JAPAN IN DECLINE
FACT OR FICTION?
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Preface

Through the early post-war decades Japan forged ahead impressively as Asia’s ‘new giant’, its economy surging from strength to strength. Today, two decades after the 1980s and the so-called bursting of Japan’s economic bubble, how does Japan sit in its regional and global contexts? Many commentaries inside and outside Japan give the impression that Japan has declined not just economically through the ‘Lost Decade’ of the nineties and beyond, but is also in decline socially and politically. Signs of domestic malaise are sharpened by signs of external resurgence, especially in neighbouring China. Even Japan’s long-standing superiority in fields such as technology has been seriously challenged by emerging economies like India, and in the IT field Japan’s pre-eminence has been overtaken. Many observers have attributed this apparent national downturn to the turmoil in Japanese politics, some pointing in particular to a lack of visionary leadership.

Whatever the state of the nation, Japan remains in a strategically important location within Asia Pacific at a time of unmistakable transition in this region. It matters, then, what is the state of the nation: is Japan really in decline? To explore this far-reaching question, I organized a workshop at the University of Adelaide in November 2009 on the theme ‘Japan: Descending Asian Giant?’. The question mark was deliberate, to inspire critical rethinking of the assumptions, speculation and axioms informing contemporary assessments and to raise new questions that feed a deeper understanding of where Japan is currently at. A number of Japan scholars from around the world, with diverse fields of expertise, were invited to consider whether Japan is indeed on a trajectory of descent. These scholars presented their perspectives on topics stretching from politics, finance, international affairs and technology, to demography, environment, education and youth. Their contributions presented a broad national canvas from which links and disjunctures were identified and overall assessments were made.

This volume brings together most of the workshop papers, revised, updated and refined in light of workshop discussion and the authors’ further considerations. As readers will find in the pages that follow, the verdict on Japan’s decline is mixed. This ‘report card’ identifies strengths as well as weaknesses, and explains why they matter.
Japan is certainly no longer ‘Number One’ in Asia or the world at large, as portrayed at an earlier historical moment. But at the same time Japan cannot be scratched off the list of powerful nations. In 2010 Japan is one of several Asian giants, with pockets of strength that should not be dismissed lightly. This fluidity shifts the question of decline from ‘if’ to ‘how’, provoking further questions about how smartly and efficiently Japan can play to its strengths and address weaknesses, to best position the nation in these liminal times when so much that has been taken for granted globally is passing. Some analysts here are more sanguine than others. Overall, however, the assessment points to policy stagnation and political quagmire, which has dogged Japan for quite some time and needs serious redress to orient the nation towards political, economic and socio-cultural recovery.

The Adelaide Workshop was funded by the Australia Research Council Asia Pacific Futures Research Network project. A number of early-career researchers in Japan studies were also invited to the workshop to participate in the discussion that followed each presentation and consider the full picture on conclusion. A brief mentoring session followed the workshop, facilitated by Professor Arthur Stockwin of Oxford University, Dr Judith Snodgrass of the University of Western Sydney and Dr Brad Williams of the National University of Singapore.

I want to thank the many people who have contributed generously to the production of this book. I very much appreciate the efforts of all the authors whose work appears in this volume. Participants in the workshop generally provided insightful feedback and comments on the papers, and some later offered constructive comments on revised drafts that authors found useful in finalizing their chapters. It has been a great pleasure to work with Brad Williams then of the National University of Singapore (now at the City University of Hong Kong) in co-editing this volume and bringing the workshop project to completion. Maureen Todhunter, Gerry Groot and Felix Patrikeef provided intellectual and editorial input and their cooperation has helped this project to progress in timely fashion. Shoo Lin Siah contributed generously in organizing the workshop and liaising with participants. I thank Paul Norbury of Global Oriental for his interest in our project and his support at every stage of preparing this publication. Last but not least, I thank my unfailingly patient and supportive family.

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Introduction
Japan: Descending Asian Giant?

BRAD WILLIAMS AND PURNENDRA JAIN

During the 1960s, 1970s and 1980s, the world witnessed the swift ascent of post-war Japan as Asia’s new giant. The nation broke record after record to become Asia’s number one economy and the world’s number two. Japan’s economic leap inspired a so-called tsunami of interest in Japan and its language. Two decades later, regional and global geopolitical landscapes are in transition to a differently configured world order. Where is Japan placed in this transition? After the first decade of the twenty-first century, and fifty years after it began its economic ascent, is Japan still an Asian giant?

