



# Japan's Historic 2009 Elections: Implications for U.S. Interests

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## Summary

In a historic landslide victory, on August 30, 2009, Japan's largest opposition party, the Democratic Party of Japan (DPJ), ousted the main ruling party, the Liberal Democratic Party (LDP), in elections for control over Japan's Lower House of parliament. The LDP has had almost continuous control of the Japanese government since 1955 and has been a staunch supporter of the U.S.-Japan alliance throughout the postwar period. The DPJ, which includes a mixture of right- and left-leaning members and is led by Yukio Hatoyama, is now Japan's main ruling party. The Diet (Japan's parliament) is expected to elect Hatoyama as Japan's new prime minister in a special Diet session scheduled to begin on September 16. Since 2007, the DPJ has controlled the less powerful Upper House of the Diet, along with two smaller parties, a coalition that is expected to continue once the DPJ officially takes over the government.

The DPJ policy platform advocates sweeping economic and administrative reforms and has called for a "proactive" foreign policy with greater "independence" from the United States through deeper engagement with Asia and a more United Nations-oriented diplomacy. In particular, the party has in the past criticized many issues related to the U.S.-Japan alliance, such as plans to realign U.S. forward deployed forces based in Okinawa, Japan's "Host Nation Support" (HNS) payments (worth around \$4 billion) that defray much of the costs of American troops and bases in Japan, and the bilateral Status of Forces Agreement (SOFA). In 2007, the DPJ briefly blocked legislation allowing the Japan Maritime Self-Defense Force (JMSDF) to continue the refueling of U.S. and allied vessels engaged in Operation Enduring Freedom (OEF) in Afghanistan. For the United States, the most significant of these issues would be the HNS and base realignment plans.

During the campaign for the Lower House elections, the DPJ showed signs of a more pragmatic approach toward the U.S.-Japan alliance in order to deflect LDP criticism that it was not prepared to run the country. The DPJ dropped demands to end the current legislative authorization for the JMSDF refueling mission in the Indian Ocean, and took a slightly more ambiguous position regarding the SOFA and other bilateral alliance management issues. The party's call for a U.N. and Asia-oriented diplomacy also appears to fall short of a more strategic shift to replace the U.S.-Japan alliance with an alternative regional security arrangement. Other signs suggest that the party might indirectly support U.S. foreign policy interests over the long-term through enhanced Japanese contributions to U.N.-sanctioned activities, as well as engagement in regional trade institutions and multilateral fora. Nonetheless, the party remains deeply divided on many foreign policy-related issues and continues to send conflicting signals about its overall approach toward the United States.

While a political changeover in Tokyo represents a watershed moment for Japan and potentially for U.S.-Japan relations, the extent to which there will be significant policy changes in Tokyo remains uncertain. It is not clear whether some of the DPJ's past criticism of the U.S.-Japan alliance and other LDP-backed policies was the result of opposition party politicking or more fundamental policy principles that will be implemented now that the party is coming to power. The DPJ faces daunting political and economic challenges at home that many see as a higher priority for the party than its proposals for adjusting the structure of the U.S.-Japan alliance.

This report analyzes the DPJ's policy platform and reviews the implications for U.S. strategic and economic interests now that the party and its coalition allies are set to take control of the Japanese government in the wake of the August 30 parliamentary elections.

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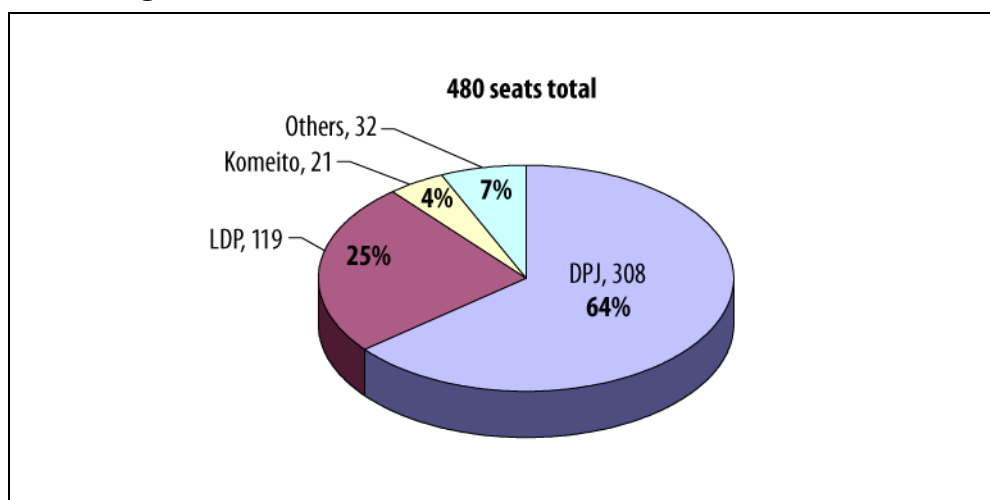
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## Introduction

The Democratic Party of Japan (DPJ) defeated the ruling Liberal Democratic Party (LDP) in August 30, 2009 elections for the Lower House of parliament. The DPJ won 308 seats, compared to 119 for the LDP in the 480-seat Lower House chamber (see **Figure 1** below). The DPJ is now the main ruling party, in coalition with at least two smaller parties, the Social Democratic Party (SDP) and the People's New Party (PNP). Incumbent Prime Minister Taro Aso has announced that he will resign as head of the LDP, effectively ending his premiership, to take responsibility for his party's defeat. He will likely be succeeded as prime minister by DPJ party leader Yukio Hatoyama, who is expected to be confirmed as the next prime minister in a special session of parliament scheduled for mid-September. The political changeover in Tokyo could significantly affect U.S. interests and goals in Asia, although most analysts predict the DPJ will not fundamentally alter the U.S.-Japan alliance relationship.<sup>1</sup>

