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## Koizumi Calls an Election

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In a move that most political observers regard as rash, Prime Minister Junichiro Koizumi, in response to the failure of his postal savings reform bill to pass the Upper House of the Diet, dissolved the Lower House and called for new elections on September 11. The Prime Minister has been threatening a dissolution for the past several weeks in the event his bills failed, but many regarded his threats as a bluff to force LDP politicians into supporting his program.

Postal savings reform is highly controversial in Japan. The system was established late in the nineteenth century as a means to provide efficient mail service throughout Japan and provide savings bank services for areas in which city banks were not interested. The system presently consists of some 25,000 small privately operated post offices with total savings deposits of around \$3 trillion. The funds are used mostly to buy government bonds to cover the deficit and to purchase securities of numerous public corporations, many of which are in the business of constructing public works.

Because of the penetration of these private post offices into the heartland of Japan and the influence of the leaders, they have become an important support for the LDP in rural Japan. Thus, there was strong opposition to Mr. Koizumi's proposals. The opposition Democratic Party of Japan (DPJ), seeing an opportunity to take on the LDP on its own turf, opposed the reform effort and it was doomed to failure in the Upper House.

While an economic case could surely be made for privatization of the banking function - such a vast pool of capital would be more efficiently utilized if it were subjected to market forces - the main concern of the politicians was electoral advantage, and the project foundered at least for the time being for purely local political reasons. It should be added that politicians also did not want to lose control over the postal savings assets.

It would be highly risky to predict the outcome of the election. According to expert observers, however, it seems fairly certain that the LDP is likely to lose some seats and the DPJ is likely to gain. If the DPJ gains enough, it might be possible for it to form a coalition with a minor party and take control of the government. It might thus be useful to speculate a little about what policies a DPJ government might pursue.

From the very beginning, the DPJ has been opposed the American invasion of Iraq and the subsequent deployment of Self Defense Force personnel to Iraq. As it has consistently called for the return of the SDF contingent, it is a reasonable assumption that a DPJ government would recall the forces before the end of the authorized term.

The DPJ supports a strong U.S.-Japan alliance to provide for the security of Japan and East Asia. Although in the past some in the party have argued for a policy of "emergency deployments" (i.e. the stationing of U.S. forces in Japan only in times of emergency), it is highly improbable that the DPJ would pursue such a policy. It is likely, however, that it would apply more pressure on the U.S. to reduce its footprint in Japan, particularly in Okinawa Prefecture where it is so large. It is also likely that the DPJ would be more resistant to U.S. pressure to play a more active role in U.S. strategy, preferring to pursue a more "autonomous" diplomacy, reflecting a growing feeling in Japan that it should have more control over its own destiny and not merely

pursue a foreign policy that is “made in America.”

A DPJ government is likely to seek to improve relations with both China and Korea, believing that Koizumi’s hard line approach has produced few benefits for Japan. The party has criticized Koizumi’s repeated visits to Yasukuni Shrine and its leader would be unlikely to continue the practice.

It should be noted that the foregoing does not cover all possibilities. It is entirely possible that a rather large scale political realignment would take place in Japan that would result in a clearer policy divide between the two main parties, with one seeking a more independent foreign policy and the other seeking to strengthen even further the American commitment to Japan. And, the possibility of Koizumi resigning even after a narrow LDP victory, resulting in a scramble for the presidency of the LDP, cannot be ruled out. In any event, while there will be considerable confusion in the next month, the result will not be a dramatic change in the course of Japan’s external policy. It will still face a growing China and the need to shore up its national security.

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