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The Challenges that the 4th Abe Administration Must Tackle

By HIRONO Ryokichi

Following the victory in the 2013 election of the House of Councillors, the LDP-Komeito coalition won a landslide victory once again in the election of the House of Representatives on 22nd October 2017, thus assuring the House nomination of Mr. Shinzo Abe to be Japan's Prime Minister and form his 4th Cabinet on 1st November to implement his priority policies. As for the Opposition, both party candidates and voters themselves were caught in surprise with the election turnout where Constitutional Democratic Party made an impressive record, against the Party of Hope showing a poor performance. Both the ruling and the opposition parties, however, share the general public's concern with innumerable difficult issues confront Japan both internally and externally.

The Abe Administration has since its inception in 2012 installed soft money policy based on "the First Arrow" of Abenomics which places top priority on economic growth. While job market has been easing, the total amount of wage earnings by the employed workforce has grown only slightly, if not remaining stagnant, due mainly to an increased hiring of temporary workers. Also, the government has so far failed to achieve its inflation target of 2%. In fact, the trend of the yen devaluation vis-à-vis the U.S. dollars resulting from the continued soft money policy has contributed to the rise of Import prices which, coupled with long periods of rainy season and unusually severe rainstorms, have raised food prices, hitting hard especially on low-income youngsters and old-age pensioners. Also, there is a growing concern in Japanese industry dependent on the imports of raw materials and manufactured components, since the devaluation of the yen has been eroding the international competitiveness due to increasing cost of production. Most of the Japanese companies facing severe competition on the global market, have been shifting their core operation overseas rather than at home in quest of cheaper labor, land, taxes and lesser labor and environmental regulations. Since Japan has been experiencing low birth rates and the aging of the population, such corporate investment policy is already causing a threat to the long-term growth of the Japanese economy.

In the General Assembly of the United Nations in the fall of 2015, the global community adopted the post-2015 Development Agenda entitled the Sustainable Development Goals (SDGs)

2016-30 and appealed to all the U.N. member states including the developed ones to achieve those 17 goals by 2030. Japanese Government, having made public its National Implementation Plan (NIP) last year, has now been trying to accomplish it. The UNICEF revealed this year its assessment of the SDGs achievement by country in those 9 major areas related to children's wellbeing. According to their assessment, Japan's ranking among the 37 countries surveyed are (1) 23rd in poverty eradication, (2) 1st in famine wipe-out, (3) 8th in hygiene and welfare, (4) 10th in the quality of education, (5) 1st in the quality of work, (6) 32nd in narrowing inequalities, (7) 33rd in sustainable urban habitat, (8) 36th in sustainable consumption and production, and finally (9) 8th in achieving peaceful and inclusive society. There are no countries that rank 1st in all areas surveyed, but generally speaking Nordic countries such as Norway, Sweden, Denmark, Finland, the Netherlands and Iceland occupy high ranking, along with Switzerland, Austria and Germany. Judging from the above international comparison of assessment, it is urged that Japan place a greater emphasis on achieving social development goals like environmental conservation and the quality of life rather than simply pursuing economic growth and rise in personal income and material wealth. Japan not only must not rest easy with the survey results, but also should work harder to enhance public awareness and install such policies, legislative measures and institutional mechanisms essential to achieving the SDGs all round.

As regards Japan's fiscal policy reform which is "the Second Arrow" of the Abenomics, it is to be noted that the total amount of national fiscal deficits outstanding including local government debts now exceeds the twice as much as Japanese GDP. We economists are seriously concerned with possible infeasibility of the Abe Administration's fiscal reform measures, if remaining unchanged, to achieve its goal of primary balance surplus by 2020 or even by 2025 as proclaimed during the election campaigns this time as well as last time. The tax reforms including the rise of consumption tax from 8 to 10% in the fall of 2019 and the stated corporate income tax reduction generating tax revenue increases through higher economic growth rates, and further rationalization of government spending in welfare and all other areas may not lead to budget surplus, taking into account the continued low birth rates, ageing of the population and the growing threat to national security in the foreseeable future. Also, a rapid decline of bond valuation and a consequent rise of market interest rates that could happen under huge chronic fiscal deficits, with the Bank of Japan holding of national bonds exceeding 50% of its annual bond issuance, may contribute to destabilization of the Japanese economy in the medium or longer term. We are worried that under these fiscal conditions the government may not be able to cope with possible stock market volatility induced speculatively by foreign hedge funds and investors.

Furthermore, in order to install and implement intended economic restructuring strategy effectively under "the Third Arrow" of Abenomics, it is vital to remove all those vested interests and introduce further deregulation which has been found almost next to impossible under the Japanese political and social structure. On top of these domestic difficulties confronting the Abe Administration, New Zealand is reported to follow the United States to withdraw from TPP, as Labour Party won the general election recently and asking for further TPP renegotiation. It may be likely that TPP 11 eventually become TPP10. It is important to recall that TPP negotiations have been postponed repeatedly in the past because of strong resistance and opposition of numerous vested interest groups both in Japan and overseas especially in developing member-to-be countries. Strong political leadership is required to deal with such solid opposition lobbies. It is equally, if not more, important to raise greater awareness among the general public to advocate consumers' interests, rather than specific industry interests, that is. Bottom-up appeals are vital to protect the public interests.

In this connection, reopening of nuclear power plants is a key concern among the Japanese people, as shown in the recent elections. The explosion of Fukushima nuclear power plant of Tokyo Electric Power Company in 2011 contaminated neighboring mountains, rivers and ocean and the removal of polluted soil in plow-lands and urban areas in that region, along with appropriate processing of nuclear wastes are still unresolved and keenly watched by the entire population of Japan. The Japanese government, like many others, has yet to show its definitive policy direction to meet the demand of the global community to shift to decarbonized world through the replacement of fossil to renewable energy, as agreed under the Paris Agreement of 2015.

Globally, since the international affairs surrounding Japan are changing rapidly, the agenda of Constitutional Amendment, notably on Article 9, is one of the most important issues that Abe's LDP appealed to the voting public during this most recent election. The government plans to submit the preliminary draft of constitutional amendment to the Constitutional Review Committee in both Houses this year or possibly next year. This agenda is not just a domestic political issue. As Japan's key neighbors politically, economically and security-wise China and South Korea are watching constitutional debate with a keen concern. Since the trilateral summit among these three has been suspended due to diplomatic tensions over petty island ownership and wartime history, Abe's handling of constitutional amendment is not only a critical issue to the Japanese people, but also to Asian governments and people and also to Japan's allies such as the United States and Australia. The relationship with Russia over the Kuril Islands dispute is another concern. In view of these critical problems, the Abe Administration should act with an utmost care and sensitivity, despite their landslide victory in the general election. Prime Minister Abe and his team should bear in mind that

their supermajority in both Houses can turn into a grave political risk, if they are reckless and overconfident. It is the foremost imperative for the 4th Abe Administration to deal with these highly sensitive domestic and global issues properly and resolutely to earn the trust of the general public who voted in the yesterday's election in the hope of continued political stability, economic reforms, the protection of human rights, the conservation of global environment and world peace without nuclear.

(This is the English translation of an article written by Ryokichi HIRONO, Professor Emeritus, Seikei University, which originally appeared on the e-forum “Hyakka-Seiho (Hundred Flowers in Full Bloom)” of JFIR on , October 23, 2017.)