**Figure 1. Post-Election Seats in 2009 Lower House of Diet**



**Source:** Nikkei Shimbun.

**Notes:** Number of seats in Japan's Lower House of parliament as of September 1, 2009.

The DPJ has long called for a more “independent” relationship with the United States and has been critical of aspects of the U.S.-Japan alliance, such as plans to realign U.S. military forces based in Japan, Japan's “Host Nation Support” (HNS) payments (worth around \$4 billion) that defray about 75% of the costs of maintaining American troops and bases in Japan, and some provisions of the Status of Forces Agreement (SOFA). The party also calls for closer relations with Asia and greater participation in United Nations-mandated activities. Now in power, the DPJ is expected to focus initial attention on sweeping domestic reforms, particularly reforming the political-bureaucratic structure, and on a large-scale stimulus package aimed at transforming Japan's struggling economy.

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<sup>1</sup> For an overview of U.S.-Japan relations, see CRS Report RL33436, *Japan-U.S. Relations: Issues for Congress*, coordinated by (name redacted).

Aside from a 10-month period in the early 1990s, the conservative LDP has governed Japan since 1955 as either a stand-alone ruling party or, as is currently the case, in coalition with other parties. Throughout this period, the LDP has been a staunch supporter of the U.S.-Japan security treaty and, in recent years, has sought a major expansion of bilateral defense cooperation. The LDP's grip on power was significantly weakened in 2007, when the left-leaning DPJ won control of the Upper House of Japan's bicameral parliament (known as the Diet) in coalition with the SDP and PNP. The resulting "twisted Diet" was marked by legislative gridlock across a range of domestic and foreign policies.

Over the past year, the DPJ has increased its popular support by attacking the LDP's handling of the economy, opaque governing style, and unpopular leadership. This strategy increasingly put the LDP on the defensive, and on July 12, 2009, the DPJ defeated the LDP in the Tokyo Metropolitan Assembly elections, prompting Prime Minister Aso to dissolve the Lower House on July 21 and schedule nationwide elections.

Although the DPJ won a decisive victory over the LDP on August 30 it fell just short of winning a two-thirds supermajority in the Lower House. In Japan's parliamentary system, the Lower House can pass legislation over opposition in the weaker Upper House if there is a two-thirds majority of votes. Had the DPJ won a supermajority on its own, it would have had the option of shedding its coalition partners. As it is, the DPJ will maintain the coalition with the leftist Social Democratic Party (SDP) and the anti-reform People's New Party (PNP) in order to maintain control of the Upper House of the Diet.<sup>2</sup> The next Upper House elections are scheduled for July of 2010.

Now that the DPJ is the main ruling party, it will be expected to make good on at least some of its ambitious campaign proposals to "change Japan." The party is expected to focus initial attention on implementing a number of domestic programs, including an allowance for families with children, a reduction of highway toll charges, and a reorganization of the power structure between politicians and central government bureaucrats.

According to DPJ sources and media reports, foreign policy and alliance relations with the United States will not be the immediate focus of the new government. In the run-up to the August 30 election, the DPJ toned down some of its criticism of the bilateral alliance, indicating a potentially more pragmatic approach toward the United States. However, the party remains deeply divided on foreign policy issues and party leaders continue to send conflicting signals about the kind of relationship they seek to strike with the United States over the short and long term.

## **DPJ Background**

The DPJ was formed in 1998 as a merger of four smaller parties and was later joined by a fifth grouping. Several party leaders are former centrist or center-right LDP lawmakers, but many rank-and-file members have a left-of-center political orientation that includes a number of former Socialist Party members. The amalgamated nature of the DPJ has led to considerable internal contradictions, primarily between the left and right wings as well as the pacifists and national security hawks who occupy the party ranks. In particular, the issues of deploying Japanese troops abroad and revising the war-renouncing Article 9 of the Japanese constitution have generated

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<sup>2</sup> The DPJ may consider adding two other small parties to the coalition. These include the New Party Nippon and New Party Daichi, which both cooperated with the DPJ to overthrow the LDP in the August 30 elections.

considerable internal debate. As a result, for much of its history, the DPJ had a reputation of failing to agree on coherent alternatives to the policies implemented by the LDP. Additionally, battles between various party leaders have at times weakened the party. Since winning the Upper House in 2007, the party appeared to present a more unified front, at least on the strategy of criticizing LDP policies and offering a more compelling alternative approach to Japanese voters. But it is uncertain whether this greater level of public unity is sustainable now that the DPJ is the ruling party.

Leading up to the August 30 Lower House elections, the DPJ had shown greater resilience in overcoming both external political challenges and internal strife. Earlier in the spring of 2009, Prime Minister Aso and the LDP appeared emboldened by a fundraising scandal that engulfed Ichiro Ozawa, a co-founder and then leader of the DPJ. In early May, Ozawa resigned. He was succeeded as DPJ president by former party leader Yukio Hatoyama, an Ozawa backer. Ozawa's resignation as party leader was followed by a considerable popular boost for the DPJ. By mid-July, many polls showed the DPJ having double-digit leads over the LDP when voters were asked which party they would support in the Lower House elections. Although Ozawa relinquished his high-profile role in the party, he remained in the DPJ as a behind-the-scenes campaign strategist and top party leader. He is widely credited with recruiting a large number of new party candidates who won in this year's landslide Lower House elections, causing many to speculate that Ozawa will continue to wield considerable influence in the intra-party decision-making process.

