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THE CURRENT: What's next for Japan after Abe's resignation?

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Host: Adrianna Pita, Office of Communications, Brookings

Guest: Mireya Solís, Philip Knight Chair in Japan Studies, Senior Fellow and Director, Center for East Asia Policy Studies, Brookings

(MUSIC)

PITA: You're listening to The Current, part of the Brookings Podcast Network. I'm your host, Adrianna Pita.

On Friday, Shinzo Abe, Japan's longest-serving prime minister, announced that he would be stepping down from his post due to health concerns, and apologized to the people of Japan for being unable to continue his duties during the coronavirus pandemic.

With us to discuss the legacy of Abe's nearly eight years in office and what his departure means for Japan is Mireya Solís, the Philip Knight Chair in Japan Studies and director of the Center for East Asia Policy Studies here at Brookings. Mireya, thanks for talking to us today.

SOLÍS: It's my pleasure, Adrianna.

PITA: Abe also stepped down from office due to his health when he was first elected prime minister, back in 2007, so after eight years of managing his chronic condition this is maybe not quite as shocking as it might have been coming from another head of state. What's the reaction been [so far]?

SOLÍS: It's still very shocking. Clearly this is a chronic condition and what made him resign his first term in office. But he had managed that condition, so much so that he's now, with the second term, the longest-serving prime minister in Japan's history. And he still had one more year to go, therefore the resignation still comes abruptly, and comes at a time of profound crisis for Japan, given the ongoing pandemic.

The Japanese economy has taken a really serious downward turn. Japan has not had a major outbreak, but nevertheless, for a few months now, the Abe administration was not looking as tightly put-together, as effective as it had been in the past in addressing this crisis. So, the prime minister had not taken that proactive role that he had in the past and speculation had begun. Then two weeks ago, he had a very long visit to the hospital and that's when rumors began to circulate that maybe not everything was well with his health and that we could have now a repeat of what had happened, that is that his health would prevent him from continuing with his duties. Even just yesterday there were mixed signals as to what was to happen. Many people thought that yes, we are at the end of the Abe administration, but maybe he'll manage to stay put for the next year so he that he can handle that transition carefully and with time, so I think it still took many people aback that the resignation announcement came. It was not clear yesterday that this was imminent news. So, you can imagine that Japan is a-buzz and the region is also looking very closely -- the United States should play close attention -- to what happens next in Japan.

PITA: Abe's signature policy was his comprehensive economic experiment known as "Abenomics." What did that do for Japan, and how is it holding up in the face of coronavirus recession?

SOLÍS: There are many legacies from the prime minister, and certainly economic policy is one that stands out. The record is uneven. He made significant progress in increasing the rate of female participation, bringing women to the workforce; that was an accomplishment, but he didn't really push far enough on gender equality, which would have been a more transformational and needed change for Japan. He did manage to orchestrate a very sustained economic expansion before the pandemic hit. It was not very fast change, fast economic growth, but nevertheless a very impressive, long-term rate of growth at 1% of GDP. He accomplished some reforms – corporate governance, utility de-regulation – but at the end of the day, the problem has been that there hasn't been enough structural reform, and the economy appeared fragile. Every time they moved forward with a consumption tax increase, the economy took a very severe hit – and this just actually happened prior to the pandemic. The end of 2019 was not good news for the Japanese economy, they went ahead and raised the consumption tax and there was a major hit to the economy, to economic activity, to consumption, and then on top of that came the pandemic.

Now, Japan has been very affected by the coronavirus. It has depressed consumption, it has depressed economic activity, it has depressed international trade, which is very important for Japan. And the government has responded with economic stimulus measures, but it has not had a very coherent message as to how Japan is going to manage the economic lockdowns versus economic recovery. That balance has not been clear. Some people feel that the government was too quick to try to reactivate domestic tourism, to revive that industry, and that led to an increase in cases of coronavirus in Japan.

So again, I think that the biggest contribution that Prime Minister Abe made was that he brought political stability to Japan, and that is the fundamental condition for any long-term strategy. So, on the domestic economic policy, the record is mixed; but when you look at international economic policy, this is where Japan has had a much more impressive performance. Under his leadership, Japan became a leader of free trade. Japan had never had such aspirations, had never been able to take on these challenges. With the renegotiation of the Trans-Pacific Partnership, it was the deal with the European Union, it was about Japan becoming much more strategic when thinking about its relationship with China and managing a balance between integration but also economic security. So Japan has become a really proactive, effective international actor and the question is what happens after Abe?

PITA: That is the big question. It's been sort of a tumultuous several years with a resurgent North Korea, the almost-collapse and then pulling back together of the trans-Pacific trade deal, as you just mentioned. What have been some of his significant challenges on the international front, diplomatically speaking?

