



Japan toys with idea of a “Grand Coalition”

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Summary

The grand coalition can be formed only after the resignation of Kan. There is no clear definition of a grand coalition. In simple terms, it means that two major parties in the Lower House should come together to form a coalition. In Japan's case, the DPJ and the LDP should form the coalition, thereby creating an overwhelming majority. However, there could be two kinds of grand coalition: one with the support of the entire nation during national emergencies such as war and natural disasters; the other can be in peace time such as during an economic crisis. Yet, a third situation may trigger a grand coalition when the leading party and the party with the second largest majority join together to form a government with the sole objective of excluding either the ultra-rightist or the ultra-leftist parties.

However, a grand coalition without a prior agreement on what policy measures should be realised and how long the coalition would continue may not succeed. Even if a grand coalition comes to fruition, it will be a temporary arrangement to bail out the country from the difficult period that it is in following the triple disaster. In any case, the maximum that one can expect from the grand coalition is that it will last until the next elections to the Lower House, and therefore will be temporary.

In early May 2011, Japan's political atmosphere started heating up, following the alleged mishandling of the evacuation and reconstruction activities after the Great East Japan Earthquake of March 2011. The opponents of the Democratic Party of Japan (DPJ) headed by the Liberal Democratic Party (LDP) were targeting Prime Minister Kan Naoto. In less than two months, the media started writing the prime minister's political obituary. However, Kan continues to cling to office in the most “un-Japanese” way, unmindful of the fact that he has lost popular support.

Initially, Kan toyed with idea of forming a “grand coalition” but it was a non-starter. The LDP spurned the proposal, fearing it would have to share the blame if anything went wrong in the reconstruction process. *The Economist*, in its issue of June 9, cryptically noted that when Kan moved into the prime minister's office a year ago, his wife, Nobuko, joked that she had packed only their summer clothes, fearing he would not survive for long.¹ Nobuko proved partially wrong; Kan outlasted his four predecessors. But, he is not strong and mature enough to defy the pattern that has characterised Japanese politics since Koizumi's retirement.

Kan's leadership during the earthquake, tsunami and the nuclear accident continues to be questioned by the Japanese people. The DPJ is being blamed for the political mess, and Kan its leader has to take on most of the blame. Since a power vacuum at that critical time would spin off into a bigger political crisis, Kan gained a breather. But, opposition within the DPJ has continued to gather steam making Kan's continuation in office unsustainable for long. Kan is under pressure to resign in July after the budget bills and the second extra budget bill for the fiscal 2012 ending March are passed.

Kan was unpopular even before the triple disaster hit Japan, as he struggled to devise policies to boost the economy, lower the unemployment rate and deal with the public debt. The disasters posed a major test for Kan. The tsunami had damaged factories throughout the region, leading to shortage of parts and components for automakers and other manufacturers. The situation became more complicated when consumer spending plunged and the crippled nuclear power plant caused widespread power shortages. The International Monetary Fund slashed its outlook for Japan, predicting that its economy will shrink 0.7 per cent in 2011 instead of growing 1.4 per cent.

Senior members of the DPJ are also pushing Kan for his inapt handling of the triple crisis. On May 19, the President of the Upper House, the House of Councillors, and a member of the DPJ to which Kan belongs, Nishioka Takeo, issued an open letter in *Yomiuri Shimbun* calling upon Kan to resign for his handling of the Fukushima nuclear crisis.² In the letter

¹ “A Grand Stitch-up or an Election?”, *The Economist*, June 9, 2011, available at <http://www.economist.com/node/18805493/print>

² Only a summary of the letter was published in Japanese but the translated version of the entire letter appeared in *The Daily Yomiuri* on May 24, 2011. See, “Resign Now, Prime Minister”, *The Daily Yomiuri*, May 24, 2011, available at <http://www.yomiuri.co.jp/dy/columns/commentary/T110523004405.htm>

Nishioka argued that Kan was aware of the Tokyo Electric Power Company's (TEPCO) decision to suspend the injection of seawater based coolant into the Fukushima plant as it was thought that it could induce re-criticality in the reactor. Kan's unsympathetic critic, LDP leader Tanigaki Sadakazu, described the decision to suspend the injection of seawater, at such a critical stage, as a "man-made disaster".

