I’m delighted to be here, to have this opportunity to share with you my thoughts about what’s happening in Japan these days. I think I’m going to leave it to some of the other experts in the room to comment in greater detail on Germany. I want to focus specifically on some recent developments in Japan, and some issues that I think are confronting Japan and that you’ll be very interested in when you go to Tokyo next April for the Trilateral, so this is kind of a preview of some of the things you will be interested in exploring further when you get to Tokyo.

The first point and the main point is that for the first time in a long time, Japanese are feeling pretty good about their economy, and about their political leadership. There’s a new feeling of optimism that the economy is coming back, that Japan is on a path now of recovery and sustained growth, which has a lot to do with Koizumi doing as well as he did in the most recent election. In the past four and a half years that Koizumi has been Prime Minister, things have gotten better. The bank crisis is behind Japan. A lot of the bad loans of the major banks have been written down. Banks have been merged. Unemployment is back down below 5 percent. Corporate profits are record highs. The stock market is strong. The back of deflation seems to have been broken.

Sure, there’s need for caution. There’s always the chance the government will abort this recovery as it did an earlier recovery in the late 90s. There are long-term demographic problems and fiscal problems, and so on, but the mood is good, and that is due in part to Japan having a prime minister who is enormously popular.

Yesterday, someone made the comment that there’s a crisis of political leadership in the countries in the advanced industrialized democracies. Well, there’s one country where there’s no crisis of political leadership. There’s a more popular political leader in Japan than Japan has had for a very long time, and his name is Junichiro Koizumi. If there’s a crisis of leadership in Japan, it’s the impending crisis that may be faced by the person who tries to fill Mr. Koizumi’s shoes when he retires, as he probably will do, next September.

This summer it looked as though Prime Minister Koizumi was weakening. He had only a year to go in his term as prime minister. People in his own party were turning against him thinking that he was a lame duck, and they did something that gave him the opportunity to turn things around. They defeated what has been his major policy objective since he’s been prime minister—in fact, it goes back to well before he became prime minister — which is to privatize the Japanese postal system.

Usually when we in America talk about privatizing the postal system, we have in mind privatizing the delivery of the mail, but in Japan, as you’re aware, the postal system is the largest bank, the largest life insurer, as well as the mail delivery company. Several members of his own party voted against his bill to privatize the postal system when it came up for a vote in the Lower House and then even more LDP members turned against him when the bill came to the Upper House where it was defeated.
I had dinner with Prime Minister Koizumi a week before the bill was defeated in the Upper House. I was coming back to New York and he invited me to join him at his favorite restaurant for what turned out to be a three-and-a-half hour conversation, a lot of which, by the way, had to do with the Yasukuni Shrine, which I will come back to in a few minutes. Koizumi was not sure, he said, whether the postal reform bill would pass or be defeated, but he was certain what he would do if it were to be defeated. He said he would dissolve the Lower House and call national elections and refuse to let anyone who had voted against postal reform run as an endorsed candidate of the LDP. He didn’t know exactly where he would find new candidates to run against these rebel incumbents but he would and he would turn the election into a referendum on postal reform. If he lost the election, it would lead to the opposition Democratic Party coming to power which would shake up Japan for the better and if he won, he would be stronger than ever and that will change Japan. I left dinner that evening absolutely convinced that Koizumi was not bluffing and that he would do exactly what he told me. But LDP politicians, and veteran political reporters, could not believe, even after seeing Koizumi in action as prime minister for more than four years, that he would not in the end play the Japanese political game of compromise and consensus. Koizumi is an unusual politician in any context. The man is simply not afraid to lose. He did not seek to become prime minister simply to become prime minister but to move economic reform forward. And the centerpiece of his reform agenda was breaking up the postal system. He became prime minister not because he had the support of the party bosses but in spite of their opposition. He has no patience with factional politics and refused to let factions influence his choice of cabinet ministers. He kept powerful faction leaders out of key government and party posts entirely. He took the stance that the LDP either could support his key policies or try to replace him with someone else. He used his personal popular support to force his party to swallow policies they did not favor and he didn’t hesitate to risk everything to accomplish his goals. In the process he captured the imagination of the Japanese public as no prime minister has done in many, many years.

