DOCUMENT RESUME

ED 292 702 SO 018 615

AUTHOR Krauss, Ellis S.
TITLE Selecting Japan's New Prime Minister. Prepared as Background for the Liberal Democratic Party Presidential Elections.
INSTITUTION ASIA Society, New York, N.Y.
PUB DATE Oct 87
NOTE 39p.; Written for the Asia Society Media Relations Program.
PUB TYPE Reports - Descriptive (141)

EDRS PRICE MF01/PC02 Plus Postage.
DESCRIPTORS Asian History; Asian Studies; Elections; Foreign Countries; Government Role; *International Relations; Political Influences; Political Issues; Political Power; Politics; Social Studies; Social Systems; Voting; World Affairs
IDENTIFIERS *Japan

ABSTRACT

Divided into four major parts, this document explains the significance of the Liberal Democratic Party (LDP) in Japan. Part 1 indicates that the LDP has governed Japan since 1955 and controls 445 seats in the 764 seat parliament. The selection of the prime minister, chosen from within the ruling party, is seen as vital to U.S. interests. For example U.S.-Japanese trade totaled 109 billion dollars in 1986. The last prime minister, Yasuhiro Nakasone, presided over major changes in both politics and Japanese society. The primary concern for the United States is whether the new prime minister can reduce the current tension in U.S.--Japanese relations. Part 2 of the report describes the selection process for the prime ministers by the party members. Part 3 provides profiles of the four candidates and describes the legacy of Nakasone. Part 4 outlines the key issues and implications of the election for the United States. The new prime minister will face several key tasks that include restructuring the economy, stabilizing the yen, and maintaining a base of support. Party support comes from farmers and rural residents, and the electoral process is candidate centered rather than party centered. LDP is the most conservative party but is perceived as flexible and responsive to public pressure. Party power is limited, and the bureaucracy plays a greater role in drafting legislation than in the United States. Appended are an economic fact sheet, a genealogy chart of LPD's five major factions from 1965-87, and a list of Japan's prime ministers from 1946-1987. (NL)

THE ASIA SOCIETY

MEDIA BRIEFING

SELECTING JAPAN'S NEW PRIME MINISTER

Prepared as Background for the
Liberal Democratic Party Presidential Elections

October 1987

by
Ellis S. Krauss

Produced and Distributed by the
Media Relations Program of The Asia Society

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*Ellis S. Krauss is Professor of Political Science at the University of Pittsburgh and has been a visiting researcher at Tokyo, Kyoto, Keio, and Sophia universities in Japan. He has published four books, including Conflict in Japan (Honolulu: University of Hawaii Press, 1984; co-edited with Thomas Rohlen and Patricia Steinhoff) and the forthcoming Democracy in Japan (Pittsburgh: University of Pittsburgh Press; co-edited with Takeshi Ishida). His current research projects focus on television news and politics in postwar Japan, political elites and policymaking, and local industrial policy in Japan and Sweden.

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CONTENTS

I. THE SIGNIFICANCE OF THE LDP ELECTIONS

Prime Minister Yasuhiro Nakasone, who formed his first cabinet on November 27, 1982, plans to retire on October 30 both as prime minister of Japan and as president of the Liberal Democratic Party (LDP), the conservative party that has governed Japan for the past 32 years. Because the LDP has some 445 seats in Japan's two-house, 764-seat parliament (the Diet), the person selected as LDP party president for the next two-year term will be elected prime minister by majority vote in the Diet.

The LDP will inaugurate its new president in a convention scheduled for October 31. Selection of the LDP leader, and thus the prime minister, is almost exclusively determined by power politics of the party's personal leadership factions. The LDP, although with millions of "members" technically on the books, is controlled and led by its parliamentary representatives. LDP Diet members belong to factions, whose main purpose is to get their leader elected party president.

In this election, three major LDP faction leaders--LDP Executive Council Chairman Shintaro Abe, Finance Minister Kiichi Miyazawa, and LDP Secretary General Noboru Takeshita--and possibly former LDP Vice President Susumu Nikaido are vying to succeed Nakasone. Takeshita, leader of the largest faction, is the current favorite. Abe and Miyazawa bring to the race greater foreign policy expertise, but their ability to win will depend more on political maneuvering and deals with other faction leaders than on any specific qualification for office. With his small faction of under twenty members, Nikaido has little

chance of winning, but if he can muster the necessary 50 supporters among the Diet's LDP members, he can force a nationwide party primary on October 28 that will weed out the weakest candidate before the convention. If that happens, LDP Diet members are to meet on October 30 to select a party president among the remaining three contenders. If Nikaido fails, there would be only three candidates, and the race would be decided only by Diet members at the convention or perhaps by a deal among the three leading candidates prior to the convention.

The outcome of this election is crucial both for Japan and the United States. Short of a nuclear war, no other country is as important to the United States and has as much impact on the daily lives of Americans as Japan. Yet the new prime minister will assume his post at a time of tremendous strain in the U.S.-Japan relationship, largely due to economic issues.

Japan's economic significance to the United States has increased phenomenally in the last few years. U.S.-Japan trade totaled $109 billion in 1986. In 1986 the net flow of Japanese capital abroad reached $113 billion, a 66 percent increase over 1985. Japan's direct foreign investment in 1986 totaled $22.3 billion, of which $10.2 billion went to the United States. One-third of Japan's total direct foreign investment is in the United States.

Much of this capital comes from Japan's success as an exporting nation. Japan's overall world trade surplus in fiscal year 1986 (ending March 31, 1987) was an astounding $101.4 billion. Nearly $60 billion of this surplus is attributable to U.S.-Japan trade. Meanwhile, the U.S. trade

deficit has reached staggering proportions--$39.5 billion in the second quarter of 1987 alone. Since 1980, the U.S. trade deficit with Japan has more than doubled; it was $34.8 billion in the first seven months of 1987. Reflecting these trends, the United States has become the world's largest debtor nation, with a net foreign debt of about $250 billion in spring 1987, and Japan the world's largest creditor nation, with net foreign assets of about the same value.