Nishioka has also charged of abandoning his duties as prime minister in 2010 when a Chinese fishing boat collided with Japanese Coast Guard ships off the Senkaku Islands in Okinawa Prefecture. Initially Japan took a tough stand by detaining the captain of the Chinese boat but after the Chinese put pressure and suspended the export of rare earth materials, Japan succumbed by releasing the captain. Kan's action was perceived in Japan as a meek surrender to the Chinese pressure. Alluding to the Japanese saying that one does not change horses in the middle of a rapidly flowing stream, Nishioka charged that even the horse bravely grapples with the violent current but Kan as prime minister showed neither passion and determination nor skill in leading the nation. Therefore, he saw more danger in maintaining the status quo than in changing the horse in a rapid current.

While Kan's departure from office would be an embarrassment for the DPJ, his rivals in the party believe they would be better off without him at the helm. Moreover, there is no clear successor from the pack of potential replacements in the DPJ. The Japanese media have focused on Finance Minister Yoshihiko Noda, a fiscal expert who shares many of Kan's policies. Another candidate for the prime minister's post is Koichiro Gemba, Japan's National Strategy Minister who oversees the budget process. But, this post has been effectively downgraded to that of an advisory position.³

Kan is expected to resign by the end of August 2011 after securing parliamentary passage of the second extra budget and a bill needed for the government to issue deficit-covering bonds for fiscal 2011. The DPJ, LDP and the New Komeito have agreed that a third extra budget for the fiscal year that started in April 2011 is required. This budget, bigger than the first and the second, would finance the rebuilding of areas affected by the tsunami, and it would not be passed under Kan's leadership. So the third supplementary budget is likely to be presented to the Diet between mid-August and early September. After initial resistance, Kan seems to have acquiesced to the suggestion of the DPJ Secretary General Katsuya Okada that the Diet session will be extended for about 70 days until the end of August, after which he would step down.

This extension of the Diet gives the DPJ some breathing space to work out the means of enacting several key bills, such as the bill for promoting the use of renewable energy. Here, it needs to be kept in mind that Kan may have lost popularity, but the LDP has not gained support from the public since becoming an opposition party.

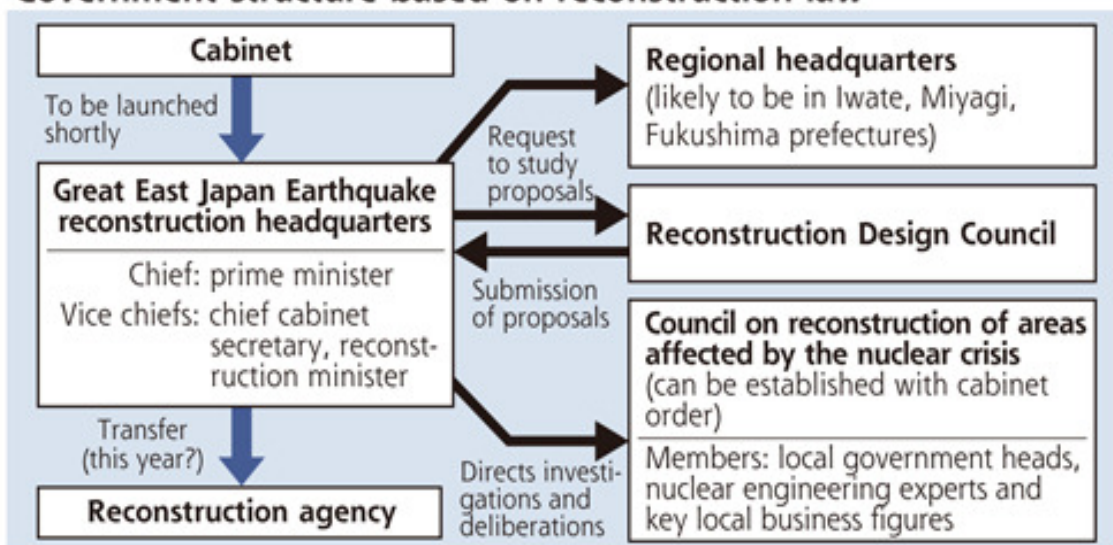
³ <http://www.reuters.com/article/2010/09/17/us-japan-politics-gemba-idUSTRE68G0RP20100917>