SOLÍS: Well, Japan is in a very complicated neighborhood and the situation, the security environment, has been deteriorating. You have, of course, the North Korea nuclear missile threat and the fact that North Korean missiles have actually crossed over Japanese territory, so that really makes this a very present danger for Japan. Then the Chinese military build-up, the more assertive Chinese foreign policy has been critical for Japan to factor in to thinking about what its strategic options are. And even though U.S.-Japan relations have been on a very even keel and Prime Minister Abe has made really an effort to cultivate a stable relationship with a very unconventional American president, nobody can deny that the United States has turned inward, has abandoned very important initiatives – the Trans Pacific Partnership – but also under Trump has stepped away from international organizations. There's been a real challenge for the whole alliance network, given the president's emphasis on burden-sharing and putting forward really increases of a great magnitude in the expected contribution that allies are supposed to make to burden-sharing. Add to that of course the trade issue with the president so obsessed with trade deficits, managing that relationship bilaterally was also significant for Japan. So, as you can see, there are many, many constraints and it's how Japan then thinks through what's the best path forward.

And I think that we have seen Japan reinvesting in the U.S. alliance, but also trying to stabilize relations with China. At the same time, Adrianna, I think that the pandemic has shifted things quite a bit and the warming up ties with China, basically it's not moving forward. On the contrary, I think that

tensions in the disputed islands, the Senkaku islands in Japanese, have increased with the constant presence of Chinese vessels in the contiguous zone. And also with moves from the government of Japan to manage risk in supply chains and provide some moderate, but nevertheless, subsidies for the restructuring of supply chains. So, I think critical for any future Japanese leader would be to rethink and recalibrate the relationship with China, but also with the United States. Let's not forget that there is a presidential election coming up and much will depend on who is actually elected. Will we see a continuation of "America first" policies or will there be a new Biden administration? And then this would be an interesting period also for U.S.-Japan relations because you will have new leadership on both sides.

PITA: Yeah, so what happens next is the big question. From the procedural standpoint, Japan, being a parliamentary system, of course, there is no vice prime minister who immediately steps up. What happens next from a continuity of government perspective? How do they pick the next leader in the short term?

SOLÍS: Earlier this morning at the press conference, the prime minister said that he's going to stay on until his successor is picked. So, everybody expects that there will be an election, probably in a month's time, for party precedence, and that will determine who is the successor. Now, it's very interesting because, you know, everybody knew that the end of the Abe administration was approaching. He was about to clock in eight years in office. And so everybody knew that this decision will be coming down the line at some point, but nevertheless the field is still wide open. There are at least four or five potential successors, and now, of course, they're all vying for cinching that victory. It's interesting because for that candidate to succeed, they have to check several boxes, if you will. One will be, of course, to get support from their fellow parliamentarians and therefore the Diet members and who they support, but they also have to cultivate support among the regional chapters of the LDP.

And very importantly, even though the public is not going to vote directly – this parliamentary system – they're not going to vote directly for the successor to prime minister, you have to really factor in someone who can gain the confidence of the public and hopefully achieve good levels of public support because that becomes the essential political capital for any leader to be able to move forward with whatever policy platform this person decides to implement for the future of Japan. So, you have to be skillful in how you navigate the internal party politics, but you also have to be thinking about what kind of candidate could get support from the public.

Another important issue to consider is that the person who is elected, perhaps most probably at the end of next month, does not have to face another general election for another year. That's when the calendar would dictate that the next general election takes place. So I'd like to emphasize that I don't expect any radical changes right away. We're still going to see the LDP working with its coalition party Komeito. Sure, there will be a new face, a new leader, and that person faces the task of devising what his administration is going to stand, for what's going to be the strategy, but we're not going to see radical change. I think that the task immediately is, of course, to continue to battle the negative effects of the pandemic, making sure that no out-of-control outbreak ensues and keeping up with an economic revitalization measures. There will be of course much attention paid as to what is Japan's long-term grand strategy, but I also want to make the point, Adrianna, that many people believe that without Abe, Japan is going to lose its way. I think it's important to realize this is a major change. When you have a leader eight years at the helm, clearly this is a major change; it comes at a time of profound uncertainty and a time of geopolitical tension, but we should not lose sight that some of Abe's legacies are not just personal diplomacy, they're based on very important organizational and institutional changes that have allowed for more executive leadership to take place in Japan. The question is, can the next leader stay in office long enough to avail himself of those levers of power and therefore move forward, propel a coherent domestic and foreign policy or not. So that's what I will be watching for.

PITA: Alright, sounds good, Mireya. Thank you so much for talking to us today, and explaining and we'll keep our eye on Japan going forward.

SOLÍS: Thank you. It's been my pleasure.