Japan's next prime minister will also find his task difficult because he will take over from the most popular postwar leader of Japan, among both Japanese and Americans. Using innovative tactics, Nakasone presided over major changes in Japanese politics and society: expanding Japan's defense capability, privatizing more of the economy, and opening Japanese markets to more foreign goods and services. But many of these changes are far from complete; also, both the changes Nakasone initiated and the style in which he made them were not without resistance from important elements in Japanese society. His successor must deal with the expectations that he live up to Nakasone's style and complete his accomplishments and yet must also deal with the consequences of his predecessor's changes.

This briefing focuses on the key issue of the leadership race: whether the new prime minister will successfully manage the strains in U.S.-Japan relations and within Japanese society. Part II describes how prime ministers are selected in the Japanese political system. Part III outlines the prospects of the four LDP presidential candidates and traces the legacy of Nakasone. Part IV presents the key issues facing the new prime minister and their implications for the United States.

II. THE MAKING OF JAPAN'S PRIME MINISTER

Parliament and the Prime Minister

Japan, like all other advanced industrial democracies except the United States, has a parliamentary system. The Diet has two houses: the House of Councillors (252 members) and the House of Representatives (512 members). The House of Representatives has become the more important of the two chambers: in case of disagreement between the two houses, the House of Representatives's decision takes priority with respect to the passage of budgets, treaties, and the election of the prime minister. Prime ministers and the cabinet almost always are chosen from among members of the House of Representatives.

The prime minister is elected by the Diet and is directly accountable to it. In effect, the prime minister and his cabinet function as the "executive committee" of the parliament. Thus, the Diet can force the prime minister to resign or to call new elections (through a "vote of no confidence"). The prime minister, however, does have some independent powers. For example, he can choose his own cabinet members without having them approved by the Diet. He also can ask the Emperor at any time to dissolve the House of Representatives and call new elections (but according to the Constitution, an election must be held within four years of the previous one). Thus the political party that can gain a majority of seats in the Diet gets to control the parliament, choose the prime minister, and determine when elections are held.

In Japan, one party has held unbroken power for 32 years, a record among the industrialized democracies. Since its formation in 1955, the

Liberal Democratic Party has held a majority of seats in the Diet and thus has selected the prime minister from its ranks. On votes for prime minister, as on all other parliamentary votes, party discipline is enforced--once the LDP decides on a policy, its Diet members must vote for it.

The Support Base and Policies of the LDP

Much of the LDP's traditional support comes from farmers and rural residents, whose votes count more than those of urban voters due to serious malapportionment of seats. Since World War II, however, Japan's rural population has been halved, from two-thirds to one-third of the total population. Between 1961 and 1983, the number of farmers decreased by half (to about 6.5 million). Most of those left in farming are only part-time farmers. This urbanization and other factors (such as a reaction against environmental pollution in the major cities) gradually diminished the party's support base.

Between 1976 and 1980 the combined seats of the opposition parties nearly equaled that of the LDP, and many predicted it was only a matter of time before the LDP sunk below a majority of seats. Shifting its policies to take urban voters' demands into greater account, the party rebounded with a large election victory in 1980, then slipped somewhat again in 1983. The landslide victory in July 1986, which gave the LDP 440 seats--its greatest majority since the 1960s--seemed to confirm a recent trend: greater numbers of urban, middle-class salaried employees and their families who supported the opposition parties in the 1970s are now casting their vote for LDP candidates.

It should be kept in mind that the landslide parliamentary victories of 1986 were accomplished with less than 50 percent of the popular vote. The difference between the number of seats the LDP won and the number of votes it received is caused in part by malapportionment and in part by the nature of the parliamentary election process. In elections for the House of Representatives, for example, although the voter has only one vote, several candidates are elected from each district (usually three to five but ocassionally one to six are elected, depending on the district's population). The LDP may run more than one candidate for the various seats. This system results in candidate-centered rather than party-centered campaigns and in the absence of an exact relationship between the number of votes cast for party candidates and the number of seats won by the party.

The LDP is the most conservative of Japan's major political parties, but its members' political views range from what in the United States would be right-wing Republicans to moderate liberal Democrats. Other than strong support for a capitalist private-enterprise economy and commitment to the U.S.-Japan alliance, LDP policies have been very flexible and responsive to public pressure--one of the reasons the party has stayed in power so long. For example, in the 1970s when it was severely challenged by the opposition parties, the LDP expanded the welfare system, instituted the most stringent anti-pollution laws in the world, and by the end of the decade ran huge yearly budget deficits. In the 1980s, this same party has cut back government spending, expanded defense capability, and privatized public corporations.

Limitations on the Prime Minister's Power

As leader of a party with a perennial majority of seats in the Diet, Japan's prime minister appears to have a degree of power that would make Ronald Reagan or Margaret Thatcher green with envy. Perhaps this explains why some American officials and politicians cannot understand why a prime minister may not be able to deliver on his promises to accommodate American demands. Yet the prime minister's power is much more limited than it may appear. First, he is limited by his party's diverse support base, making it difficult for the party to reach a consensus. Imagine, if you will, a party which encompasses political views that range from Jesse Helms to Ted Kennedy and which encompasses such interests as big business and small firms, manufacturing and agriculture, rural and metropolitan areas, welfare groups and financial institutions, and exporting companies that want to prevent U.S. protectionism and companies that benefit from a closed domestic market.

Second, the party and its supporting interest groups are not the only powerful actors in policymaking. The elite national bureaucracy has great prestige and plays a major role in initiating as well as executing policy, as is the case in France. The most important parts of the bureaucracy in Japan are the two economic agencies--the Ministry of Finance and the Ministry of International Trade and Industry (MITI). The former presides over the all-important budget process while the latter supervises and implements industrial and trade policy.

