanctuary' (*seiiki*), and positioned them as pillars of Japanese protection against pressures to open the market. All of these are agricultural products, and hence the TPP negotiation seemed to be over opening the Japanese agricultural market. However, Japanese agriculture is already in crisis whether Japan participates in the TPP or not, because of the aging farm population. As Yamashita Kazuhito, an agricultural specialist in Japan, notes: Japanese agricultural production decreased from 11.7 trillion yen in 1984 (the highest ever) to 8.2 trillion yen in 2011; 60 per cent of farmers were

older than 65 years of age in 2010 (increased from 10 per cent in 1960); and 400,000 hectares of farmlands were abandoned by 2010 (Yamashita 2014, December 8). Thus, to protect agriculture, the best strategy is not trade barriers but direct subsidies to farmers, so that agriculture is not an obstacle for Japan to take the initiative for trade liberalization in the TPP negotiations.

The biggest opponent to the TPP is the Japan Agricultural Cooperatives (JA: *Nōkyō*) (Honma 2013; Yamashita 2012). The JA is notorious for its strong collusive relationship with the LDP. Similar to commissioned postmasters, it has functioned as an electoral machine of the LDP by systematically gathering the vote behind individual politicians and recruiting new members for both the party and *kōenkai* organizations, while cooperating with the *zoku giin* (i.e., *nōrin zoku*) to defeat or weaken reformist efforts to adapt agriculture to the new situations of urbanization and globalization. And the bureaucracy (i.e., MOFF) has maintained its strong influence by coordinating the relationship between the *zoku giin* and the JA.

The high trade barriers for agricultural products have not protected agriculture but benefited the JA (Yamashita 2012). The JA collects service charges when farmers sell agricultural products through the JA, and hence benefits from their high prices. If trade barriers are replaced with direct income subsidies to farmers, then the prices of agricultural products will drop while the farmers will not suffer losses because of the income subsidies compensation, but the JA will lose service charge revenue. Moreover, the JA is working for the ‘part-time farmers’ (*kengyō nōka*) earning more from their non-agricultural jobs than from agriculture. Part-time farmers are strong in number, but not effective enough to reconstruct agriculture to be competitive in the global market (Yamashita 2015, January 11). However, the part-time farmers’ strength in number gives the LDP conservative politicians strong incentives to listen to their voice for their votes. Therefore, Abe’s commitment to JA reform is a test of whether he is

committed to the reformist position (Yamashita 2015, January 16), and this reform will be the key to whether the TPP negotiation will be successful.

Since the cabinet's Regulatory Reform Council (*Kisei Kaikaku Kaigi*) announced the 'JA Reform Agenda' (*Nōkyō Kaikaku An*), the Abe administration has apparently been committed to the JA reform. Compared with the postal privatization during the Koizumi administration, the current JA reform has moved forward with less opposition from the *zoku giin* and the bureaucracy. Both the postal privatization and the JA reform challenge the vested interests of the Iron Triangle, and the latter has even greater direct impact on the results of elections. It seems much easier to reach agreements on the JA reforms with the JA conceding to Abe's reform, which aims to accelerate Japan's integration into the U.S.-led TPP.

Yamashita (2015, February 19) argues that the JA reform has moved forward relatively smoothly because now there is a crack in the 'agricultural politics Iron Triangle' (*nōsei toraianguru*). Because of urbanization, the Diet members from rural electoral districts have decreased and hence the *nōrin zoku* Diet members have also decreased. The decline of agriculture would reduce the political power of the MOFF. Thus, the only actor among the agricultural politics Iron Triangle is the JA.

Whether Abe's JA reform, which has been successful so far, represents his commitment to the reformist position remains to be seen. Thanks to the political and administrative reforms in the 1990s, a Japanese prime minister has institutional conditions to successfully implement his or her policy to be a 'strong prime minister' (*tsuyoi shuhō*) (Machidori 2012). Unlike Nakasone Yasuhiro, who had to implement the privatization of public corporations without institutional tools to exercise his leadership in the 1980s, Koizumi implemented the postal privatization using favorable institutional conditions to exercise his strong leadership. If Abe could succeed in the

JA reform, it might mean that there will no longer be division in Japanese politics in post-Abe administrations. In that sense, Abe's test is if he can focus on reformist policies by overcoming the conservative backlash, and whether Japan's reformist policies move forward or die depends on Abe's choice.

### **Security Implications of the TPP**

Although China is not currently participating in the TPP negotiation, the conclusion of the TPP may have a significant impact on China's international relations. Currently one of the major concerns regarding the Chinese economy is the rise of state capitalism, referred to as 'the state advance and the private retreat' (*guo jin min tui*), as a result of the regime's cooptation strategy encouraging former officials and former state-owned enterprise managers to become nominal private entrepreneurs (Chen and Dickson 2010; Dickson 2003, 2008; Huang 2008). The rise of state capitalists in the Chinese market economy has discouraged the Chinese leadership from being committed to the rule of law in its market economy. In this sense, concluding the TPP negotiation as soon as possible and imposing the agreed rules on China as a condition to join the TPP will help China shift from state capitalism to the rule-based market economy, or at least it will help the world to determine how seriously the Chinese leadership is committed to the real market-oriented reform vis-à-vis protecting vested interests based on the state-owned enterprise system.

Interestingly, the conclusion of the TPP negotiation may also have a positive impact on security and stability in the Asia-Pacific. The signed TPP will empower those who believe that China should prioritize the advancement of real market-oriented reform over the protection of vested interests in the Chinese leadership. In other words, the TPP will empower the reformists

against the conservatives in Chinese domestic politics. The reformists tend to take an internationalist stance, appreciating the cooperative and peaceful environment that would support China's international trade and economic development; meanwhile, the conservatives tend to take a nationalist stance, taking the TPP as threat against the vested interests they try to protect. Thus, rapid conclusion of the TPP will empower the internationalist stance in China's foreign policy making process by empowering the reformist position in its domestic politics.

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