At the end of 2009, Japan remained the world’s number two economy in terms of GDP (at market exchange rates). Japanese firms are still renowned for their innovation and cutting-edge technology and are prominent in global markets for automobiles, consumer electronics and computers. Japanese banks and financial institutions remain robust, despite the problems and crises they faced in the 1990s. Japanese popular culture enjoys enormous popularity throughout the world. Japan is a significant player in regional and global affairs and is increasingly active in areas beyond economics, such as peacekeeping and climate change issues. Yet its presence on the regional and global stage seems to be hardly noted in the international media and public commentaries, and the scholarly gaze of many has ‘moved on’. Why is this the case?

SURVEYING JAPAN’S SOCIOECONOMIC MALAISE
Economic performance has been an important factor in Japan’s perceived decline, just as it was intrinsic to Japan’s post-war ascendance. Japan maintains its position as a major world economy, but has been in the economic doldrums for almost two decades following the bursting of the stock market and property bubbles in the early 1990s. The indicators of Japan’s economic deterioration are numerous. During the so-called ‘Lost Decade’ of the 1990s, the national economy groaned under
the weight of non-performing bank loans, which conservative estimates placed at seven per cent of GDP and others placed much higher. In the same period, commercial property prices dropped by an average of 84 per cent in Japan’s six biggest cities. Share prices also went into freefall, with the Nikkei 225 share price index contracting by three-quarters since it peaked in 1989. Corporate bankruptcies and, subsequently, unemployment reached post-war highs. The annual growth rate of the national economy averaged less than one per cent, compared to the four per cent achieved during the 1980s. The government’s structural budget deficit also climbed – as did the national debt, the latter reaching over 130 per cent of GDP. These figures led one highly influential weekly to claim, ‘Japan has suffered the deepest slump in any developed economy since the Great Depression.’

The economy rebounded somewhat between 2003 and 2007, partly attributable to a surge in exports, encouraged by an undervalued yen and banking reforms. Many gains achieved during this brief period, however, have been wiped out by the current global financial crisis, which has hit Japan especially hard. According to the OECD, Japan’s GDP contracted by just over five per cent in 2009. Even a seemingly invincible Japanese company like Toyota has experienced financial difficulty, with the automaker posting an operating loss for the first time in its seventy year history. The Japanese automaker is also currently embroiled in a scandal in the US over several accidents caused by faulty parts for acceleration and braking. For many observers, Toyota’s current woes are symbolic of Japan’s decline. As a result of nearly two decades of virtual stagnation, Japan lost its status as the world’s second largest economy – understandably the source of great national pride when achieved in the early 1970s.

Of course, it is not just that Japan’s economic performance has declined. During this period the economic performance of China, Japan’s neighbour on the Asian mainland, has been the virtual inverse of Japan. China’s apparently peaceful economic resurgence has not only pulled the international spotlight from Japan but has displaced Japan from its number two status.

The decline in fortunes represents a dramatic shift from the 1980s when Japan’s economy was expanding so rapidly and Japanese firms were investing and buying up prime real estate across the world. Japan’s seemingly relentless economic march, coupled with remarkable social stability, led to a surge in ‘success literature’ – best exemplified by Ezra Vogel’s *Japan as Number One* – which sought to unlock the secrets to the Japanese juggernaut. Some held up Japan’s industrial and trade policies and system of industrial relations as models to be emulated. Japanese language education and studies enjoyed a *tsunami* of student enrolments internationally and funding bodies in Japan, both private and public, offered generous financial support to facilitate this growing global interest. Others meanwhile saw Japan’s rising
trade surpluses (with the US in particular) during this period as the product of an impenetrable developmental state that did not play by the rules of the international trading game and thereby threatened western interests.5

Japan’s economic difficulties have contributed to enormous domestic social problems. Rising unemployment has been a factor in the upsurge in homelessness, divorce rates, suicide and crime. While crime rates, especially for violent crimes, are low by international standards, Japan’s reputation for social order and peace has suffered somewhat. In a nation where the overwhelming majority of people identify themselves as middle class, socioeconomic disparities and inequalities are expanding. Centre–periphery differences are particularly evident as large parts of rural Japan are suffering under the weight of an ageing and declining population, shrinking tax revenues, few or no competitive industries and mountains of debt. Symptomatic of the rural socioeconomic malaise, one small city in Hokkaido made headlines when it was declared effectively bankrupt. Many other locales are also teetering on the brink of financial collapse. Japan’s ageing population, which is by no means merely a rural phenomenon, is placing further strain on the nation’s underdeveloped social security net – a net that was severely compromised after a bureaucratic bungle resulted in the loss of pension records in 2007.