In comparison with the American system, the bureaucracy plays a much greater role in drafting legislation. Most bills are formulated in the bureaucracy before they are sent to the LDP for review, revision, and

approval; only then do they come before the Diet. This bureaucracy is by no means cohesive, with ministries frequently engaged in "turf wars" over policy jurisdiction. For example, MITI, with the computer industry considered its turf, and the Ministry of Posts, with communications in its purview, have recently engaged in tremendous struggles over which will control the networks that link computer data. The bureaucracy's powerful but fragmented role means that prime ministers either find it difficult to impose their policy if major ministries oppose it or must somehow seek compromise between competing agencies.

Third, even the perennial opposition parties are not without some influence. On bills that they find particularly objectionable, they can hinder deliberations through procedural delays or by boycotting Diet sessions. Although the LDP has the votes to force bills through anyway, it is reluctant to do so, partly because it would give the party a bad image and partly because Diet sessions are rather short and the opposition's cooperation is needed to process other bills efficiently or to extend the session if required. The LDP therefore tends not to introduce bills the opposition strongly opposes and tends to compromise with at least some opposition parties on nonessential items of the bills it does introduce. Despite a majority, even in the Diet the freedom of action of the party and the prime minister is incomplete. Perhaps the greatest inhibitor of a prime minister's power in Japan, however, is the fact that he is really not even the sole leader of the LDP. The party is sharply divided into several factions and it is they that determine who will become prime minister.

Factions: Determinants of Political Leadership

Factions in the LDP are not informal groupings of politicians with a shared political philosophy, as when we speak of the "liberal wing" of the U.S. Democratic Party. The LDP factions are much more organized and formal--they meet together on a regular basis, maintain offices and staffs--and they are exclusive--one cannot belong to more than one faction. Thus they are more like mini-parties within the LDP.

Although there may be some nuances of difference on a particular issue, factions have historically exhibited few consistent differences on policy. In fact each faction's members hold such a diversity of views that when Diet members have similar policy interests they usually form informal "study groups" made up of members of several factions.

Factions are primarily a vehicle of political self-interest and mutual loyalty between the members and the faction leader, each receiving something from the relationship. A conservative politican wishing to run for the Diet usually affiliates himself with a faction either when running for election or after winning a seat. Joining a faction improves a prospective candidate's chances of winning in two ways. A faction leader will use his influence to try to get existing or potential faction members endorsed as an official party candidate in that district, and he will provide his faction members with campaign funds. Given the great expense of Japanese elections and the LDP's policy of providing equal funds to each of its candidates in a given district, the funding advantage a candidate can get from a faction leader may mean the difference between victory and defeat. Thus factionalism within the party is perpetuated by competition between LDP

candidates in Japan's multimember districts and the need for funds.

Once in the faction, the Diet member's gradual moves up within its ranks are based on seniority. If he continues to be reelected, he will attain sub-cabinet and cabinet positions through the influence of his faction. Eventually, senior Diet members may become "lieutenants" in the faction (each faction tends to have two or more lieutenants who help run the faction and communicate with the members). Finally, one lieutenant will inherit the faction on the death or retirement of his faction leader, or after the leader has served as prime minister. Occasionally, a lieutenant who has been passed over in favor of another may take some of his colleagues with him, bolt the faction, and form his own. Since the formation of the LDP in 1955 there have generally been five major factions and several minor ones at any one time.

If factions provide the member with endorsements, campaign funds, and career rewards, they also give the faction leader what he wants most--a solid base of support in his struggle to become the party and national leader. For most of the postwar period, the party president was chosen only at a national convention, one in which large amounts of money allegedly changed hands to sway uncommitted delegates. Public reaction against this kind of "money politics" was heightened by the Lockheed aircraft procurement scandal in which former Prime Minister Kakuei Tanaka was indicted on bribery charges (and later convicted; he is presently free while his case is being appealed). In the face of such public pressure, the LDP reformed its selection process to include a party "primary" in which all LDP "members" and "associate members" who have paid a nominal fee to join the party could participate.

In fact, this reform did little more than force factions to mobilize their Diet members' constituents to join the party and to vote as a bloc for their faction leader in the primary. Moreover, if there are fewer than four candidates, the choice is made by a vote at the Liberal Democratic National Convention, composed almost entirely of Diet members. Even if there is a primary, it is only a preliminary stage to selection. Through a complicated process of allocating points to those who get the most votes in each region, the three "winners" emerge. These three then compete in a runoff election held at the convention. If none of the three receives a majority on the first ballot, the last-place candidate drops out and a final convention runoff vote is held. Thus, the Diet member factions remain the only route to the leadership of the LDP and thus of Japan. In effect, only five individuals--the main faction leaders of the LDP--have any chance of becoming prime minister.

Factional Coalitions and Semi-Collective Leadership

No single faction has a majority of LDP Diet members. The largest faction for several years has been that of Tanaka (who despite the Lockheed scandal has remained a kingpin of the LDP), with about one-quarter of the LDP Diet members. To become party leader and prime minister, a faction leader must form a coalition with other faction leaders. Nakasone, for example, has been kept in power for five years by the combined support of his own faction--only the fourth largest in the LDP--the Tanaka faction, and the Suzuki/Miyazawa faction. The Fukuda/Abe faction and the Komoto faction, although they have held some cabinet posts under Nakasone, have not been part of this LDP "mainstream" coalition and have constituted a sort of intra-LDP opposition to the Nakasone administration.

Becoming prime minister in Japan is a game of factional coalition, deals, and rewards to one's own faction and one's allies' faction (especially of cabinet and top party posts). On becoming prime minister, therefore, the party leader is greatly beholden to his allied faction leaders: he must consult with them constantly and be careful not to alienate them lest they withdraw their faction's support and oppose him in the next party presidential contest. To a lesser extent he must also take heed of the factions not aligned with him, lest they maneuver against him and try to embarrass him out of office prematurely. The most famous example of this was in 1980 when factions opposed to Prime Minister Ohira took the unprecedented step of boycotting a vote of "no confidence" initiated by the Socialist Party in the Diet, forcing Ohira to call a House of Representatives election.

