

**Aurora Macro Strategies – The Japanese political system enters a new era
November 13, 2024**

Key takeaways:

- *In its negotiations with opposition parties, the Liberal Democratic Party (LDP) has conceded that it no longer can dominate policymaking as it did after returning to power in 2012.*
- *This more consensual arrangement could function in the near term, but it will likely be vulnerable to domestic and international shocks, suggesting that it may be only a temporary solution.*

The Tearsheet

- As Japan's political parties prepare for the start of a special session of the Diet on 11 November, the political system has begun adjusting to the outcome of the 27 October general election.
- The “2012 system” – in which the Liberal Democratic Party (LDP) and Kōmeitō together used enormous parliamentary majorities in both chambers and an executive bolstered by administrative reforms to advance an agenda with minimal concessions to enfeebled opposition parties – is gone.
- In place of this strongly majoritarian system a more consensual system is taking form, in which the LDP and Kōmeitō will control the executive by virtue of their numerical strength but will be unable to govern without the consent of opposition parties.
- The new arrangement is unlikely to be particularly energetic or stable, though both ruling and opposition parties are working to avoid absolute parliamentary gridlock. Still, it is likely that rather than marking the beginning of a new system for governing Japan, this is a temporary fix, vulnerable to tactical shifts by key players in the major parties or economic or foreign policy shocks.

1. The CDP's role in the lower house

- The most important indicator of the new system is not the negotiations between the government parties and the Democratic Party for the People (DPFP), though these talks will be important for determining the content of supplemental and general budgets and other policies. Rather, when the LDP decided on 7 November to concede the chair of the budget committee in the House of Representatives to the Constitutional Democratic Party (CDP), it acknowledged that as a minority government it no longer has a monopoly on power.
- The lower house's budget committee is a major prize for the CDP. It is no ordinary parliamentary committee. In a legislature that operates through its committees, the budget committee is the most important of all. Its remit starts with reviewing budgets, both the general and supplemental budgets, but goes significantly further. It is the primary venue for debates between party leaders and the place where the prime minister and cabinet ministers are made to answer for scandals.
- With the CDP in the chair, the party will have significant control over a scarce resource, parliamentary time, and will have the ability to influence how the prime minister and cabinet ministers spend their time.

- To be sure, the CDP will be expected to wield this power responsibly and would likely suffer public opprobrium if it were overly obstructionist in its management of the budget committee and the five other standing committees it will chair.
- Its choice for chair of the committee – Azumi Jun, a former finance minister and the CDP’s former parliamentary strategy chief – suggest a seriousness in the CDP’s approach. But placing control of the budget committee in the hands of the largest opposition party is nevertheless a major indicator that Japan’s political system will function differently.
- Beyond the budget committee, the CDP will use its control of other committees to advance its legislative priorities and generally shift the locus for policymaking from the cabinet and ruling parties to the Diet. CDP leader Noda Yoshihiko said, for example, that he wanted to use the CDP’s leadership of the judicial affairs committee to move legislation on allowing spouses to have separate surnames, reform that is broadly supported by opposition parties (and Kōmeitō) but which has been blocked due to opposition within the LDP.

2. The DPFP’s swing position

- While the CDP’s negotiations with the LDP yielded a major institutional prize, the DPFP with its twenty-eight seats is pressing the LDP for significant policy concessions in order to ensure that the government can pass supplemental and general budgets over the next six months.
- What is notable in the DPFP’s negotiations with the LDP and Kōmeitō is that it has been resolute in not acting as a de facto coalition partner. The party has made significant demands focused on its determination to raise take-home pay, most notably by lifting the income tax exemption from JPY 1.03mn (USD 6,744) to JPY 1.78mn (USD 11,654) – the so-called “1.03 million yen barrier” – that discourages part-time workers, particularly young part-time workers, from working more so as to avoid increasing their, or in the case of young part-timers who are still dependents, their parents’ tax burdens.
- The government parties and the Ministry of Finance have responded that this could cost more than JPY 7tn (USD 45.8bn) in tax revenue; DPFP leader Tamaki Yūichirō and his colleagues have retorted that it is up to the government to figure out how to finance the tax change.
- The party has other priorities, particularly reducing gasoline taxes, but in the immediate term the DPFP is focused on tax reforms that affect take-home pay, and is looking to introduce new tax incentives as soon as possible, perhaps even applying retroactively to 2024 income.
- As the DPFP’s response suggests, it will not serve as a parliamentary rubber stamp for the LDP and Kōmeitō. As Tamaki reiterated on a podcast on 8 November, if the 1.03 million yen barrier is not lifted, the DPFP will not support the FY2025 general budget.
- The party, buoyed by the significant increase in its absolute and relative vote and its larger parliamentary presence, is determined to show its supporters that it is maximizing its leverage and will not compromise for its own sake.
- Both the LDP and Kōmeitō have responded positively, with Kōmeitō indicating that it shares the DPFP’s desire to raise take-home pay and the LDP beginning a debate on the DPFP’s proposals in its tax commission.
- In short, the DPFP has a seat at the government’s policymaking table and will enable Prime Minister Ishiba Shigeru to be selected as prime minister on 11 November but is making few concessions to the ruling parties.