All the polls suggest that there were relatively few Japanese who understood what postal system reform was about, or who were enthusiastic about destroying a system that generally was thought to have served Japan well for more than a hundred years. What got people excited was not the postal reform itself but the appearance of a political leader who had the conviction of his beliefs, who was willing to risk everything to do what he thought was important for the country. Koizumi turned the election into great political theater, running a group of new candidates, several of them women, who were quickly dubbed the “assassins” by the media against the incumbents who had defied him. The result was that the voting rate spiked up by 8 percentage points, and the LDP won a huge victory. There are 480 members in the Japanese Lower House. The LDP won 294 seats, increasing its seats by about 84 or so. With its coalition partner, the Komeito, it has two-thirds of the seats in the Lower House of the parliament, meaning it can pass any legislation that the Upper House rejects with a two-thirds vote in the Lower House.

Let me say a few words specifically about the election, what accounts for the results, and what its likely consequences are in terms of the short-term policy implications, and the longer-term implications for Japanese politics.

The first point is that this was a victory not for the LDP, this was a victory for Koizumi, and 294 LDP members rode into office on his very broad coattails. He is in a league all of his own in Japanese politics in terms of his media savvy and his political skill. As I said, he dissolved the House; he insisted that this was a referendum on reform. The opposition was never able to change the terms of the debate, and he did what seemed to be politically impossible: He convinced people that the LDP, his own party that had opposed almost everything he’s tried to do for the past five years, was the party of reform, and the Democratic Party, which was formed as a party of reform, was a party that was opposed to change, and people went for it.
The core of Koizumi’s appeal to Japanese is that he is an innate optimist. Koizumi attitude is that if you do certain things, the situation will get better. Now I don’t know much about the kind of rhetoric that Canadian and Mexican politicians employ, but I know in the United States, our political culture expects that politicians talk in positive, optimistic terms about what they will do if given power. We build bridges to the 21st century, and imagine shiny towns on the hill. But if you’re familiar with Japan, and I’ve been told it’s somewhat similar in Germany, you will know that Japanese politicians tend to use a kind of gloom and doom rhetoric, warning voters how the bridge to the future may collapse before they cross it, how things are likely to get worse unless Japanese combine their strengths to ward off disaster. In the 1970s a science fiction novel called *Japan Sinks* became a runaway best seller. It is a story of how a massive earthquake literally sinks Japan. It struck a chord with Japanese people who see the challenge to the country of being how to avoid disaster, either man-made or the result of natural causes. For years there was a popular genre of books that engaged in a so-called “sinking discourse” and politicians picked up on this theme to warn Japanese that only they could keep disaster away. In a time when Japan was booming and the future looked ever more promising than the present, there was something of an appeal to a politician who said, well, things may look good, but let’s not get carried away with ourselves, we need to be cautious. But when times are bad, as they have been in Japan since the early 1990s, people are not inspired by politicians whose message is that things are bad and not likely to get much better but that we have to struggle together against adversity. In the recent election, the Democratic Party, exhibiting this traditional mind-set, came up with the inane campaign slogan, “we have not given up on Japan.” This was hardly an inspiring message, and it contrasted with Koizumi whose message was that things are getting better now that Japan is changing and they will get better still if people free themselves of the dead weight of past policies, privatize the postal system, shrink the role of the government in the economy, and embrace reform. Koizumi exuded optimism and a kind of fearlessness and the public bought it. The Democratic Party, on the other hand, and it seems a common malady these days to parties with that name, could not seem to come up with any positive message of its own and could do little more than offer feeble criticism of Koizumi. 

Another point, though, and I don’t think this gets enough play, is that the reason Koizumi is prime minister of Japan, and the reason he did so well in this election, is that Japan is a very different country these days than it was a decade ago. The 1990s is often talked of as a lost decade in Japan, but in my view the 1990s were not a lost decade, but rather a kind of a watershed decade in modern Japanese history. So much changed in the 90s in terms of people’s fundamental values—attitudes about work, women’s attitudes about marriage and work, young people’s feelings about their lifestyle and lifetime employment, and attitudes about the bureaucracy.