Passage of Reconstruction Bill

Though Japan has continued to traverse through political turmoil, the basic law on reconstruction post-earthquake was finally enacted on June 20, 2011. Rebuilding efforts are the next big step. As per the stipulation in the basic law, the government has started preparations for “special reconstruction promotion zones”. The government is expected to soon appoint a minister for reconstruction and set up the reconstruction headquarters. The basic structure based on the reconstruction law is as per the chart below.

CHART I

Government structure based on reconstruction law



Source: *The Yomiuri Shimbun*, June 22, 2011, available at <http://www.yomiuri.co.jp/dy/national/T110621004658.htm>

The government, however, needs to pass a bill in the Diet that would allow for an increase in cabinet ministers, senior vice ministers and parliamentary secretaries. Given the political complexities in Japan, such a bill, allowing for an increase in the number of ministers and secretaries, is necessary to remove obstacles in the way of developing a framework to accelerate reconstruction under a new ministry. Once such a framework is in place, the minister will direct and coordinate the entire reconstruction effort in cooperation with the chief cabinet secretary and the vice chiefs of the reconstruction headquarters.

At present the Kan Government has 17 ministers, the maximum allowed under the existing law. As a new ministerial post has to be created for overseeing the reconstruction work, one of the existing ministers will have to shoulder additional duties. But the possibility of any of the existing ministers taking extra responsibilities seems unlikely in view of the gigantic nature of the responsibility.

An alternate possibility for the government is to explore the feasibility of creating viable regional reconstruction headquarters in the worst-hit prefectures of Fukushima, Iwate and Miyagi. Handling the new reconstruction agency stipulated in the reconstruction

law could be another source of trouble. This may give rise to confusion over “dual administration” between the reconstruction headquarters and the reconstruction agency. Reconstruction bonds could be the likely source of funds for the restoration programmes and this could be paid off with hike in taxes as was proposed in the first report of the Reconstruction Design Council. This is not going to be smooth.

The second supplementary budget was meant to allocate funds for the government to contribute to nuclear crisis compensation schemes and measures to address the debt problem that disaster victims were confronted with. Unless there was a leadership change, the formulation of a third supplementary budget expected to address full-scale reconstruction efforts runs the risk of getting delayed. If Kan continues to cling to power longer than necessary, the impact will be adversely felt both at the domestic political level as well as in the diplomatic arena.⁴

“Grand Coalition”

Japan needs a strong administration to handle the emergency situation, especially when there is a divided Diet. The grand coalition idea for a set period of time with the LDP and New Komeito could be revived after Kan resigns. A non-Cabinet tie-up with these parties is another possibility. The challenge before the DPJ is that its new leader ought to break out from the intra-party forces that adamantly stick to failed policy pledges. The opposition too needs to have strategies for creating a new political framework.

In the current divided Diet, the ruling camp holds a majority in the House of Representatives while the opposition controls the House of Councillors. A grand coalition is required because the political division has been responsible for the stalling of bills and non-implementation of crucial measures. Apart from reconstruction activities and reforms in social welfare and taxation, the government also has to take the decision whether to join multilateral talks over the Trans-Pacific Partnership (TPP) trade pact.⁵

Throughout its political history, Japan never had a grand coalition, though the idea has been floated several times. In the first such experiment in May 1946, the largest party Jiyuto (Liberal Party) joined the No. 2 Shinpoto (Progressive Party) though the majority that it created in the House of Representatives from the combined seats was thin. Though the third largest party, Japan Socialist Party (now the Social Democratic Party), had a

⁴ “Don’t Use Diet Extension to Keep Kan in Office”, *The Yomiuri Shimbun*, editorial, June 18, 2011, available at <http://www.yomiuri.co.jp/dy/editorial/T110618002530.htm>