- It is also not going to be an easy partner for the CDP and other opposition parties. While opposition parties will work together to push for further political reform legislation, the working relationship between the CDP and the DPFP is not frictionless, despite their common origins in the former Democratic Party of Japan (DPJ) and their sharing the backing of organized labor.
- Tamaki declined to join the CDP in 2020 along with some of his colleagues, citing the party's lack of realism in energy and security policy, and has expressed some bitterness over how the CDP approached discussions of coordination ahead of the October general election.
- Whether they can heal the rift will be particularly important not only for managing parliamentary business but also for next year's upper house elections. Noda has said that he wants to coordinate on candidates in the upper house's single-member constituencies, which strongly influence the outcome of upper house elections, but it will take significant effort to realize an alliance.

3. Weaker leaders

- The third hallmark of the new political system is turmoil within both government and opposition parties. While Tamaki's and Noda's positions are secure, their counterparts in the LDP, Kōmeitō, and Ishin no Kai are not, as they are either being replaced or in danger of being replaced.
- In the LDP, Ishiba's position is secure in the immediate term, the party having little appetite for a leadership fight when the country faces significant domestic and international challenges. Takaichi Sanae, runner-up in the LDP's September leadership election and effectively the leader of the party's conservative anti-mainstream wing, met with her closest allies on 5 November and reportedly told them that "now is not the time to play politics by criticizing the party leadership."
- Nevertheless, at a meeting of LDP parliamentarians on 7 November to discuss the results of the general election, some lawmakers suggested that Ishiba may eventually have to take responsibility and resign, perhaps as early as after the passage of a supplemental budget later this year and certainly before the upper house campaign next year.
- With Takaichi not pushing for Ishiba's replacement and none of Ishiba's other rivals stepping forward to call for his ouster, Ishiba will remain in power. But the clock will be ticking. If the LDP's support remains diminished, if Ishiba struggles to manage policymaking at the head of the minority government, or if he looks particularly unsuited for the task of managing a second Trump administration, an anti-Ishiba movement could coalesce quickly.
- Meanwhile, Ishin no Kai, having experienced a significant electoral setback, will be choosing a new leader for its national wing. The party announced that it would hold a leadership election on 1 December, and party leader Baba Nobuyuki promptly announced on 6 November that he would not seek reelection.
- Soramoto Seiki, an Ishin lawmaker from Hiroshima, has said he wants to run; others are hoping that Osaka Governor Yoshimura Hirofumi, Baba's co-leader, will run. Whoever succeeds Baba will have to grapple with the utter failure of the party's efforts to expand its electoral base beyond greater Osaka, determine what role Ishin (with its thirty-eight seats) will play in the new parliamentary regime, and how the party should approach next year's upper house elections, issues that will not be easily resolved.

- Finally, Kōmeitō, forced to pick a new leader after its newly elected leader Ishii Keiichi failed to win a seat, has quickly selected a new leader, Saitō Tetsuo, a veteran party leader and cabinet minister.
- However, Saitō not only has to reckon with the challenges of being part of a minority government but also has to guide his party through its own existential crisis following the prolonged decline in its electoral machine.
- The party's alliance with the LDP will continue for now, but their partnership is under strain and Saitō will have to face questions from the party's grassroots as to whether the costs of the coalition with the LDP outweigh the benefits.

4. Policy implications

- It will take time for the policy implications of this new system – if it is in fact durable enough to merit the title – to be clear. It would be premature to say that the most likely outcome is gridlock. The government parties, in their negotiations with both the DPFP and the CDP, have recognized that they have to make significant concessions to both in order to manage the most critical business of government, particularly passing budgets.
- But the introduction of opposition parties into the policymaking process will necessarily make the process take longer. The smooth, decisive, and energetic decision-making that characterized the 2012 system is gone. And, as the CDP's control of the budget committee suggests, the prime minister and his cabinet will be spending more of their time on parliamentary debate and inter-party negotiations.
- Of course, it is probable that this arrangement will just be an interregnum. Noda has already hinted at his desire for a “double election” – a snap general election to coincide with upper house elections next summer – which the CDP could bring about if enough opposition parties were to support a no-confidence motion.
- There are numerous points of failure in the new system, whether the DPFP's intransigence, the CDP's control of the budget committee, Ishiba's tenuous position within the LDP, or the LDP's still-falling (and the DPFP's surging) approval ratings. Add the possibility of an external shock from the incoming US administration on trade or security and this new arrangement could topple.



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