## **The DPJ Policy Agenda**

Ideological divisions within the DPJ have kept the party from reaching a consensus on foreign policy and national security issues. However, the DPJ platform and other policy statements throughout the years consistently raise the following main themes<sup>3</sup>:

- Adopting a more “assertive” foreign policy and enhancing Japan’s defense capabilities to better defend against outside threats.
- Maintaining the U.S.-Japan alliance as the center of Japan’s national security policy while aiming to achieve a more “mature” alliance partnership with the United States. The party has called for a reduction of the approximately 50,000 U.S. forward deployed troops in Japan, particularly those based in Okinawa Prefecture.
- Maintaining constitutional restrictions on collective self-defense while expanding contributions to international security through UN-sanctioned peacekeeping operations (UNPKO).
- Improving Japan’s relations with Asian countries by reconciling historical and territorial disputes, as well as actively promoting regional economic integration through economic partnership agreements (EPA) and free trade agreements (FTA).
- Supporting the global common good through overseas economic development, environmental conservation, nuclear non-proliferation and disarmament, humanitarian relief, and other measures.

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<sup>3</sup> See, for instance, Democratic Party of Japan, *Our Basic Philosophy*, at [http://www.dpj.or.jp/english/about\\_us/philosophy.html](http://www.dpj.or.jp/english/about_us/philosophy.html).

In the broadest sense, the pacifist/leftist wing of the DPJ adheres to a strict interpretation of Japan's "peace constitution" and postwar role as a non-military power. The hawkish/conservative wing of the party, most prominently led by former party head Seiji Maehara, seeks stronger defense capabilities and looser restrictions on Japan Self-Defense Force (JSDF) missions to support international security. Former party head Ichiro Ozawa has called for Japan to increase its contributions to international security strictly in missions that are authorized by the U.N. Security Council. Yukio Hatoyama, the presumed next prime minister of Japan, appears to support that basic position, although he is said to take a more flexible view of JSDF deployments that are not under direct U.N. mandate.<sup>4</sup>

The DPJ promotes a reformist domestic agenda for Japan that stresses government decentralization and a broader social safety net for citizens. The party's "Basic Policies" and campaign manifestos call for improving transparency, efficiency and accountability in government. One main objective is to bolster the decision-making authority of Japan's Cabinet over the powerful bureaucracy, thus reversing the established power dynamic in which many policy decisions rest in the hands of the bureaucrats, not the politicians. Another plan that emerged from the Lower House campaign is the creation of a National Strategy Bureau under the prime minister's office that would provide top-down direction over the national budget and other domestic policies. The DPJ believes that a "regime change" in Japan will reduce the influence of vested interests over policymakers and lead to a more dynamic and decentralized nation that is better prepared to handle future challenges.

Although the DPJ's reform agenda appeals to many Japanese voters, the party is often criticized for lacking details about how it will finance and implement its proposals. This is particularly true of its plans to reform the domestic economy and social welfare system. The party wants to transform Japan's highly regulated, export-oriented economy into a deregulated economic system propelled by consumer-led growth. As part of the DPJ's two-year ¥21 trillion (\$218 billion) stimulus proposal, household disposable income would be increased through tax cuts and payment transfers.<sup>5</sup> Income support for struggling workers, as well as sweeping health-care and pension reforms, are also proposed. The DPJ claims that it will offset the cost of these programs by trimming the national budget and eliminating wasteful spending, but it has been criticized for lacking details about how its programs will be paid for over the long-run. With Japan's public sector debt approaching 200% of GDP this year, there are outstanding concerns about the nation's long-term budgetary health.

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<sup>4</sup> The party's mainstream members appear to support the provision that foreign JSDF missions should only be carried out under UN mandate. However, hawkish elements of the party believe that such a provision would, in effect, give UN Security Council members such as China and Russia veto power over JSDF overseas operations.

<sup>5</sup> Democratic Party of Japan, "'Economic and Financial Crisis Measures': Opening up a Path Towards the Future by 'Putting People's Lives First,'" November 5, 2008, [http://www.dpj.or.jp/english/financial/f\\_crisis.html](http://www.dpj.or.jp/english/financial/f_crisis.html)

## Implications for the United States

The political changeover in Tokyo following the August 30 elections represents something of a watershed moment for U.S.-Japan relations. Cooperation between Washington and previous LDP-backed governments has been virtually unbroken for much of the postwar period. Many experts believe that the high point of bilateral relations occurred earlier this decade, partly as a result of the close personal rapport between former President George W. Bush and former LDP Prime Minister Junichiro Koizumi, which set the tone for close working-level coordination between their two governments. In the wake of the 9/11 terrorist attacks, the Koizumi government stated its unequivocal support for the United States and took unprecedented steps to provide rear-area assistance for U.S.-led anti-terror operations in Afghanistan. In 2003, Koizumi dispatched ground and air units of the JSDF to contribute to humanitarian reconstruction efforts in Iraq. These measures were followed by major bilateral agreements in 2005 and 2006 to “transform” the U.S.-Japan alliance in order to meet emerging security challenges.<sup>6</sup> The DPJ has often expressed skepticism, and at times outright opposition, to many of these bilateral security initiatives, giving rise to questions among many U.S.-based experts as to the potential impact a DPJ government might have on the U.S.-Japan alliance. These concerns are compounded by a relative lack of

### DPJ Foreign Policy Goals

Develop proactive foreign policy strategies and build a close and equal Japan-U.S. alliance.