⁵ Prime Minister Kan’s presence at the TPP Leaders’ Meeting on the margins of the APEC Leaders’ Meeting in Yokohama in 2010 was seen as Japan’s interest in the TPP process. New Zealand, an active member and one of the founding partners of the TPP negotiations, hopes that Japan, with its highly sophisticated rules-based economy and cutting-edge technological capabilities, can play an important role in the TPP.

considerable number of elected members, it was left out from the coalition and therefore Yoshida Shigeru’s experiment cannot be called a grand coalition.

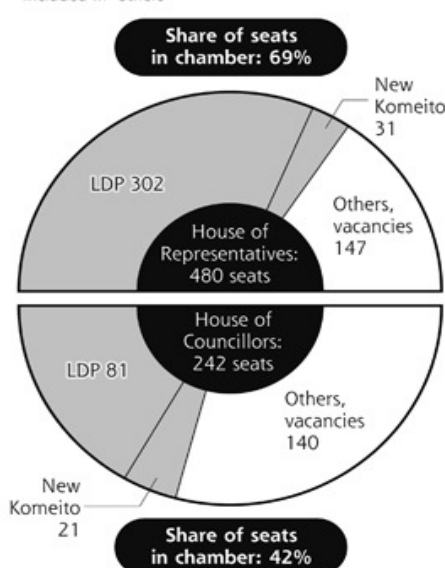
In 1955, the divided factions of the Japan Socialist Party reunited. In the same year, the two conservative parties, the Jiyuto and Nihon Minshuto (Japan Democratic Party), merged to create the Liberal Democratic Party. As a result, two political forces emerged in Japanese politics, one represented by the JSP and the other by the LDP. Subsequently, the LDP ruled Japan uninterruptedly until 1993 when a coalition government was formed with Hosokawa Morihiro as the Prime Minister. There was also a period when the second Cabinet of Nakasone Yasuhiro of the LDP formed a coalition with the New Liberal Club. In the July 1989 elections to the House of Councillors the LDP suffered a setback. The LDP Vice President, Kanemaru Shin, made an unsuccessful attempt to form a grand coalition with the JSP, New Komeito and the Democratic Socialist Party.

This was followed by Murayama Tomiichi’s three-party coalition namely, LDP, SDP and New Party Sakigake (Pioneers) in June 1994. At that time, elections to the Lower House were held under the multi-seat constituency system and the two-party system was yet to evolve. Therefore, the idea of a grand coalition did not surface. The ruling LDP and its coalition partner Komeito suffered a humiliating defeat in the 2007 Upper House election. Before the LDP lost power to the DPJ in the Lower House in 2009, Fukuda Yasuo approached the DPJ Supreme Ozawa Ichiro to form a grand coalition. Ozawa agreed in principle but could not convince his party members and the idea never took off.⁶

CHART II

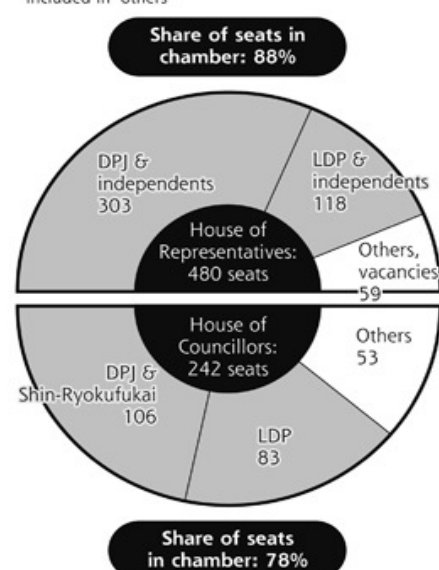
Composition of Diet under former LDP-New Komeito coalition

*As of July 2009. Speakers and vice speakers included in 'others'



Composition of Diet under proposed DPJ-LDP grand coalition

*As of June 15. Speakers and vice speakers included in 'others'