For these reasons, prime ministers of Japan have tended to be merely the "first among equals" in a semi-collective leadership. The system has tended to produce prime ministers who were colorless maintainers of the status quo, politicians of the back room instead of popular heroes, bureaucratic balancers rather than innovative pioneers.

III. FILLING NAKASONE'S SHOES:

THE CANDIDATES FOR SUCCESSOR

Nakasone's Legacy

The next prime minister will inherit a deeply changed political landscape, thanks to Nakasone. The defense consensus has been altered considerably, U.S.-Japan relations are fundamentally different, Japan has become much more internationalized, and the public has greater expectations for their prime minister as a domestic and world leader than before. Whoever wins must come to grips with these changes.

Nakasone's most striking initiatives were in foreign policy and defense. His first trip abroad was to South Korea, symbolizing the continuing economic and strategic importance of that country to Japan (despite their history of bitter relations). Nakasone established a personal rapport with President Reagan that came to be characterized by their immediate use of first-name nicknames, "Ron and Yasu." Later, he was prominent at summit meetings of the seven industrialized democracies. Nakasone's official 1985 visit to Yasukuni Shrine (built to honor Japan's war dead) provoked great criticism at home and abroad.

Article IX of the Japanese Constitution forbids Japan from waging war or maintaining armed forces. Though the article has been interpreted as allowing the right of self-defense (thus Japan's army is called "Self-Defense Forces"), anti-war public opinion put severe limitations on Japanese defense policy. Nakasone's assertive defense initiatives broke through some of these limitations. Among the defense policy "taboos" that were broken under Nakasone were an agreement to sell

advanced Japanese technology with military uses to the United States, a promise to defend Japan's crucial sea lanes up to 1,000 miles from Japanese shores, and a decision to participate in SDI research. Most important, he consistently increased the defense budget (a 5 percent increment to $23.5 billion in fiscal 1986), despite austerity policies in other budget areas. This represented a de facto abandonment of the eleven-year-old cabinet policy of limiting defense expenditures to 1 percent of GNP. (Nakasone failed to convince his party to formally abandon this limit.)

Nakasone initiated new policy and political style on the domestic front as well. With support of the big business community, he pushed through the break-up and privatization of the debt-ridden national railways and the giant corporation for telephone and telegraph service. Also as part of his "administrative reform" plan, he brought public spending under control. (Deficit spending had reached almost 40 percent of the annual budget by the late 1970s.) In 1986, he tried to introduce an indirect national sales tax to compensate for revenue lost in granting an income tax cut to stimulate consumer spending. Yet he suffered the humiliation of having to drop the plan even after it had been introduced into the Diet.

Nakasone's Innovative Tactics

Why has Nakasone been able to accomplish all this? The answer undoubtedly lies in the combination of the man and the timing of his term as prime minister. Always something of a maverick in postwar factional politics, Nakasone holds political views that are more "populist" than "establishment" conservative (in this respect he

resembles his American contemporary Ronald Reagan). Unlike most postwar Japanese prime ministers, Nakasone has spent most of his career as a professional politician, not a high-level bureaucrat. Known to distrust total reliance on the bureaucracy, one of his favorite tactics to bring about policy change was to appoint advisory councils (as in the cases of administrative reform and education) of hand-picked outside experts who would then publicly recommend to him changes in policy that he wanted, building popular support for the reform in the process and making an "end run" around any resistance from the bureaucracy.

The skill required of a Japanese leader has primarily been the ability to wheel and deal with fellow politicians, not the ability to mobilize public opinion. Nakasone was the first postwar prime minister to use television to build a power base independent of factional politics. He then used the resulting personal popularity he received as a lever in factional politics. Other faction leaders found it difficult to manipulate him out of office as long as his popularity was so great and as long as it was redounding to the benefit of the party.

It was the timing of Nakasone's term as prime minister, however, that allowed his personality and tactics to be effective. By the early 1980s, a more self-confident generation of postwar Japanese had become less attached to the taboos of postwar foreign and domestic policy, ready for a leader who could reawaken national pride. Public opinion polls have consistently shown that those who support the Nakasone administration cite his handling of foreign policy more frequently than any other reason, and in 1985 three-quarters of the Japanese polled expressed approval of the Nakasone administration's diplomacy. Many

Japanese feel that Nakasone's defense initiatives, his personal friendship with Reagan, and his popularity in the United States helped mitigate the increasing American hostility over the trade deficit.

Nakasone's tenure in office also coincided with something of a vacuum in postwar politics. The bureaucracy was still powerful but increasingly divided and under challenge from a new breed of LDP politicians who knew as much about their particular policy area as did the bureaucrats. Furthermore, the great kingmaker, Tanaka, suffered a stroke in 1985 that weakened his political power considerably. This freed Nakasone from his influence and from the stigma of being backed by a man identified with corruption. Perhaps most important, all the major postwar faction leaders except Nakasone had already been prime minister. The major lieutenants to these faction leaders were considered too inexperienced or had not yet inherited the factions from their predecessors.

Nakasone, although subject to the political process that produces leaders and policy in Japan, was also a unique politician governing in a period of transition. It is this period of transition that is now drawing to a close as a new generation of faction leaders prepares to assume power.

Profiles of the Candidates

Noboru Takeshita

Age: 63 Education: Waseda University
Faction size: 113
Current positions: LDP Secretary-General, 1986-;
Member, House of Representatives, 1958-.
Past positions: Minister of Finance, 1979-80, 1982-86;
Minister of Construction, 1976-78;
Junior high school teacher, 1947-51.

Takeshita is the front-runner at this writing. As finance minister, he was heavily involved in frequent international negotiations on the yen-dollar relationship. He has been elected to the Diet eleven times.