Establish intra-regional cooperative mechanisms in the Asia-Pacific region with the aim of building an East Asian Community.

Ensure that North Korea halts development of nuclear weapons and missiles, and makes every effort to resolve the abduction issue.

Play a proactive role in UN peacekeeping operations, liberalization of trade and investment, and the fight against global warming.

Take the lead to eradicate nuclear weapons, and remove the threat of terrorism.

Source: 2009 DPJ Manifesto

familiarity between DPJ leaders and counterparts in the United States, although interaction between both sides has increased in the months leading up to this year's Lower House elections.<sup>7</sup> A review of stated DPJ foreign policy positions indicates some areas of concern for U.S. interests, but does not rule out potential avenues for enhanced bilateral cooperation with the incoming DPJ-led government.

### The DPJ Position on the U.S.-Japan Alliance

The DPJ has often sent conflicting signals about its approach toward the U.S.-Japan alliance—a result of intra-party ideological divisions, past attempts to differentiate itself from the LDP, and episodic statements about the alliance by party leaders. The

party's acknowledgment of the bilateral alliance as the center of Japanese national security policy is a tacit endorsement of the U.S. alliance system. However, the DPJ has not provided a clearer definitional explanation of what a more “independent” and “equal” alliance relationship with the United States actually signifies. Although these statements do not advocate a strategic disengagement from the United States, at the very least, they suggest apprehension concerning perceived inequities in the alliance structure. Some analysts interpret the DPJ's call for greater independence as a desire to avoid Japanese entanglement in the U.S. global strategy, especially in

<sup>6</sup> For more on the alliance transformation, see CRS Report RL33740, *The Changing U.S.-Japan Alliance: Implications for U.S. Interests*, by (name redacted) and (name redacted).

<sup>7</sup> Secretary of State Hillary Rodham Clinton met with Ichiro Ozawa and other DPJ leaders during her trip to Tokyo in February 2009. This was followed by high-level meetings between U.S. officials and party leaders in subsequent months.

activities that may involve financial or military contributions to U.S.-led operations.<sup>8</sup> The party sharply denounced former Prime Minister Junichiro Koizumi for supporting the U.S. invasion of Iraq in 2003, in what it saw as Japanese cooperation with “unilateralist” U.S. policies.<sup>9</sup> Another interpretation of independence, as offered by some DPJ officials, is a desire for Japan to take greater initiative in international affairs, as opposed to merely reacting to policy directions from Washington. Nonetheless, past legislative actions and policy statements by the DPJ demonstrate the party’s opposition to certain alliance management issues and U.S.-led military operations. Specifically, the party has in the past:

- Opposed the February 2009 U.S.-Japan Guam accord that pledges to implement the transfer of 8,000 U.S. Marines from Okinawa to Guam. In April 2009, the DPJ-led Upper House voted against the accord (it was eventually passed by the more powerful Lower House). The DPJ opposed the associated relocation of U.S. Marine Corps Air Station Futenma to Nago, instead calling for the air station to be moved “outside” of Okinawa.
- Defeated implementing legislation in the Upper House that temporarily suspended, in November 2007, the Maritime Self-Defense Force (MSDF) deployment to the Indian Ocean to refuel coalition ships involved in Operation Enduring Freedom (OEF) in Afghanistan.
- Promised a “drastic” review of Tokyo’s estimated \$4 billion per year Host Nation Support (HNS) for U.S. forces stationed in Japan.
- Proposed comprehensive revisions to the U.S.-Japan Status of Forces Agreement (SOFA) in order to make the alliance more “equal.”

DPJ leaders have also, at times, made remarks that cast doubt about their commitment to the alliance. In February 2009, Ichiro Ozawa sparked controversy when he told reporters that Japan should seek an “equal” alliance with the United States by reducing the U.S. force presence in Japan to all but the U.S. 7<sup>th</sup> Fleet, based in Yokosuka, Kanagawa Prefecture. The remark was widely interpreted as advocating the withdrawal of the thousands of other U.S. military personnel based in Okinawa and other parts of Japan. Ozawa later modified his statement by suggesting that U.S. forces in Japan should only be drawn down as the SDF shoulders greater responsibilities for defending the homeland against outside threats.<sup>10</sup>

Despite these concerns, many of the DPJ’s past objections to the bilateral alliance have been viewed as opposition to LDP policies rather than anti-U.S. positions per se. As the party campaigned to broaden its support base prior to the Lower House elections, the DPJ appeared to moderate some aspects of its message on the United States, although it still sent conflicting signals about key alliance issues. In mid-July, DPJ President Hatoyama announced that he would not seek to end the Anti-Terrorism Special Measures Law that authorizes the MSDF refueling mission in the Indian Ocean before the bill expires in January 2010. The DPJ had previously

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<sup>8</sup> See Leif-Eric Easley, Tetsuo Kotani and Aki Mori, “Electing a New Japanese Security Policy?: Examining Foreign Policy Visions within the Democratic Party of Japan,” *Asia Policy*, January 2009 (advance copy). The authors further contend that “A DPJ government will maintain the [U.S.-Japan] alliance, but may revise down the LDP goal of a global security partnership, limiting the scope of the alliance to Japan’s defense and regional stability.”