Source: *The Yomiuri Shimbun*, June 22, 2011, available at <http://www.yomiuri.co.jp/dy/national/T110621002287.htm>

⁶ “Will the DPJ and LDP Unite? No History of Grand Coalition”, *The Yomiuri Shimbun*, June 22, 2011, available at <http://www.yomiuri.co.jp/dy/national/T110621002408.htm>

In the current political situation the idea of a grand coalition shows some promise. If Kan resigns as promised, one of the biggest obstacles to cooperation between the ruling and the opposition camp could be removed. The current Kan Cabinet is a coalition of the DPJ and the People's New Party. As Chart II above shows, the ruling camp has a majority with 307 seats in the Lower House (this excludes the Speaker). In the Upper House, it has only 109 seats (excluding the President of the chamber). This is short of 122 seats needed for a majority in the 242-member chamber. This is the imbalance that is causing difficulty in the decision-making process, which is crucial for tackling the current political imbroglio. This is also causing delay in the passing of many crucial bills such as the one on the issue of special deficit-covering government bonds and bills related to the revision of taxation laws.

When the LDP and the New Komeito enjoyed a two-third majority in the Lower House, it was possible for the parties to pass bills on second votes in the Lower House if they were voted down in the Upper House or the Upper House did not vote on them within 60 days. But the ruling camp now in the Lower House does not have a two-third majority and this makes passing of crucial bills problematic. It was, therefore, to overcome this situation that the DPJ Secretary General, Okada Katsuya, has proposed the grand coalition only for a limited period of time with the following tasks:⁷

- Reconstruction of areas hit by the Great East Japan Earthquake
- Comprehensive reform of social welfare and taxation
- Electoral reforms

For its part, the Opposition LDP has proposed that the grand coalition should work for a consensus on national security policy and social welfare issues.

Assessing the idea of a Grand Coalition

The grand coalition can be formed only after the resignation of Kan. There is no clear definition of a grand coalition. In simple terms, it means that two major parties in the Lower House should come together to form a coalition. In Japan's case, the DPJ and the LDP should form the coalition, thereby creating an overwhelming majority. However, there could be two kinds of grand coalition: one with the support of the entire nation during national emergencies such as war and natural disasters; the other can be in peace time such as during an economic crisis. Yet, a third situation may trigger a grand coalition when the leading party and the party with the second largest majority join together to form a government with the sole objective of excluding either the ultra-rightist or the ultra-leftist parties.

⁷ *Ibid.*

There are several advantages with the formation of a grand coalition. The first advantage is that the two major parties would share responsibility for decisions on important policy issues impinging on the country's security interests. Also, issues such as tax hikes which would affect the public in general would need consensus. A decision on whether Japan joins the TPP is another crucial matter that needs agreement from all major parties.

However, a grand coalition without a prior agreement on what policy measures should be realised and how long the coalition would continue may not succeed. Even if a grand coalition comes to fruition, it will be a temporary arrangement to bail out the country from the difficult period that it is in following the triple disaster. In any case, the maximum that one can expect from the grand coalition is that it will last until the next elections to the Lower House, and therefore will be temporary.

The grand coalition idea has its share of critics too. For example, the leader of the SDP, Mizuho Fukushima, feels that it would become another Taisei Yokusankai (Imperial Rule Assistance Association). But such comparisons are not appropriate. Taisei Yokusankai was created in October 1940 by the then Prime Minister, Fumimaro Konoe, to check the military. It later developed into an organisation aimed at helping the government in implementing its policies. The present-day grand coalition, if at all formed after Kan resigns, will last for a short period of time.

For an observer from India, the choice for the Japanese would be either to attempt the formation of a grand coalition or to look for a successor to Kan. In the latter case, there appears to be a vacuum in the DPJ. Either Noda or Gempa would be the eligible candidates as successors, though Noda seems to be the frontrunner. There could also be a surprise third nomination for the post of the Prime Minister. While Prime Minister Kan walks the tight rope, Japan braces itself to face difficult times ahead. One can only hope that the fluidity in Japanese politics does not impact in a major way the gigantic task of rebuilding the country.