One of the lieutenants of the Tanaka faction, Takeshita was not Tanaka's choice for his successor. But after Tanaka's stroke, Takeshita increasingly gathered support among faction members for his own candidacy. His major problem was to make clear his intentions to run while avoiding an open break with his former faction boss. When Tanaka's choice, Nikaido, declared his intention to run for prime minister in mid-May, Takeshita was forced to move openly. On July 4 he announced the formation of his own faction, taking with him all but 18 of the 141 members of the Tanaka faction.

Of all the candidates, Takeshita has tried to identify himself most with Nakasone. Asked in an interview about any differences between him and the prime minister, he responded, "The difference between Nakasone and me is that he's taller and gives magnificent speeches." These seemingly insignificant differences nonetheless relate to a more fundamental variance from Nakasone. Cool in style, quiet, and self-effacing in a typically Japanese manner, he is unlikely to be able to use media politics as Nakasone did.

On the other hand, Takeshita is talented at consensus-building, with all the advantages and disadvantages that implies for effective action in a time of crisis. Also, he is known more for his finesse in party affairs and his encyclopedic knowledge of elections than for governmental or foreign policy decision-making. Less internationalist than Abe or Miyazawa, Takeshita is not known to be adept at speaking English (although he once taught it in middle school). One important skill he has in abundance, however, is fundraising. Perhaps an early sign of his front-runner status, Takeshita raised more money in 1984 than he did a year earlier, while his rivals were bringing in less. This is one talent that may have helped to convince so many Tanaka faction members that their future prospects were brighter with Takeshita than with Tanaka's favored heir apparent.

Despite a history of bitterness between their former mentors--Tanaka and Fukuda--and their factions, Takeshita and Abe are friends, having known each other since they were both elected to the Diet in 1958. With the party's largest faction behind him, Takeshita would be virtually assured of winning should he be able to make a deal with Abe and receive Nakasone's blessing as well.

Shintaro Abe

Age: 63 Education: Tokyo University
Faction size: 86
Current positions: Chairman, LDP Executive Council, 1986-;
Member, House of Representatives, 1958-.
Past positions: Minister of Foreign Affairs, 1982-86;
Minister of International Trade and Industry, 1981-82;
Minister of Agriculture and Forestry, 1974-76;
Journalist, Mainichi Shimbun, 1949-56.

Abe has been elected to the Diet ten times. His policy inclinations have been most articulated in foreign policy: he calls for "creative diplomacy" in which Japan takes greater political initiatives to solidify its relationship with Western and Asian nations but also works toward arms control with the Soviet Union.

The heir to former Prime Minister Fukuda's faction, Abe is married to the daughter of former Prime Minister Kishi, who had to resign from office over protests surrounding renewal of the U.S.-Japan Security Treaty in 1960 but who remained an influential LDP leader past his 90th birthday until his recent death. Unlike his father-in-law, Abe has never been very controversial; he was a loyal member of the Nakasone administration and seems inclined to see a leader's political role as a cautious, balancing role. He has said, "Politics doesn't mean flying colorful advertising blimps or staging spectacles. I don't think there's anything wrong with sitting on the fence." Nonetheless, a 1986 opinion poll showed Abe to be the public's choice as most acceptable of the candidates to be prime minister, especially among older voters. It is said that he is also the choice of the bureaucrats because of his hard-working, low-key style. It is difficult to imagine Abe initiating very controversial policies in the style of Nakasone.

Abe's best chance for becoming prime minister might be as a compromise candidate should Takeshita and Miyazawa fail to form a winning coalition and should Nakasone throw his support to him.

Kiichi Miyazawa

Age: 68 Education: Tokyo University
Faction size: 89
Present positions: Minister of Finance, 1986-;
Member, House of Representatives, 1967-.
Past positions: Chairman, LDP Executive Council, 1984-86;
Minister of Foreign Affairs, 1974-76;
Minister of International Trade and Industry, 1970-71;
Director General of Economic Planning Agency, 1962-64, 1966-68, 1977-78.

Miyazawa is the oldest of the three main candidates, only two years younger than Nakasone. He is still considered a "new generation leader," however, having been for the past several years first a lieutenant in the faction of former Prime Minister Ohira (who died in

office in 1980 during an election campaign) and then co-leader of that faction with former Prime Minister Suzuki.

Of the three candidates, Miyazawa's policies are least like Nakasone's. A former bureaucrat in the Ministry of Finance before winning election to the Diet eight times, he is said to dislike Nakasone's going around the bureaucracy by using advisory commissions. Miyazawa is probably the most "establishment-oriented" of the candidates, as well as the most intellectual (one reason he is a favorite of Japanese intellectuals).

Miyazawa is also the only candidate to have publicly distanced himself from Nakasone by offering an alternative program of what the country needs. Dubbed the "asset-doubling plan," Miyazawa calls for an expansion of Japan's domestic economy through heavy investment in infrastructure (housing, sewers, etc.). This, he believes, would help stimulate domestic spending and imports to help solve the trade crisis.

With his reputation for internationalism, his excellent ability in English, his strong sense of Japanese national identity, and his willingness to be controversial at times, it may ironically be Miyazawa who most resembles Nakasone in personal style. Yet, like Abe and Takeshita, he shies away from Nakasone's use of the media as a tool to mobilize popular support. Asked about Nakasone's use of television, Miyazawa has been quoted as saying. "For a man of his generation, Nakasone anticipates new things well. I'm not so good at that." More important, he may be the candidate with the least flexibility toward American demands on defense and trade--he published an article a few years ago in which he labeled the United States's continual criticism of Japan as "unfair." Although a friend of former Secretary of State Henry Kissinger, Miyazawa is said to have more personal contacts among American Democrats than among Republicans.

Miyazawa's prospects are probably not as good as Takeshita's or even Abe's, due in part to his critical stance of Nakasone earlier in his administration. Nakasone may prefer to support either of the others over Miyazawa. Without Nakasone's blessing it may be difficult for him to win unless he can somehow convince Takeshita to step aside and support him, or unless he can convince Abe to forge an anti-Takeshita alliance against Abe's friend.