<sup>9</sup> Democratic Party of Japan. *DPJ Present Position on the Iraqi Issue*, February 14, 2003, <http://www.dpj.or.jp/english/news/030224/02.html>

<sup>10</sup> Sneider, Daniel, “Ozawa in his own words,” *The Oriental Economist*, June 2009.

promised to terminate the mission at the earliest opportunity.<sup>11</sup> The party also toned down its demands to “drastically” revise the current SOFA and HNS agreements with the United States, instead proposing a more ambiguous review of the bilateral agreements in its campaign manifesto. As the party transitions to take control of the government, it has left many questions about whether, and to what extent, it plans to change Japan’s relations with the United States.<sup>12</sup>

## **Other Implications for U.S. Interests**

As a way of asserting greater independence in foreign policymaking, some elements in the DPJ call for a UN-centered diplomacy and closer ties with Asia. Although this shift could ostensibly reposition Japanese diplomacy away from the United States, it may not necessarily portend a divergence from broader U.S. goals and interests over the long-term. The DPJ, at least in rhetoric, supports a more active international role for Japan through United Nations peacekeeping operations (UNPKO) and other UN-sanctioned activities that are largely consonant with U.S. foreign policy goals and interests.

The DPJ’s position on foreign deployments was put to test during the last Diet session (ending on July 21), when the Aso Cabinet introduced two new bills that would allow Japanese Coast Guard and MSDF vessels to take part in overseas anti-piracy and interdiction operations sanctioned by the UN Security Council.<sup>13</sup> Although the DPJ ultimately opposed both bills due to domestic political considerations, the measures caused considerable debate between conservative and liberal wings of the party. In the end, the party qualified its opposition to the bills by agreeing in principle to the purpose and legitimacy of the UN-sanctioned operations.<sup>14</sup> Some experts believe that the DPJ will vote to approve similar measures once it becomes the main governing party of Japan.<sup>15</sup>

## **Afghanistan**

There has been considerable debate within the DPJ on enhancing Japan’s role in the stabilization of Afghanistan. The party has publicly opposed Japan’s involvement in the U.S.-led Operation Enduring Freedom (OEF), since the U.N. Security Council has not explicitly sanctioned the operation. However, Ichiro Ozawa and other party members have advocated dispatching SDF

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<sup>11</sup> In contrast to the 2007 DPJ Manifesto, which firmly states the party’s opposition to the Indian Ocean mission, the 2009 Manifesto makes no mention of the operation. Many experts still do not expect the DPJ to renew the Indian Ocean refueling bill after the law expires next year.

<sup>12</sup> In a controversial article published in English a few days before the Lower House elections, Yukio Hatoyama railed against “U.S.-led globalism” and appeared to some observers to minimize the importance of the U.S.-Japan alliance. See [http://www.nytimes.com/2009/08/27/opinion/27iht-edhatoyama.html?\\_r=1&scp=1&sq=hatoyama&st=cse](http://www.nytimes.com/2009/08/27/opinion/27iht-edhatoyama.html?_r=1&scp=1&sq=hatoyama&st=cse).

<sup>13</sup> One bill, which was eventually passed in the Lower House, permits Japanese Coast Guard and MSDF vessels to engage in anti-piracy operations in the Gulf of Aden and other international waters. The other bill, which was not voted on, was to approve Japan’s participation in enforcing UN Security Council Resolution 1874, calling for member states to inspect the cargo of North Korean vessels suspected of shipping illicit weapons. Hawkish members of the DPJ, including Akihisa Nagashima and Seiji Maehara, were early proponents of the bills, but were outnumbered by party members who opposed the measures.

<sup>14</sup> See, for instance, “Anti-piracy legislation rejected by Upper House,” June 19, 2009 at <http://www.dpj.or.jp/english/news/index.html?num=16326>.

<sup>15</sup> The *Yomiuri Shimbun* reports on September 2, 2009, that the DPJ, as one of its first pieces of legislation as main ruling party, is planning to introduce a bill permitting Japanese inspections of North Korean cargo ships in line with U.N. Security Council Resolution 1874. See <http://www.yomiuri.co.jp/dy/national/20090902TDY02311.htm>.

troops for peace-building operations in Afghanistan as long as the mission operates under the UN-mandated International Security and Assistance Force (ISAF). Ozawa's resignation as party president this spring appears to have set back momentum for the proposal within the party. The DPJ's 2009 "Policy Index" (a detailed blueprint for the party's campaign manifesto) drops any direct mention of Afghanistan, instead promising that Japan will play an active role in reconstructing impoverished states that are breeding grounds for terrorist activities. There are signs, however, that the party leadership is considering alternative proposals for on-the-ground assistance in Afghanistan, such as vocational training programs and other non-combat reconstruction efforts.

## **Regional Diplomacy**

Interest in increasing Japan's participation in Asian regional institutions and other initiatives to enhance regional cooperation is another indication of the DPJ's desire for a more independent relationship from the United States. The party's call for Japan to become a full "member of Asia" suggests a departure from what the DPJ has characterized as the LDP's over-emphasis on relations with the United States, but appears to fall short of a more strategic shift to replace the U.S.-Japan alliance with an alternative regional security arrangement. Instead, the party views Japan's role in helping to create an "East Asian Community" as an opportunity to assert leadership outside the context of the U.S.-Japan alliance.<sup>16</sup> DPJ leaders have emphasized that regional institutions also provide a multilateral framework for engaging China and managing its rising influence on the world stage. It should be acknowledged that even under LDP rule, Japan has long been an active participant in all of the major regional fora, such as the ASEAN Regional Forum (ARF), the Asia Pacific Economic Cooperation (APEC) forum, and the East Asia Summit. Exactly how the DPJ intends to alter the character of Japan's participation in these regional meetings is not clear.