Japanese schools, lauded for their ability to produce students who achieve exceptionally high academic standards, have also experienced their share of troubles. Problems such as school bullying, truancy and classroom breakdown (gakkyū hōkai) have come to characterize many schools as the young seem less willing to continue the discipline and self-sacrifice of their elders.6 The regimentation of school life and the intense pressure to perform in entrance exams in order to secure a promising future are seen as factors now contributing to growing youth delinquency. As Williams and Yoneyama (Chapter 9) note, school education in Japan is now increasingly seen in an international light as less positive than before, much like the nation’s generally indolent universities. The Japanese education system as a whole, with its continuing emphasis on rote learning and memorization rather than critical thinking skills, is in decline and is linked to the nation’s broader socioeconomic malaise. Genda (Chapter 11) argues that stable employment opportunities for the young are declining and many are either forced or simply choose to work part-time. The educational pressures and bleak employment prospects are also partly to blame for a phenomenon known as hikikomori (social withdrawal) in which a large number of mostly young Japanese men remain holed up in their bedrooms, refusing to venture outside for months or years at a time. The prevalence of schoolgirls engaging in sex with older males in return for money and material reward (known as ‘compensated dating’ or enjo kōsai) also suggests at least differing, if not declining, moral standards among Japan’s youth.7
To further compound the situation for Japan, politics and policy mechanisms are hamstrung by a lack of leadership and long-term vision. The early 1990s offered the prospect of meaningful political change in Japan when an eight-party (seven plus one group in the House of Councillors) coalition government under the enormously popular Hosokawa Morihiro was inaugurated in August 1993. The Liberal Democratic Party (LDP) found itself out of government for the first time in thirty-eight years. Hosokawa’s government embarked upon an ambitious programme of structural and policy reform. The most significant of these reforms was to the electoral system. The former system of single non-transferable votes in medium-sized electoral districts was perceived to be an important contributing factor to a style of politics that favoured personalities over policy and ideology and which consequently led to the salience of money politics. Reformers hoped that a new regime of single member districts (SMD) would lead to a two-party system in which campaigns would be policy-oriented, party-controlled and inexpensive and, therefore, less susceptible to corrupt practices. After difficult negotiations between the new government and opposition, a compromise was reached on a mixed system of SMD and proportional representation in early 1994. Hosokawa resigned shortly after, ostensibly for his involvement in a minor (by Japanese standards) funding scandal, and was replaced as prime minister by Hata Tsutomu who headed a minority government after efforts to maintain coalition harmony failed. Unsurprisingly, the Hata government was short-lived and the LDP was soon back in power but in a move that shocked the Japanese political world the party entered into the ultimate ‘marriage of convenience’ by joining its erstwhile foe, the socialists, in a coalition government under the formal leadership of Japan Socialist Party (JSP) Chairman, Murayama Tomiichi. The remainder of the decade (and beyond) saw a series of coalition governments and when the LDP regained its majority in late 1997 it seemed like ‘politics as usual’ had returned to Japan.

The bureaucracy, which had worked closely with the LDP and whose foresight and planning was considered by many to be instrumental in Japan’s post-war economic miracle (especially the then Ministry of International Trade and Industry [MITI] and the Ministry of Finance [MOF]), has come under the spotlight. Indeed, since the early 1990s, the reputation of Japan’s once-exalted bureaucrats has been tarnished considerably in the wake of a seemingly constant stream of scandals. Revelations of negligence, greed and inability to help engineer a sustainable economic recovery added further impetus to longstanding calls to cut the size of the civil service. A major restructuring of the government bureaucracy was carried out in January 2001, reducing the number of ministries from twenty-three to thirteen. Although the authority of the Prime Minister was increased substantially, a perception remained in
Japan, especially among the opposition parties, that the bureaucracy still wielded too much power.