Susumu Nikaido

Age: 78 Education: University of Southern California
Faction size: 18
Current position: Member, House of Representatives, 1946-.
Past positions: Vice President, LDP, 1983-?
Secretary-General, LDP, 1974, 1981-83;
Chief Secretary, Cabinet, 1972-74.

Nikaido has virtually no chance of winning. Although he is Tanaka's favorite to succeed him as faction head, Nikaido was able to keep only eighteen members loyal to him when Takeshita split from the faction and formed his own. Under great pressure to stay out of the race, Nikaido nonetheless seems intent on trying to get the support of 50 Diet

members, as is necessary to be an official candidate, forcing a party presidential primary.

This is not the first time Nikaido has tried to play the role of spoiler. In 1984, he made an abortive attempt to challenge Nakasone's reelection as party president. Nikaido may be hoping to mobilize enough support to be the crucial swing vote in determining which of the other candidates wins. In any event, this will likely be Nikaido's, and Tanaka's, last hurrah.

Comparing the Candidates

Each of the three major contenders in the race would bring their own distinctive emphases and backgrounds to the post of prime minister. Abe's strength is in foreign policy; Takeshita is adept at party political affairs; Miyazawa is knowledgeable in bureaucratic ways and has his own domestic program. Each, however, also has some experience in the other's area of strength.

The three prime candidates's similarities are more striking than their individual differences. All are of the same generation; all graduated from the universities that tend to produce Japan's political elite; all three are emerging for the first time as faction leaders, having spent the Nakasone years grooming themselves for succession. Each has held major posts under Nakasone and has been consulted on and has helped implement his policies. And all have had international experience, including negotiating with the United States over trade or finance.

Yet none of them seem like Nakasone in crucial respects. They are all likely to follow the rules of the traditional political game and to be less innovative than Nakasone. Each seems more a consensus-maker than a consensus-breaker. All eschew Nakasone's personalist style of media politics for mobilizing popular support. It is impossible to tell what

will happen once in office--few would have predicted Nakasone's success and popularity before he took office. But given their backgrounds and characteristics, Americans and perhaps some Japanese may find Takeshita somewhat parochial, Abe relatively boring, and Miyazawa a bit inflexible, compared to Nakasone.

Regardless of their personal strengths and weaknesses, none of the three prospective prime ministers will have the unusual latitude for innovation that Nakasone did. The next prime minister undoubtedly will have to rely on at least one, and perhaps both, of the other contenders to maintain himself in power. And there will be Nakasone to contend with--undoubtedly trying to play the role of kingmaker himself. In these respects, the candidates seem a throwback to the pre-Nakasone era of faction leaders, and their situation a revival of the collective leadership-coalitions-power broker politics of the past. Before the 1980s, faction leaders had mostly the traditional political skills Japanese politics required of them; in the changed domestic and international environment of today, the question is whether Japan can afford these kinds of leaders again.

IV. PITY THE WINNER: THE CHALLENGES AHEAD

The Japanese Response to Trade Frictions

The most pressing problem the new prime minister will face is the growing crisis in U.S.-Japan relations over trade. Strongly prodded by U.S. pressure, Japan has adopted various measures to open its markets to foreign firms. For example, Japan's import and product-testing regulations have been made more flexible to make it easier for foreign firms to import their products into Japan, and its financial markets have been liberalized.

Most recently, the so-called "Maekawa Report," written by a commission established by Nakasone, accepted the structure of the Japanese economy as the origin of the trade imbalance and recommended sweeping changes to increase domestic demand, improve access of foreign firms to Japanese markets, and promote international efforts to stabilize exchange rates. Various ministries and pressure groups opposed its implications, and the press and some intellectuals criticized it for assuming that the trade crisis was primarily Japan's fault. When Nakasone gave a copy of the report to Reagan on a visit to Washington in April 1986, he was further criticized by some in his own party for implying it was Japanese government policy before it had been approved by the party and the government. Other than the $40 billion (Y6 trillion) economic stimulation package the government proposed in spring 1987, it is questionable whether much else the report recommends can be implemented in the near future.

The reaction to the Maekawa Report underscores the difficulty that even

a highly popular prime minister has in overcoming vested interests within his own party, its support groups, and the government. It also underlines the way Japanese perceptions of the trade crisis differ from Americans' views. While many Americans assume that the cause of the problem lies in Japan's "unfair" trade policies, many Japanese feel that the origins of the imbalance lie in the high U.S. budget deficit or in the inability of U.S. companies to compete with Japanese firms. The Japanese media, a pervasive influence in the country, tend to disagree with U.S. arguments about the trade problem. A poll conducted in both countries in mid-1985 found that 70 percent of Japanese thought the United States was blaming Japan for its own economic problems.

Relations with Japan worsened even further this spring with the revelation that Toshiba Machinery Company filed fake export license documents in order to sell computerized milling machinery to the Soviet Union to produce quiet submarine propellers almost impossible to detect by sonar. An angered U.S. House of Representatives passed a resolution demanding Japan pay $30 billion in compensation to the United States, and soon thereafter the U.S. Senate passed a bill that would ban all Toshiba exports to the United States for at least two years.

Japanese reactions to the incident have been a mixture of irritation with the United States and attempts to propitiate American anger. Executives of Toshiba Machinery Company have been arrested, and the Japanese government has pledged to tighten its controls on high-technology exports to the Soviet Union. Although the parent company itself was not directly involved in the sale, the two top executives of the parent corporation resigned in a traditional Japanese

method of taking responsibility for the damage done.

As expressed in the media, however, there was also another reaction: a sense of incomprehension and anger at the depth, extremity, and bitterness of American hostility toward Japan. Although a Norwegian company had also sold related technology to the Soviet Union, many Japanese felt that almost all the American hostility in the case was directed at Japan. A few U.S. Congressmen were photographed smashing a Toshiba radio to express their hostility to the company over this incident, and the photo generated shock and anger in Japan.