Despite the DPJ's stated interest in greater policy independence from the United States, its emphasis on enhanced regional relations largely complements U.S. policies for maintaining peace and stability in East Asia. In particular, the party proposes stronger ties with China and South Korea through deeper economic integration and enhanced diplomatic engagement. It advocates "constructive dialogue" to resolve contentious territorial disputes with the two mainland countries.<sup>17</sup> The DPJ also believes it can restore trust with its neighbors by admitting to Japanese aggression during World War II. Party leaders vow not to make official visits to Yasukuni Shrine, where 14 Class-A war criminals from the World War II era are honored. Past visits to the shrine by LDP prime ministers have triggered sharp reactions from Beijing and Seoul that have raised concerns in Washington about tension in the region.

## **North Korea (DPRK)**

While it was the main opposition party, the DPJ was reluctant to criticize the LDP's hard-line approach toward North Korea due to public outrage at Pyongyang. North Korea's abduction of Japanese nationals in the 1970s and early 1980s and repeated acts of nuclear brinkmanship have become politically charged issues in Japan—often restricting Tokyo's options for negotiating with

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<sup>16</sup> It is uncertain whether the party, as a whole, envisions U.S. inclusion in a potential East Asian Community.

<sup>17</sup> Japan has ongoing disputes with South Korea on sovereignty over the Takeshima islands (known as Dokdo islands in Korean), and with China on the Senkaku islands (or Diaoyutai islands in Chinese) and areas in the East China Sea.

North Korea. The DPJ, in turn, has strongly condemned recent North Korean nuclear tests and missile launches, and supports Japan's cooperation with the United States and other nations in the Six-Party Talks aimed at denuclearizing the Korean Peninsula. Following North Korea's May 2009 nuclear test, the DPJ issued a statement in support of UN Security Council Resolution 1874, which authorizes strict new sanctions against the regime.<sup>18</sup> In June, DPJ President Yukio Hatoyama told reporters that he supported the possible reinstatement of North Korea to the U.S. State Department's list of state sponsors of terrorism as punishment for Pyongyang's recent provocations. North Korea was removed from the list in October 2008, after agreeing at the time to allow inspections of its nuclear facilities and take other actions toward denuclearizing the Korean Peninsula.

## **Climate Change**

The DPJ's relatively progressive policy agenda in other areas also parallels some of the Obama Administration's global initiatives. One such area is the effort to prevent global warming, one of the party's core agenda items. The party's 2009 Manifesto calls on Japan to take a leadership role in environmental diplomacy and to encourage the United States and other "major emitter nations" to concede to new emissions standards under a post-Kyoto protocol framework. Among other measures called for in the Manifesto, the party proposes to reduce Japan's greenhouse gas emissions to 25% below 1990 levels by 2020, and to introduce a U.S.-style cap-and-trade system for domestic industrial polluters. As with previous LDP governments, the DPJ-led government would likely welcome the Obama Administration's expected support for more ambitious international action on climate change in preparation for the UN climate change conference in Copenhagen this December.

## **Nuclear Issues**

The DPJ and the Obama Administration share overlapping core principles on nuclear disarmament and non-proliferation, although with important differences. The party has made clear its staunch support for Japan's long-held Three Non-Nuclear Principles: not to possess, produce, or transit nuclear weapons on Japanese territory. President Obama's April 2009 speech in Prague on a "nuclear-free world" was seen by the DPJ as a rallying call for Japan to take a leading role in strengthening the Nuclear Non-Proliferation Treaty (NPT).<sup>19</sup> The DPJ's rigid adherence to nuclear disarmament principles, however, differs from U.S. policies that allow for some flexibility, such as the 2005 atomic energy agreement between India and the United States.<sup>20</sup> Further, several party leaders, including Katsuya Okada and Yoshio Hachiro, advocate a "nuclear-free zone" in Northeast Asia that to some extent contradicts Japan's reliance on the U.S. extended nuclear deterrent.<sup>21</sup> The recent disclosure of a secret agreement between Tokyo and Washington allowing U.S. nuclear-armed vessels into Japanese ports, in violation of Japan's Three Non-Nuclear Principles, has focused media attention on the DPJ's response to the issue as it

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<sup>18</sup> Democratic Party of Japan, "Statement on approval of new UN Security Council resolution against North Korea," June 13, 2009 at <http://www.dpj.or.jp/english/news/index.html?num=16239>

<sup>19</sup> See the 2009 DPJ Policy Index (in Japanese) at <http://www.dpj.or.jp/policy/manifesto/seisaku2009/index.html>.

<sup>20</sup> The DPJ Policy Index asserts that the U.S.-India nuclear agreement sends "the wrong message" to states, such as Iran and North Korea, that pursue nuclear programs outside the conventions of the NPT.

<sup>21</sup> Hachiro was previously named the "shadow foreign minister" in a hypothetical DPJ Cabinet lineup, although the actual Cabinet ministers may now change. Media reports in early September state that Okada, known as a defense dove, has been chosen to head the foreign ministry.

maneuvers to take control of the government.<sup>22</sup> It remains to be seen whether some members of the DPJ will modify their position on nuclear arms to accommodate the U.S. nuclear umbrella in light of the North Korean nuclear program and other regional security threats.