It used to be widely assumed in Japan that the nation’s elite bureaucrats represented the country’s best and brightest, that they knew how to manage the economy and that as long as the bureaucracy and the private sector worked hand in glove, Japan would succeed. That isn’t the Japan of 2005, not after the bubble economy, fifteen years of deflation, and a Ministry of Finance that bears some of the responsibility for getting Japan into the predicament it found itself in and not being able to figure out how to get it out. The loss of confidence in the bureaucracy, combined with the revelation of corruption involving bureaucrats, has created a new public opinion environment for policy making and gave Koizumi the opening to push for fundamental reform.

Japan is a very different country in this beginning of the 21st century in other ways as well. There’s a new nationalism in Japan and a groping for a new vision of the role Japan should play in East Asia and globally. In any case, it’s because of the changes that happened in this last decade of the 20th century that someone like Prime Minister Koizumi became prime minister in the first decade of this one.

What are some of the policy consequences of this election? First and foremost, it means that the Diet will pass very soon his bill to privatize the postal system. What that means over the longer term is not entirely
certain. Privatizing what is in effect the world’s largest bank and breaking apart the banking, insurance, and mail delivery functions of the postal system is scheduled to occur in phases and not be completed until 2017. The danger of backsliding, of future governments making changes in the reform, or of bureaucrats sabotaging it cannot be dismissed. Nonetheless, the successful adoption of this reform reinforces the mood that things are changing, that the process of reform is gathering steam and needs to be continued, and I think that in itself is creating a new political environment in Japan.

Beyond getting his postal reform legislation passed, it is not clear that Koizumi wants to accomplish much of anything else in the time he has left in office. He will continue the process of dismantling a number of government agencies that provide sinecures for retiring bureaucrats, and further shrink the role of government. He’s not going to touch the issue of raising the consumption tax, a hot potato he is leaving for his successor. Koizumi has taken this election as giving him a limited mandate to pass postal system reform and pursue his economic reform program, but he has not taken it as giving him a mandate to do very much else, and he’s planning to resign in September of next year.

I think the big issues that are going to confront him in his last year in office are likely to involve foreign policy and relations especially with China more than anything else, and so I want to turn my attention to Japan’s China relationship.

Japan’s trade with China today, in terms of both imports and exports, exceeds Japan’s trade with the United States. Japan’s business community’s attitudes about China are very positive. Six, seven years ago, there was a widespread sense in Japan that the economic relationship between China and Japan was a kind of zero sum game, where Chinese success equaled Japan’s loss. The fear was that China’s growth would result in the hollowing out of Japanese industry. You simply do not hear that kind of talk among Japanese businessmen today. The mood is upbeat, the feeling among businessmen is that a country of over a billion people growing at near double digit rates year after year, located within a two- or three-hour airplane ride of Tokyo and Osaka, has to provide huge business opportunities for enterprising Japanese businessmen. Instead of looking upon China as a threat, the dominant view today is that China’s economic miracle is going to be long lasting and that Japanese business needs to ride this Chinese wave and share in China’s economic success.

The problem in the Sino-Japanese relationship, as you are well aware, is on the political side. In Japanese this is referred to as a situation of “hot economics, cold politics.” The reasons for the frigid political atmosphere are multiple. Japan has a territorial dispute with China involving sovereignty over the Senkaku Islands and the drawing of the boundary lines of each country’s special economic zone which in turn is at the heart of their dispute over natural gas exploration in the East China Sea. In fact, Japan has territorial issues with all its neighbors, with Russia over the northern territories, with South Korea over Takeshima—or Dokto in Korean, and with China over the Senkaku or Diaoyutai Islands. But the major source of political tension is the continuing legacy of the Second World War, Japan’s inability to convince its neighbors that its apologies, of which it has made many, for its actions in the Second World War, are sincerely meant, and in particular Prime Minister Koizumi’s repeated visits to the Yasukuni Shrine. In contrast to his positive accomplishments in respect to domestic political and economic reform, he has worsened Japan’s political relations with China and damaged Japan’s image worldwide because of his insistence on repeatedly visiting a shrine that not only honors the memories of soldiers who fell in battle, but a shrine that is an active participant in a political movement to revise history and justify Japan’s wartime aggression.