Six Key Tasks for the New Prime Minister

The course that Japan's next prime minister must follow is fairly clear. Nakasone's innovations, the requirements imposed by the trade crisis with the United States, and the environment confronting the LDP and Japanese society today all indicate the outlines of the winner's tasks. There are at least six of these. Accomplishing these tasks will require walking a fine line between often contradictory choices.

1) Restructure the Economy. Japan must increase imports to resolve the trade crisis with the United States. This must be done without unduly harming the small and medium-sized firms that provide the majority of Japanese with jobs and that also provide a share of LDP support. It must also be done without seeming to cave in to American demands, lest the growing latent nationalism of the Japanese public should produce a political backlash.

2) Stimulate the Domestic Economy. One way to increase imports, as

Miyazawa has suggested, is to spur domestic spending. Dilemma: accomplish this without reviving inflation and without massive government debt. After eight years of fiscal austerity, Japan has finally brought its budget deficits under control, and heavy government spending to spur growth would undermine this, especially given the recent tax cuts and tax reform carried out by Nakasone.

3) Stabilize the Yen. The rapid appreciation of the yen since 1985 has made Japanese goods more expensive abroad and American goods cheaper in Japan, thus helping the trade imbalance. But it also has had negative economic and political repercussions in Japan. Further appreciation of the yen would likely further hurt the economy and be politically unpopular; a return to a cheaper yen would exacerbate the trade crisis.

4) Make Cautious Progress on Defense. If Nakasone's defense initiatives are not implemented and built upon, the United States may become disillusioned with Japan's commitment to its own defense, and this may intensify U.S. hostility over the trade crisis. Yet if too rapid a military buildup is undertaken, the government runs the great risk of reviving the old taboos on the defense question, alarming Asian neighbors and causing instability in the region.

5) Maintain the LDP's Support Base. Without Nakasone's popularity, the LDP must lean even more heavily on its diverse coalition of support groups. Yet major conflicts are developing among these groups. The most serious is that between big business and the urban salaryman on the one hand and agriculture and the farmers on the other. Business and urban voters are increasingly urging reform of Japan's agricultural

policy that protects and subsidizes farmers and keeps land and food prices high and farming inefficient. Yet the farm vote has been one of the major reasons the LDP has been able to stay in power.

6) Manage a Changing International Environment. In addition to the deteriorating relationship with the United States, Japan's role in world affairs has become increasingly complex. Responding to Gorbachev's overtures for a better relationship with Japan is made difficult by a long-simmering conflict over "the Northern Territories," small islands north of Hokkaido that the USSR took after World War II but which Japan still claims as its own. Also, Japan's leading role in other Asian economies clashes with Asian nations' sensitivity to dominance by Japan.

While the tasks ahead for Japan's new leader are clear, the prospects for accomplishing them are extremely uncertain. The problem with following an innovative leader is that the successor inherits the less glamorous job of consolidating and implementing the new policy directions as well as the impossible expectations of living up to his predecessor. Only the future can answer the question of whether Nakasone's policies are possible without Nakasone at the helm.

Implications for the United States

For the United States, the stakes of this leadership transition and of not understanding its context are enormous. If Japan's next prime minister cannot or will not overcome the political limitations of his position and quickly make significant progress toward easing the trade friction, it may prove impossible to restrain protectionist forces in the United States. If that happens, the United States may suffer along

with Japan in the long run from rising consumer prices and from the unwillingness or inability of inefficient industries to become more competitive. Lack of effective action on Japan's part may also encourage American leaders to try to resolve the trade problem by continuing to allow the dollar to depreciate vis-a-vis the yen. This would damage the Japanese economy and create political problems for the LDP, the staunchest supporter of the U.S.-Japan alliance among Japanese parties; but it would also ultimately lower the standard of living of Americans and create instability in world financial markets. A worsening of the crisis in the relationship may also discourage Japanese investment in U.S. stock and bond markets. Yet it is in large part Japanese money that has financed the U.S. national debt.

All responsibility for these unpleasant scenarios, however, does not rest with the new Japanese leader. America's leaders must also cut through the thicket of its own political and industrial inertia to solve the economic problems that contribute to the deficit. Equally important, it is unrealistic for Americans to expect that the next prime minister will be just like the past one; if Washington does expect this, it may be disappointed, and disappointments have a way of leading to impatience and anger and to unwise, precipitous, and ultimately self-defeating actions.

Perhaps never before has the United States been so dependent on another nation for its prosperity as it is today with Japan. For the United States, the selection of Japan's next leader is not a minor event in the life of a distant cousin; it is an important transition in the development of a member of our immediate family.

APPENDIX I

ECONOMIC FACT SHEET

	1984	1985	1986	1987*
1) Socioeconomic Indicators				
Population (millions)	120.0	120.8	121.5	122.2
Urban population as percentage of total (%)	76	76	76	
Life expectancy at birth (years)	76	77		77
Number of lawyers (thousands)			13.1	
Japanese living abroad (thousands)		480.7		
U.S. citizens living in Japan (thousands)		29.0		
2) Economic Indicators				
Nominal GNP (Y'000 billion)	298.5	317.3	336.7	
Per capita GNP (US$)	10,650	11,330		
Real GNP growth rate (%)	5.1	4.7	2.5	3.0
Inflation rate (CPI)	2.2	2.1	0.4	
Official unemployment rate (%)	2.7	2.6	2.7	3.25
Discount rate (%)	5.0	5.0	3.0	2.5[a]
3) Balance of Payments and Trade				
Current account balance (US$ billion)	35.0	49.17	85.96	20.56[b]
Trade balance (fob; US$ billion)	44.3	56.0	92.7	23.2[b]
Export volume growth (%)		5.9	0.6	3.4
Import volume growth (%)		0.7	10.1	8.1
Merchandise trade balance with U.S. (US$ billion)	36.8	49.7	58.6	34.8[c]
Net direct foreign investment (US$ billion)	5.97	5.81	14.25	
Net purchases of U.S stocks (US$ billion)		.257	3.2	3.4[b]