## **Economic Policies**

The DPJ's economic policy offers possibilities for cooperation as well as potential conflict with U.S. interests. The party's ¥21 trillion (\$218 billion) stimulus plan and emphasis on a consumer-oriented economy parallel the Obama Administration's effort to encourage foreign governments to support recovery from the global financial crisis through expanded public spending and policies that encourage domestic consumption. In that vein, it is possible that the DPJ's plan to shift Japan away from an export-driven economy by supporting household demand might boost imports of U.S. goods and services—especially if it is accompanied by the deregulation that the DPJ has, at times, suggested it would pursue.

In the past, the DPJ has largely supported a free-trade agenda, although the party is increasingly cognizant of protecting domestic agriculture and labor interests. The party has previously called for Japan to pursue bilateral economic partnership agreements (EPA) and free trade agreements (FTA), as well as promote global trade and investment through the successful conclusion of World Trade Organization (WTO) Doha Round negotiations. In what was widely considered a cooperative gesture toward the United States, the 2009 party Manifesto calls for the creation of a U.S.-Japan Free Trade Agreement.<sup>23</sup> It is not clear, however, that the DPJ would be prepared to consider the kinds of liberalization in sensitive agricultural sectors that would likely be required to negotiate an FTA with the United States.

Indeed, several aspects of the DPJ economic policy agenda indicate potentially troubling signs for U.S. commercial interests. As the party has expanded its voter support base from urban to rural districts, agriculture policies that protect domestic farming interests have become an increasingly prominent feature of the party platform. Tokyo's long-held protection of the agriculture sector is widely acknowledged as a major impediment to Japan's ability to play a more constructive role in multilateral trade negotiations, including the ongoing WTO Doha Round. Of particular concern to U.S. food exporters is the DPJ's call for severe restrictions on U.S. beef imports in response to Japan's BSE (Bovine Spongiform Encephalopathy, otherwise known as "mad cow disease") scare. In the past, the party has called for a complete ban on U.S. beef imports as well as strict inspection laws that may continue to restrict future U.S. beef sales in Japan.

## **Post-Election Prospects**

The implications of the DPJ's victory in the Lower House elections are wide-ranging and significant. At the very least, the political turnover in Tokyo has broken the half-century of near continuous LDP rule and has to some degree changed the face of Japan's political class—the elections increased the total number of female lawmakers in the Lower House from 43 to 54 (11.25% of the chamber) and brought in 158 first-time lawmakers from all parties to the chamber.

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<sup>22</sup> See "DPJ gov't an opportunity for Japan to step out from U.S. skirts," *The Mainichi Daily News*, July 25, 2009.

<sup>23</sup> See the DPJ's 2009 party Manifesto at <http://www.dpj.or.jp/english/manifesto/manifesto.html>. In response to criticism from domestic agriculture interests, the party revised the Manifesto to tone down the promise of concluding a FTA with the United States, instead suggesting that it will pursue talks on a bilateral trade agreement with Washington.

But the DPJ's ability to implement its campaign promise of "regime change" and other reforms is likely to encounter several challenges. Many experts believe that the structural realities of the Japanese political system will force the DPJ to compromise on many of its boldest proposals. Regardless of the DPJ's overwhelming victory, it must continue to depend on a coalition with the Social Democratic Party (SDP) and the People's New Party (PNP) to control the Upper House of the Diet. The leftist SDP and the anti-reform PNP will likely exert some influence on DPJ decision-making—further stretching the already fragmented party in opposite ideological directions—although far less so now that it has gained an overwhelming majority of seats in the Lower House. The LDP and New Komeito coalition, now in the opposition, is severely weakened but may regroup to mount a significant challenge to DPJ-led policies and legislation.<sup>24</sup>

Several key developments will be of importance for U.S. policymakers to monitor in the near- to mid-term. The first is the immediate transition of power from the LDP- to DPJ-led government and other related issues. Top DPJ officials have reportedly met with LDP counterparts to coordinate the transition, and the DPJ is in the final stage of discussions with leaders of the SDP and PNP to solidify their participation in a coalition government.

According to Japanese media reports, Hatoyama has begun making initial selections of key party posts and Cabinet positions. The DPJ's strong showing in the August 30 elections gives Hatoyama relatively free rein to select a Cabinet without significant input from the SDP or PNP, the DPJ's probable coalition partners. The still unconfirmed Cabinet lineup includes several top party members with ruling party experience such as Naoto Kan (the likely state strategy minister and deputy prime minister), Hirohisa Fujii (finance minister), and Katsuya Okada (foreign minister).<sup>25</sup> The Cabinet will be officially formed in mid-September, when a special session of the Diet will be called (September 16-19) to vote on Hatoyama's presumed appointment as prime minister.

A related issue involves Ichiro Ozawa's role in the party. Ozawa was instrumental in recruiting many members of the incoming class of DPJ lawmakers and was the mastermind in orchestrating the party's eventual accession to power. Due to health reasons, he was ruled out as a contender for the premiership or as a possible Cabinet minister. According to reports, Ozawa has been named the DPJ secretary general and will remain a behind-the-scenes player and principal campaign strategist in preparation for next year's Upper House elections, which are likely to be held by July 2010.<sup>26</sup>

A second important trend to monitor is party cohesion over the mid- to long-term. The otherwise deeply divided DPJ, it is generally believed, was united by a common objection to the LDP and its policies. With the victory over the LDP, opposition to the ruling coalition is no longer a unifying factor for the DPJ. The party leadership may be challenged to maintain party cohesion beyond the Lower House elections and through future legislative battles in the Diet. A great deal may depend on whether party leader and presumed next prime minister, Yukio Hatoyama, will be able to command loyalty among the party's ideologically diverse rank-and-file, while also

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<sup>24</sup> Many prominent members of the LDP and Komeito lost their seats in the August 30 elections, raising questions about who will lead the respective parties back to strength. The LDP will hold an internal vote on September 28 to elect a new party chief.