I encourage all my American friends, and now my Canadian and Mexican friends as well, if you go to Tokyo, as you will next year, you should try to find time to go visit the Yasukuni Shrine. It is well worth your doing, and it will give you an idea of why this has become such a big issue.
The Yasukuni Shrine is a shrine. It’s not a cemetery. There’s nobody buried there. There are no ashes of anyone at the Yasukuni Shrine. There are the souls of two-and-a-half million people who died in Japan’s modern wars enshrined at Yasukuni. Each year since Koizumi has been prime minister, he has made a pilgrimage to Yasukuni to pay his respects to those who died in these wars, especially the last one, the Second World War, or what the shrine authorities insist on calling, as Japan did during the war itself, the Great East Asia War. His belief and the attitude of a lot of people in his party and about half of the Japanese population is that every country pays respects to those who have died fighting for their homeland, and that it is intolerable for foreigners to try to tell the Japanese prime minister how he should do so. Koizumi insists, and I have no doubt whatsoever that he means what he says, that he goes to Yasukuni to honor the memories of young men who were drafted, went to war, did their patriotic duty and died for their country. He does not go to pay homage to the Class A war criminals who are enshrined there or to give support to the political message broadcast by the shrine, or to give support for a revisionist view of history. But Yasukuni is not a shrine dedicated only to the memories of fallen soldiers and there is no way for the Prime Minister to visit Yasukuni without giving at least indirect support for what Yasukuni stands for and what generates such an emotional response in China and elsewhere where the memories of Japanese wartime aggression are strong. That is why you should visit Yasukuni.

Yasukuni is as much a shrine to the policies of the government that sent these young men off to war as it is to the men themselves. There’s no other way, I think, to look at it. There’s a war museum at Yasukuni called the Yushukan. It is a museum that glorifies Japanese military policy of the 1930s. Yasukuni is not run by the government, as it was before the war. It is now a private shrine run by its priests, but with very close links to the right wing and to a strongly nationalist element in the LDP. When Koizumi was running for LDP president and prime minister, he made a campaign commitment to visit Yasukuni on August 15, the day of the end of the Second World War. After he became prime minister in April, 2001 some of his closest associates convinced him not to go on August 15, which for the Chinese was a kind of red line the crossing of which would make it impossible for Koizumi to develop good relations with China. That first year he visited the shrine on August 13. But the Yasukuni issue has led to a sharp deterioration in political relations between China and Japan nonetheless.

I am certain that Koizumi did not anticipate that his Yasukuni visits would have such a strong adverse impact on relations with China when he made his campaign promise to go there. And I am equally certain that the Chinese did not anticipate that their criticism would generate such a strong reaction in Japan, with the result that Chinese protests of these visits increased public support for them. In his most recent visit, Koizumi tried to signal to the Chinese that he was sensitive to their concerns. He wore a business suit instead of a formal kimono as he had on previous visits. He went only to the outer shrine, spent just a few minutes, and left. In the previous years he went to the inner shrine, spent time with the priests, and generally made a big show of it. This time he tried to downplay the visit but, at the same time, he felt that he had to go to show the Chinese that he would not cave in to Chinese pressure. His concern is that if he were to give up his Yasukuni visits, the Chinese would conclude that pressure tactics work and that if they work on Yaskuni, they will work on issues of natural gas development in the East China Sea, on the Senkaku Islands dispute and other issues. Koizumi finds himself with a dilemma, but it’s a dilemma entirely of his own making, in my view, and he is making the situation worse by insisting that no foreigner has the right to say anything about how the Japanese prime minister honors the memories of its fallen soldiers. It is not possible to draw a national boundary around issues of historical memory, especially when they involve acts of aggression against other countries. The history issue is the wrong issue for Japan to decide to draw a line in the sand against foreign pressure.

The day after his recent visit to Yasukuni, over 100 LDP members went to the shrine and made a big display of their support for it, demonstrating in the process the resistance on the part of some of the Japanese conservative establishment to accept the realities of the Second World War, and undermining the more conciliatory message Koizumi hoped to convey with his playing down this time of the
symbolism of his visit.