Following the unpopular Obuchi and Mori administrations (1998–2001), the LDP sought to avoid potential disaster in upcoming House of Councillors elections, selecting the reformist Koizumi Junichirō as party President and hence Prime Minister in April 2001. Koizumi promised ‘reform without sanctuaries’ and vowed to destroy both the clientelistic foundations upon which LDP rule was based and the intra-party forces that opposed his policies. A key component of his neo-liberal reform agenda was privatization of the Post Office system – a nationwide institution whose enormous financial reserves helped to fund LDP governments’ pork barrel practices. This proposal subsequently threatened vested interests within the party. Image was an important tool in Koizumi’s leadership kit and it was used with great effect to raise his popularity among the public and to promote his radical reform measures. The highpoint in his premiership was arguably the September 2005 Lower House election. Koizumi was able to transform the election essentially into a referendum on postal privatization and after ruthlessly removing anti-privatization rebels from the party, he led it to a spectacular victory. The LDP’s 296 seats (out of 480), when combined with those of its coalition partner, New Komeitō, gave the alliance a controlling majority in the Lower House, enabling it to override legislation blocked in the Upper House. This power would soon prove vital for the LDP–Komeitō coalition after it lost its majority in the House of Councillors following elections in July 2007.

By this time, the Japanese government was under the stewardship of Abe Shinzō – the first Japanese prime minister born post-war – after Koizumi stepped down from office in September 2006. This marked the beginning of a period in which Japan went through three prime ministers in three years, all political bluebloods and none able to claim a direct mandate from the people. Abe’s cabinet was beset by a series of scandals and Abe himself seemed more interested in engaging in nationalist politics than pursuing policies to restore the nation’s economic health. Amid declining popularity, and citing poor health, Abe resigned a year into the post. Abe was followed as prime minister by the moderate Fukuda Yasuo who, frustrated by the opposition’s obstructionist tactics in the Upper House, also resigned unexpectedly after only a year in office. The last of the revolving-door prime ministers was Asō Tarō, who, like Abe, was a right-wing revisionist and shared with his predecessor a low public approval rating. Asō’s policy backflips (most notably on postal privatization) and verbal gaffes in particular enraged many Japanese and his inability to formulate policies to cure the nation’s economic and social woes served to create a groundswell of public sentiment against the LDP. This was not the first time that the LDP had been under pressure before a general election. However, unlike much of the past, the ruling party was now faced with a credible
opposition, as well as defections of traditional supporters. These factors fostered a pervasive mood in Japan emphasizing a need for change and a preparedness among voters to give the opposition Democratic Party of Japan (DPJ) a chance to govern.

POLITICAL CHANGE AND CHALLENGES

Change is indeed what voters in the Lower House election of September 2009 brought to Japan as the DPJ achieved a resounding victory. The DPJ’s stunning electoral success through winning 308 of the 480 seats (64 per cent) surpassed the purportedly grand victory of Koizumi’s LDP four years earlier and assigned the perennial ruling party to opposition for just the second time in its fifty-five year history. Stockwin (Chapter 2) calls it an electoral and political earthquake. Some have called it a third revolution after the Meiji Restoration of 1868 and the Occupation period (1945–52). However, Stockwin remains cautiously optimistic, noting that ‘Whether the third revolution can fulfil the ambitious expectations vested in it remains unanswered.’

With the prospect of being out of office and subsequently unable to access government coffers to distribute pork to supporters over the short to medium term, the LDP remains vulnerable to significant shakeup that will render further political realignment to the party landscape. The DPJ has secured a large mandate to enact change, but it also faces great expectations from the Japanese people. Enormous challenges also lie ahead for the new government. The most pressing issue, of course, is fixing the economy. Predictably, the new government has sought a departure from previous LDP policies but will surely face difficulties in charting a new course. Domestically, the DPJ has pledged to enact social welfare policies, although how these policies will be funded without adding to the nation’s already burgeoning debt remains unclear. The DPJ has vowed to curb bureaucratic influence and pursue a ‘people-oriented politics’ but Kasumigaseki9 will surely remind the party that the bureaucracy’s cooperation is indispensible for implementing the reforms that the party intends. The new government’s announcement that it aims to cut Japan’s greenhouse gas emissions by 25 per cent from the 1990 level by 2020 is likely to meet resistance from the business community fearing the financial burden, as in most countries pursuing emissions cuts.

Foreign policy also presents challenges. While relations with the US will remain the cornerstone of Japan’s foreign policy, bilateral ties have been tested – most notably by the previous Hatoyama government’s attempts to revise existing accords concerning the realignment of US forces in Japan and the Status of Forces Agreement, and by its decision to end the Maritime Self Defence Forces (MSDF) refuelling mission in the Indian Ocean. Following the debacle surrounding Japan’s tortured response to the First Gulf War (1990–91) and the ‘alliance drift’ of the
early 1990s, it could be argued that a closer relationship with the US – recent Okinawa military base-related tensions notwithstanding – has been one of Japan’s few diplomatic success stories in the region.

