Japan’s Abe Risks Elections to Seek Mandate on Economic Policies

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Having returned political stability to Japan, Prime Minister Shinzo Abe today called snap elections for next month to secure a verdict on his already implemented economic policies, dubbed “Abenomics,” as well as a mandate to continue applying his strategies to expand the economy. The general elections, scheduled for mid-December, will come roughly two years after Abe was elected in a sweeping victory in December 2012. His current tenure, Abe’s second as prime minister, has been defined mainly by his efforts to jumpstart Japan’s long-beleaguered economy, focusing on a “three-arrow approach” to restore growth and confidence through increased stimulus, quantitative easing and structural reform.

Abe’s impressive political rebirth in 2012, after quitting the prime minister’s office in 2007 amid scandal and a personal illness, also marked a return to power of the Liberal Democratic Party (LDP). The party has controlled Japanese politics for all of the post-World War II period aside from a few short interludes, including the two-and-a-half-year reign by the Democratic Party of Japan (DPJ) from June 2010 until Abe’s most recent election.

In a press conference today, Abe announced that he would dissolve the Japanese Diet later this week, after having already informed senior officials in the LDP and his coalition partner, the New Komeito Party, of his plans in the previous days. He also declared his intention to postpone for 18 months another increase in the personal consumption tax, from the current level of 8 percent to 10 percent, slated for October 2015. The first tax hike, from 5 percent to 8 percent, was implemented in April, following landmark legislation by the previous DPJ-led government in August 2012. The Japanese public remains wary that further tax increases may harm the country’s fragile recovery. After slow growth numbers for Japan’s economy in the past quarter, including the announcement Monday that Japan had slipped into recession, Abe calculated that a delay on the second hike in the consumption tax may buy him goodwill among voters ahead of an election.

Abe’s decision to go to the polls is a risky move that could actually result in a loss of LDP seats in the Diet. Indeed, Abe’s approval ratings sunk below 40 percent in recent months after peaking at 66 percent last spring. Abe’s downturn in favorability is not altogether surprising considering that most new leaders in Japan start out with high approval ratings before fading later in their tenure. Moreover, his current approval ratings are still significantly higher than most of his predecessors in office.

Despite this, Abe’s image has taken a hit domestically from the political capital he spent to press through legislation on a controversial state secrets bill last year as well as his Cabinet’s decision to reinterpret Japan’s constitution to include the right to collective self-defense. Japan’s electorate remains very cautious about Abe’s suite of security and defense reforms and is wary of any more
discussion of constitutional revision. This is especially true of revising or reinterpreting Article 9, which renounces Japan’s legal right to engage in war outside of self-defense purposes. Similarly, Abe faces domestic opposition against his plans to restart the majority of Japan’s idle nuclear reactors, most of which have remained offline since the disastrous crisis at Fukushima Dai-Ichi in March 2011.

The Abe administration is framing the decision to go to the polls in order to green-light the legislation needed to delay the October 2015 tax hike. But more than that, the election is a broader push for a renewed mandate on Abe’s economic policies. Those already received a strong endorsement during the previous two elections, the general election in December 2012 and the upper house election in July 2013, which brought sweeping gains for the LDP. Despite the risk the elections present, the poll could actually strengthen Abe’s hand as a majority of Japanese voters are in favor of postponing the tax date. Abe will also likely package the delay in the tax implementation with a raft of other growth-orientated policies, including slashing corporate tax rates from 35 percent to 25 percent and a push for more deregulation of critical sectors such as agriculture and health care to support his policies on structural reform.

The news of the impending election also comes mere days after Abe brokered a long-awaited meeting with Chinese leader Xi Jinping on the sidelines of the Asia Pacific Economic Cooperation (APEC) summit last week in Beijing. While the meeting—as well as the joint statement released with Beijing days beforehand on the two sides’ sovereignty dispute over the Senkaku Islands, claimed by Beijing as the Diaoyu—was more symbolic than substantive, it delivered a diplomatic boost for Abe at home. Up until this point, Abe has been unable to establish ties with Xi, who has refused to meet with Abe since the Chinese leader’s tenure began in the spring of 2013. Meanwhile, Japan also appears on track for a resumption of high-level talks at the trilateral level with South Korea and China, helping to soothe strained ties with its two key Northeast Asian neighbors. A summit at the foreign minister level is likely to be held before the end of the year, with the potential for a leader’s summit following in early 2015.

The move to force the opposition to the polls makes political sense for Abe. While there remains the risk that he could lose some ground in the Diet, there is a greater likelihood that he will come out with a renewed mandate to push forward his agenda. Moreover, by calling the election now, rather than later in 2015, Abe could gain needed political flexibility that he may lack in the coming year as he tries to tackle thorny issues such as the restart of nuclear reactors and legislation on collective self-defense. If his calculated gamble pays off, the Abe administration will be able to push forward these goals without pressure from the opposition to call an election in the first six months of the coming year. This would provide the political breathing room for Abe that could make the difference between solidifying the period of political stability Japan has enjoyed under his tenure versus a return to the “revolving door” prime ministers that preceded it.

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