I think the Chinese—in fact, I’m certain—have no interest right now in escalating tensions with Japan. They’re trying hard to send a message to the Japanese that they want to calm things down. I think the Chinese leadership was taken aback and alarmed at how rapidly anti-Japanese demonstrations in China spread this past April and how intense they were. The problem is that neither the Chinese nor Prime Minister Koizumi can back down without losing face so improving Sino-Japanese political relations probably has to await the change of government in Japan that will occur next fall.

The question then is what his successor does about the Yasukuni problem. There’s something of a disconnect between opinion within Japanese leadership circles and among the Japanese public. The majority of Japanese say that the prime minister shouldn’t go to Yasukuni, because Japan should be concerned about relations with its neighbors, Korea and China. It’s not a large majority, but it’s slightly more than 50 percent who say that. That’s not the view in the LDP. Most importantly, some of the leading candidates to succeed Koizumi support these prime ministerial visits, though whether they would do so once becoming prime minister is another story. Neither Japan nor China has anything to gain from “cold politics,” especially since the United States wants to have good relations with both China and Japan and does not have an interest in seeing growing tension between them.

There are some people in Washington who think that, after all, China is the long-term threat to the U.S. and the quicker the Japanese step up to the bat and do more to meet this threat, the better for us. This is very foolish, in my view. We have no interest in seeing tensions escalate between China and Japan, and we should be trying to encourage both sides to seek greater accommodation. It would be a mistake, however, to underestimate the difficulties of their doing so. Yasukuni is in a sense more of a symbol than a cause of the problem. At the heart of the issue is that there has never been a time when both China and Japan were great powers at the same time and they both are having difficulty figuring out how to accept and adapt to this new reality.

An editorial appeared in the *New York Times* the day after Koizumi’s most recent visit to Yasukuni, calling it a mindless action. That kind of media commentary coming out of the United States, I think, may have a positive impact on Japan, the point being that this is not only an issue in Japan-China relations but a question of Japan’s global image. For more than half a century Japan has pursued a peaceful foreign policy, has given vast amounts of economic assistance to China and other Asian countries, and has demonstrated both in words and actions its rejection of its prewar system. It seems to me to be foolish in the extreme for its leaders to be digging in their heels on visits to a politicized military shrine that only undermine the positive image that Japan should be enjoying. A lot of what is happening in Japanese security policy is very positive, in my view. There’s a growing Japanese assumption of new roles that are positive for our alliance, and that do not threaten anybody. To have these developments get tangled up in perceptions of a rising revisionist thrust in Japanese thinking about its actions during the Second World War can only complicate the process of Japan defining a new security policy for itself. And Japanese leaders are only fooling themselves if they believe that they can ignore or deny the importance of the history issue in their relations with neighboring countries.

Finally, in terms of the longer term consequences for Japanese politics, my view, which goes back to my earliest point, is that this election was not a victory for the LDP. This was an election victory for Koizumi. And what does Japanese politics look like when Mr. Koizumi is not around? I think it looks a lot less stable and predictable. First of all, Koizumi is a very tough act to follow. The next prime minister will have a difficult time avoiding unflattering comparisons with his dynamic predecessor. The LDP is going to lose seats in the next election in any case. They overshot in this election because of Koizumi’s ability to turn it into a kind of High Noon showdown between himself and the so-called “opposition forces.” If the opposition party is able to recruit attractive leadership, given the changes in Japan’s
political culture, the weakening of the traditional vote gathering machine and the accompanying growing public attention to the party’s leadership, the chances of the opposition becoming much stronger in the next few years is quite real. On the whole, in terms of domestic politics, my message is that the old system is unraveling. Faction politics is pretty much gone. Even if there’s some backtracking after Koizumi, as there is likely to be, there’s no really going back, and I think that’s a positive development for Japan.

In terms of domestic economic and social change, the pace is slower than I would like to see but the direction is right, and the trends generally are positive. In Japan since the end of the Second World War, the most divisive issue in domestic politics has not been the management of the economy, but how to manage Japan’s relations with the countries in its region and within the global political system. I think we will see foreign policy again now become a major issue of political debate and controversy, especially as Japan tries to figure out how to develop better relations with its neighbors, China in particular, and Korea, as well. Thank you.