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**RECENT POLITICAL DEVELOPMENTS IN JAPAN**

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## RECENT POLITICAL DEVELOPMENTS IN JAPAN

Although former Prime Minister Suzuki's reelection as Liberal Democratic Party (LDP) President, and hence Prime Minister, was a certainty if he sought it, the Prime Minister shocked Japanese political circles by announcing on October 12, 1982 that he would not. While he had the LDP votes to succeed himself, Suzuki's public popularity was declining. The Fukuda faction of the LDP was withdrawing support, and Suzuki was clearly unable to deliver on his promises of administrative reform and a balanced budget without tax increases. The leading contenders for Prime Minister were right-leaning, pro-defense Yasuhiro Nakasone, and the former businessman who headed the Economic Planning Agency, Toshio Komoto.

Nakasone won, in part by allocating an unusually large number of Cabinet positions to the powerful Tanaka faction.

The LDP -- particularly the powerful Tanaka faction -- received a considerable shock in June when two politicians implicated in the Lockheed bribery case were found guilty. This is the first time that a minister or vice minister has been convicted. Tanaka's prosecutor has made a strong case and has demanded that Tanaka receive a five year prison term, a sentence likely to be formally imposed in early summer 1983. There will probably be five years of appeals before Tanaka actually has to face jail.

Prime Minister Nakasone has adopted a very active and forthright diplomatic posture, unlike all of his postwar predecessors. After his election, he immediately phoned President Chun of South Korea to establish a more friendly relationship, and he subsequently visited Seoul, in the process ratifying the solution of a major Korean-Japanese dispute over aid. Nakasone's support of South Korea gratified Washington.

Then, after making some additional trade concessions on such issues as foreign cigarette marketing and customs procedures, Nakasone visited Washington, where he spoke strongly of the U.S.-Japanese alliance, and of mutual defense against the Soviet Union. This caused demonstrations back in Japan, but gratified President Reagan. Nakasone did not, however, promise to breach the one percent ceiling on Japanese defense expenditures. On trade issues, Nakasone made mollifying noises but promised nothing. He strongly requested that the U.S. lift restrictions on sale of Alaskan oil to Japan, and Reagan promised to press Congress on this matter. (The U.S. policy is irrational, but is very unlikely to be changed by Congress.) The visit was largely ceremonial, and in those terms it was a success. Nakasone successfully focused attention on a five-to-six year time horizon which politically is a lifetime away.

Nakasone's pro-U.S., pro-defense, anti-Soviet posture in Washington has been supplemented at home by his comments that a respectable nation should be able to defend itself and that existing institutions should be fearlessly examined and changed if necessary. This latter refers to the possibility of revising Article 9 of Japan's constitution, which limits the country's military capabilities.

The defense issue is important for its own sake, but Nakasone probably also wants such a controversy to dominate public attention in order to minimize attention to the forthcoming Tanaka sentencing. Before Tanaka is formally sentenced, Nakasone may well call an election, since his position will be weakened after his backer is sentenced.

Earlier, under intense pressure from both the U.S. and the EEC, the Japanese government announced market liberalization packages, in December 1981 and June 1982. The December package merely implemented a reduction of tariffs on a total of 1,653 items two years ahead of the schedule agreed on in the Tokyo Round and promised to simplify import inspection procedures. The U.S. and EEC deemed this insufficient and pressured Japan to take "drastic" measures before the Versailles summit talks. In response, the Suzuki administration announced the June package: proposed elimination or reduction of import duties on 215 manufactured and farm products, expansion of quotas on four farm products, and relaxation of restrictions on the raising of capital by foreigners in Japanese financial markets. As a result, first the U.S. and then Europe eased up on Japan and sat back to watch for the implementation of the package.

Trade problems are far from solved, however, with a \$20 billion imbalance in U.S.-Japan trade for 1982, as against \$13.4 billion in 1981. Pressure for more concessions from the Japanese also came from Congress in the form of proposed trade reciprocity legislation and a domestic-content bill for automobiles. Chances for passage of this legislation by the Senate are slim. The pressure for further concessions increased as disappointment both in the content of Japan's trade liberalization program and the snail's pace of implementation spread through the Reagan administration and the Congress. Japan now faces a series of bilateral trade talks with the U.S. and Europe from late September. The U.S. will press for further expansion of quotas on leather and leather goods, beef, citrus, and tobacco. The course of trade relations may also be altered by the GATT ministerial conference, the first in nine years. The U.S. is expected to push for an agreement on the service industry, an area of U.S. strength and Japanese weakness. Other outstanding issues between the U.S. and Japan include the much undervalued yen, now believed to be largely responsible for the increasing U.S.-Japan trade gap. Declining U.S. interest rates may solve this, however.

In 1982, Japanese employees of Hitachi and Mitsubishi were arrested for allegedly stealing proprietary information from IBM on its newest computer software. The Japanese press went so far as to charge erroneously that the U.S. government had conspired to trap the Japanese in order to prevent Japan from encroaching on U.S. dominance in the computer field as part of a "grand strategy" to defeat Japan in high technology fields. The two governments, however, played the incident down.

The Japanese Defence Agency (JDA) completed in 1982 its new five-year defense buildup plan. Though the Japanese were far from agreeing to U.S. requests that it formulate a concrete defense plan for sea lanes extending 1,000 nautical miles from Japan, the new defense plan would substantially reinforce Japan's naval and air defense given adequate funding. LDP members are reportedly convinced that it would be impossible to attain the objectives

of the plan and remain below the politically important one percent GNP barrier. While the U.S. Defense Department released a report critical of weak Japanese defense efforts, in recent months Washington has become more sympathetic to Japan's budgetary and political constraints. The U.S. and Japan have agreed to conduct a joint study to determine the real requirements of sea lane defense. The Japanese Government also agreed to allow the U.S. to base up to 50 F-16 fighter bombers in northern Honshu, 375 miles from the Soviet Pacific coast, to counteract the Soviet air buildup in the region.