Despite growing trade and investment linkages and enhanced people-to-people contacts, Japan’s relations with China and South Korea reached a nadir during the Koizumi administration, primarily over the Yasukuni Shrine visits and history textbook issues. Relations with China are further complicated by that country’s remarkable economic, strategic and military resurgence, contrasting starkly with Japan’s socio-economic malaise, and by the incipient great power rivalry this resurgence has engendered. Japan has been on much better terms with its Northeast Asian neighbours in recent times but ties are still fragile and seem only a history-related scandal away from renewed tension.

Friction and hostility seem to be enduring features of Japan’s relationship with North Korea. Tokyo sees Pyongyang as the quintessential rogue state – a regime that represents a traditional, if over-exaggerated, military threat and, when one considers the abductions issue, a non-conventional menace as well. Choi (Chapter 8) argues that Tokyo’s uncompromising stance on the abductions and the history issues has caused Japan to suffer from perceptual and strategic ‘deficits’, which have limited its influence when dealing with its Northeast Asian neighbours. Others have also argued the importance of Japan overcoming these obstacles on the basis that its leadership is vital in forging a successful multilateral body in East Asia in the context of a rising China and declining US hegemon.

JAPAN: ALL DOOM AND GLOOM?

From the preceding analysis, it is easy to be pessimistic about Japan’s prospects. The notion of a ‘Lost Decade’ during the 1990s and the suggestion Japan could be on the verge of ‘losing another decade’ encourage the impression of a nation in complete and multifaceted stagnation. This is certainly not the case. Focusing solely on negative issues such as the troubled economy and demographic decline blinds us to important political and socioeconomic changes during this period.

Politically, the birth of Japan’s first non-LDP government in 1993 initially raised the prospects of a policy-oriented, alternating-party system, less susceptible to pork barrel politics and corruption, taking root in Japan. Instead, with the LDP’s swift return to office we witnessed the demise of the parliamentary Left and a subsequent shift further to the right along the political spectrum, reflected in a series of LDP-led domestic, foreign and security policy initiatives. The DPJ’s electoral success in September 2009 once again raises the hopes of those seeking the development of a vibrant two-party system in Japan. Much depends on the success of the new government in addressing the myriad of challenges facing the nation, and on the capacity of the LDP as the
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By mid-2010, however, many optimistic observers will be disappointed by the state of Japanese politics. The Hatoyama government’s approval rating slumped with news of its LDP-like mismanagement of political funds and its inept handling of the relocation of the US base at Futenma in Okinawa. Hatoyama proved to be far from the decisive leader required to resolve Japan’s enormous economic, political and social problems and, continuing the trend of his three LDP predecessors, resigned after a relatively brief time in office. The DPJ elected Kan Naoto as party president and prime minister in a bid to arrest the government’s declining popularity ahead of important upper house elections in July 2010. A populist and former citizens’ movement activist, Kan has declared he will accept Hatoyama’s tortuous decision to abide by an agreement to relocate US marines to Henoko in Okinawa, thereby removing a thorn in relations with Washington. He has also reaffirmed the importance of healthy relations with China and South Korea. The new leader will subsequently focus his attentions domestically, in particular on the economy, as well as the potential challenge from Ozawa forces within the DPJ. The LDP, weakened by a series of defections and also suffering from leadership problems, has been unable to take advantage of the DPJ government’s sagging fortunes.

Socially and politically, a positive development has been the growth of civil society, the spur for which came from a natural disaster. The 1995 Great Hanshin-Awaji Earthquake devastated the city of Kobe and caused over 6,000 deaths. The scale of the destruction and the government’s inadequate disaster relief operations seemed symptomatic of the broader socioeconomic malaise and lack of political leadership. While many were quick to highlight the government’s inept response, the disaster was also notable for the thousands of volunteers who descended upon the devastated areas to assist with relief operations. As one commentator noted, ‘this surge in volunteerism’ demonstrated ‘that a sense of community is alive and well in Japan’. The contrast between the government’s and the public’s response to the disaster created momentum for the 1998 Non-Profit Organization (NPO) Law, which has contributed to an explosion in the number of civil society organizations in Japan. This upsurge in Japanese associational activity is a progressive development in terms of promoting social capital and improving both governance and the quality of democracy.

The spirit of humanitarian goodwill also extends to the foreign policy arena. Japan has adopted a more robust security posture in recent years in response to rising regional uncertainties, the domestic political shift outlined above and US encouragement, and the shift has attracted growing international attention. Less noticed, however, is Japan’s increasingly active role in international humanitarian relief operations, peace-building diplomacy and human security – a topic