	1984	1985	1986	1987*
4) External Finance				
Total reserves minus gold (US$ billion)	26.4	26.7	42.3	69.0[a]
Average yen/dollar exchange rate	237.5	238.5	168.5	144.48[a]
Net foreign assets (US$ billion)		129.8	180.4	

	1974	1982	1983	1984
5) Defense Indicators				
Military expenditures (constant 1983 US$ millions)	6,586	10,950	11,600	12,280
-United States				229,200
Armed forces (thousands)	237	243	241	241
-United States				2,244
Defense spending/GNP (%)	0.8	1.0	1.0	1.0
-United States				6.3
Defense spending /central government expenditure (%)	5.6	5.1	5.2	5.4
-United States				26.4
Military expenditure per capita (constant 1983 US$)	60	92	97	102
-United States				968

* forecast
[a] June 1987
[b] 1st quarter 1987
[c] through July 1987; figures on the trade balance are from the U.S. Bureau of the Census

Sources:

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IMF, International Financial Statistics (August 1987).
Japan Economic Institute, Japan Economic Survey (various issues).
Japan Economic Institute, JEI Reports (various issues).
Japanese Ministry of Foreign Affairs, Background Statistics on the Japanese Economy (May 1987).
Keizai Koho Center, Japan 1987: An International Comparison.
The Population Institute.
U.S. Arms Control and Disarmament Agency, World Military Expenditures and Arms Transfers 1986.
World Bank, World Development Report (various editions).

APPENDIX II

1) Genealogy of the LDP's Five Major Factions, 1965-87

1965		1975		1985		1987	
Faction Leader	Diet Members	Faction Leader	Diet Members	Faction Leader	Diet Members	Faction Leader	Diet Members
Sato	96	Tanaka	84	Tanaka	113	Takeshita	113
						Nikaido	18
Maeo	62	Ohira	58	Suzuki	77	Miyazawa	89
Fukuda	21	Fukuda	77	Fukuda	67	Abe	86
Kono	60	Nakasone	46	Nakasone	67	Nakasone	81
Miki	47	Miki	42	Komoto	33	Komoto	32

Sources:

Hans Baerwald, Party Politics in Japan (Boston: Allen & Unwin, 1986), p. 27.
Japan Economic Survey (August 1987).
Far Eastern Economic Review (various issues).

2) Prime Ministers of Japan, 1946-87

Date of Initial Cabinet Formation	Prime Minister
May 22, 1946	Shigeru Yoshida
May 22, 1947	Tetsu Katayama
March 10, 1948	Hitoshi Ashida
October 15, 1948	Shigeru Yoshida
December 10, 1954	Ichiro Hatoyama
December 23, 1956	Tanzan Ishibashi
February 25, 1957	Nobusuke Kishi
July 19, 1960	Hayato Ikeda
November 9, 1964	Eisaku Sato
July 7, 1972	Kakuei Tanaka
December 9, 1974	Takeo Miki
December 24, 1976	Takeo Fukuda
December 7, 1978	Masayoshi Ohira
July 17, 1980	Zenko Suzuki
November 27, 1982	Yasuhiro Nakasone

Source:

Asahi Nenkan, 1985, in Keizai Koho Center, Japan 1987: An International Comparison (Tokyo: Keizai Koho Center, 1987), p. 95.

APPENDIX III

SELECTED FURTHER READING

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Pempel, T. J. Japan: The Dilemmas of Success. New York: The Foreign Policy Association, January/February 1986.

Pempel, T.J. Policy and Politics in Japan: Creative Conservatism. Philadelphia: Temple University Press, 1982.

Pyle, Kenneth B., ed. The Trade Crisis: How Will Japan Respond? Seattle: The Society for Japanese Studies, 1987. A reissue of Journal of Japanese Studies 13 (Summer 1987). See especially the articles by Kenneth B. Pyle, Michio Muramatsu, T. J. Pempel, Chalmers Johnson, and Daniel I. Okimoto.

APPENDIX IV

SPECIALISTS ON JAPANESE POLITICS AND U.S.-JAPAN RELATIONS

This is not an exhaustive listing of expertise available in the United States. Rather, it is a cross-section of sources of information and comment.

Hans Baerwald
Japan Research and Exchange Program
11250 Bunche Hall
University of California
Los Angeles, CA 90024
(213) 825-7671

Kent Calder
Department of Government
Woodrow Wilson School
Princeton University
Princeton, NJ 08544
(609) 452-4788

John Creighton Campbell
Center for Japanese Studies
108 Lane Hall
University of Michigan
Ann Arbor, MI 48109-1290
(313) 764-6307

Gerald Curtis
East Asian Institute
International Affairs Building
Columbia University
New York, NY 10027
(212) 280-2828

Haruhiro Fukui
Department of Political Science
University of California
Santa Barbara, CA 93106
(805) 961-4192

Donald Hellman
Henry M. Jackson School
of International Studies
Thomson Hall, DR-05
University of Washington
Seattle, WA 98195
(206) 543-4370

Ellis S. Krauss
Department of Political Science
University of Pittsburgh
Pittsburgh, PA 15260
(412) 648-7260

Michael Mochizuki
Department of Political Science
Yale University
Box 3532 Yale Station
New Haven, CT 06520
(203) 432-5284

James Morley
East Asian Institute
International Affairs Building
Columbia University
New York, NY 10027
(212) 280-2591

Susan J. Pharr
Program on U.S.-Japan Relations
Center for International Affairs
Harvard University
1737 Cambridge Street
Cambridge, MA 02138
(617) 495 9992

T.J. Pempel
Department of Government
Cornell University
Ithaca, NY 14850
(607) 255-6764

Nathaniel Thayer
Johns Hopkins University
School of Advanced International Studies
1619 Massachusetts Avenue, N.W.
Washington, DC 20036
(202) 663-5693

James White
Department of Political Science
University of North Carolina
Chapel Hill, NC 27514
(919) 962-0434

THE ASIA SOCIETY · 725 Park Avenue · New York, NY 10021