<sup>25</sup> "DPJ heavyweights set for key posts," *Asahi Shimbun*, September 7, 2009.

<sup>26</sup> See "Election 2009/ DPJ prepares for government/ Top brass discuss Cabinet makeup; Hatoyama woos SDPJ, PNP," *The Daily Yomiuri*, September 1, 2009. For more on Ozawa, see Tobias Harris, "Japan's New Shadow Shogun," *Foreign Policy*, August 27, 2009.

managing a disjointed coalition with the SDP and PNP. It also remains to be seen whether Ozawa and his numerous followers in the Diet will remain part of the mainstream DPJ or will congeal into a faction that leads to deeper intra-party divisions.

Of primary concern to U.S. policymakers will be the DPJ-led government's eventual position on the U.S.-Japan alliance—somewhat of an open question given the party's inconsistent signals on the bilateral alliance. Although party leaders make a point of highlighting the centrality of the alliance with the United States, they continue to criticize many aspects of the bilateral security arrangement. Analysts believe that the DPJ-led government will put off addressing alliance-related issues to focus initial attention on economic and administrative reforms.<sup>27</sup> U.S. officials will nevertheless closely monitor DPJ policies regarding the following key alliance issues:

- Base realignment plans, including the relocation of Futenma and implementation of the Guam accord. Under the current agreement, the Futenma relocation must precede the transfer of U.S. Marines to Guam.
- Host Nation Support (HNS) and the Status of Forces Agreement (SOFA).
- Renewal of the Anti-terrorism Special Measures Law permitting MSDF refueling missions in the Indian Ocean after the law expires in January 2010.

The DPJ's handling of the Japanese economy, still one of the world's largest, is also a major concern to U.S. policymakers, as with Japanese voters. Japan is in the midst of its worst recession since the end of the Second World War, and its GDP is expected to shrink by 6.2% this year.<sup>28</sup> Now in power, the DPJ's ¥21 trillion stimulus package will be put to the test, including the promise to raise household disposable income and shift the economy to rely more on domestic consumption—all while setting out a medium and long-term strategy to slow the growth of Japan's burgeoning public sector debt. Combined with the costs associated with Japan's aging society, public sector debt would present additional challenges to the Japanese system if left unchecked. Japan's trade policy may also be a concern if the DPJ government implements its recent proposals to explore new free trade agreements with the United States and other countries, or whether it reverts to protectionist policies that shield certain domestic sectors from foreign competition.

Finally, a significant benchmark for the DPJ government will be its ability to carry out major administrative reforms, including its plan to overhaul the political-bureaucratic power structure in Japan. Although it is widely agreed that this structure needs to be replaced by a more effective system, the DPJ will need to carry out administrative reforms in a way that does not ultimately damage Japan's governing institutions. Indeed, even if a dramatic transformation of the government is achieved, the DPJ will still require cooperation from the bureaucracy to implement policies. Striking the right balance between reform and restraint will be an important test of the new government's ability to manage Japan for the first time in history.

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<sup>27</sup> Watanabe, Tsuneo, "A Watershed Election and Its Policy Implications," The Tokyo Foundation, July 24, 2009.

<sup>28</sup> Economist Intelligence Unit, *Japan Country Report*, August 2009.

## Conclusion

The political changeover in Japan requires the United States to cooperate with a new and largely unfamiliar government in Tokyo. Several upcoming high-level events, such as the opening session of the U.N. General Assembly and the G20 summit, both in September, and a planned U.S.-Japan bilateral summit in Tokyo this November, may present President Obama with multiple opportunities to interact with the new Japanese prime minister in the coming months. It remains to be seen whether the two leaders will see eye to eye on strengthening the U.S.-Japan alliance and enhancing bilateral cooperation to confront a range of global challenges. In a statement released shortly after the August 30 Lower House elections, the White House stated its confidence that the close partnership between Japan and the United States will continue to flourish under the new leadership in Tokyo.<sup>29</sup>

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<sup>29</sup> See "Statement by the Press Secretary on Parliamentary Elections in Japan," The White House, August 30, 2009.

## **Appendix. Upcoming Events**

August 30, 2009	DPJ defeats LDP in Lower House elections to become Japan's main ruling party
September 16-19, 2009	Current prime minister Taro Aso to resign; special session of the Diet to convene to elect new Japanese prime minister and Cabinet
September 23, 2009	Japanese prime minister to attend start of U.N. General Assembly debate in New York (tentative)
September 24-25, 2009	Japanese prime minister to attend G20 summit in Pittsburgh (tentative)
September 28, 2009	LDP scheduled to elect new party chief to succeed former Prime Minister Taro Aso
October 2009	Extraordinary Diet session (tentative)
November 2009	President Obama scheduled to visit Japan for bilateral summit with Japanese leader
January 2010	Regular Diet session
July 2010	Japanese Upper House elections to be held by July 2010
November 2010	Japan to host 2010 APEC summit in Yokohama, Japan

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