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***Noda's Government under Attack: Social Security Reform, Nuclear Exit and Trouble with China***

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### **POINTS OF NEWS**

Yamazaki Masakatsu, Ikeda Kayoko and Oita Masakatsu, "Reviewing the Basic Law, a change for the worse?", *Sekai*, August 2012, p.100-107. (translated from the Japanese source by Adrienne Sala).



## EDITORIAL

### ***Noda's Government under Attack: Social Security Reform, Nuclear Exit and Trouble with China***

When, on 26 June 2012, the Diet approved a bill to double sales tax by 2015 along with other measures to reform the Japanese tax and social security system, Prime Minister Yoshihiko Noda's government appeared to have won an important victory. By obtaining approval for measures meeting IMF requirements the Prime Minister seemed to be pushing forward a reform agenda at the risk of his own political longevity in an unstable political environment and an economic context that was still highly disrupted by the shutdown of nuclear power plants, the soaring Yen and, finally, the deterioration of China-Japan relations following the government's acquisition of the three Senkaku islands previously owned by the Kurihara family and claimed by China. This relationship will be examined in greater detail in a forthcoming special edition of *Japan Analysis* and *China Analysis*.

For many commentators, social security reforms have highlighted a sharp lean to the right by the Democratic Party of Japan. Criticism of the way in which delicate issues of domestic and foreign Japanese policy are being handled by the liberal wing of the DPJ are a reminder that parliamentary majority is based on a more or less heterogeneous coalition. Following the vote on 26 June (achieved with the support of members of the Liberal Democratic Party of Japan) and the announced defection of a group of Diet members supporting Ichirō Ozawa, this coalition is, more than ever, at risk of losing the parliamentary elections expected in November.

This 27<sup>th</sup> edition of *Japan Analysis* will look at these recent developments and discuss their influence on an anticipated short-term reshuffle of the Japanese political scene. Two analyses will focus on tax and social security reforms to help readers improve their understanding of the content and the social and political challenges inherent in the measures passed on 26 June: an analysis

by Nicolas Morishita that questions the range of the reforms across the medium term as well as their impact on Japanese households, and one by Arnaud Grivaud that explores the political impact of recent decisions made by the Noda's government within the DPJ and beyond. These articles will be complemented by the opinion of three Japanese intellectuals on reforms to the Atomic Energy Basic Law, as translated by Adrienne Sala.

**Sophie Buhnik**

## CLOSE UP ON THE NEWS

### **1. Is the combined tax and social security reform project undertaken by the Noda's government a real solution?**

**- *Nicolas Morishita***

The eight laws relating to the integrated tax and social security reforms passed by the lower house on 26 June 2012 and adopted by the upper house on 10 August, are the first physical steps of a process started in 2008 under the conservative government of Yasuo Fukuda. He started the process by sketching the outline for an in-depth reform of the Japanese social security system. The process was continued by Tarō Aso's cabinet who added taxation and employment to the review. In 2009, the election that brought the Democratic Party of Japan (DPJ) to power seemed to have interrupted the process, but the difficulties faced by the DPJ in implementing its electoral manifesto led Noda Yoshihiko to return to the tax and social security reforms.

The fact that there has been continuity despite political change has revealed a basic political consensus on the need for social security reforms. The advisory committees brought together to debate the question both before and after the election produced converging analyses of the situation and direction needed to reform social security<sup>1</sup>. The current system, implemented in the 1960s, represents the basic "social infrastructure" that supported Japan's economic success during the post-war period. Despite successive reforms since the early 1990s, the system has never been fundamentally challenged. Today, although Japan's leading parties agree that the social security system – in its current post-war iteration – is unable to meet modern social, demographic and budgetary challenges, they are increasingly divided over how to

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<sup>1</sup> This relates to the National Conference on Social Security (shakai hoshō kokumin kaigi) held by the Fukuda government, the panel to create a secure society (anshin shakai jitsugen kaigi) formed under Aso, and the Government Secretariat and most of the social security reform (seifu.yotō shakai hoshō kaikaku honbu) under DPJ governments.

implement the changes needed to deal with these challenges.

In this context, the reform agenda presented by the Noda's government appears to be more ambitious than previous versions. However, the question remains, will it offer an actual solution to adapt the Japanese social security system to modern "challenges", or will the agenda finally be reduced to a tax "patch" as the criticisms it has received threaten to shatter the ruling majority and prevent the adoption of any further measures? Following a quick overview of the key characteristics of the Japanese social security system and the reasons put forward for its reform, the eight laws approved on 26 June will be analysed to provide a clearer understanding of the challenges faced by the project and of the Noda's government's intentions. Finally, a discussion of the direction taken by critics from politics and other areas of Japanese public opinion will reveal the ideological conflicts and internal power struggles within the parties as well as the contradictions inherent in the Noda's government ambition to "rebuild a large middle class".

### **The Japanese Social Security System: A Limited Welfare State**

Japan's social security system is the result of economic and budgetary policies of the 1950s and 1960s, where the aim was to maximise the country's economic potential. To this end, taxation and public spending were kept low to encourage households to save and invest. While Japan implemented some social programmes, it imposed strict quantitative limits to ensure these remained compatible with the budgetary framework.

These restrictions to the Japanese welfare state were also typified by a significant bias towards later life spending such as pensions

and healthcare. Despite its limited scale, Japanese social welfare is rather generous towards the elderly and not particularly concerned by the needs of working people. This is reflected by the significant proportion of expenses relating to healthcare or allocated to the elderly, and the limited funds available for family or unemployment benefits.

Pension and healthcare programmes are further divided according to type of business. Employees of companies with more than five permanent members of staff can subscribe to the employee pension fund (*kōsei nenkin*) and civil servants are covered by mutual pension funds (*kyōsai nenkin*). These systems receive a legally defined proportion of members' income as social security contributions while claimants receive a pension relative to their income level. Contributions to employee pension funds are shared equally by employees and employers, although the latter are not required to register their part-time employees onto the pension system. This creates de facto gender discrimination as most part-time employees are women. People who are not eligible for either system participate in the national pension fund (*kokumin nenkin*) which takes a fixed proportion of contributor salaries and pays out a fixed pension. To receive a full-rate pension workers must contribute for 40 years, although the minimum eligibility requirement is 25 years. Pensions were initially run using the partial capitalisation approach before gradually evolving towards a pay-as-you-go system. The healthcare system is also based on social contributions and is divided according to company size and type of business<sup>2</sup>.

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<sup>2</sup> Source: National Institute of Population and Social Security Research (NIPSSR), *Social Security in Japan*, 2011.

The Japanese social system is not universal, as it prioritises later-life expenses and does not take into account all risks to which a population could be exposed throughout its life. This has not prevented Japan from providing a high degree of social equality<sup>3</sup>, as it offers its working population functional equivalents through the social role granted to industrial policy. Various measures, such as spending on public works, subsidised rice and credits for SMEs, are used to keep the workforce in employment, particularly in sectors outside manufacturing and export.

In order to fill the gaps in its welfare provisions and manage its spending, Japan delegated part of its welfare provision to families and companies: families looked after the young and elderly while, within the tense post-war context, companies agreed to provide guarantees and social benefits in exchange for social peace.

### **Why the Social Security System Needs In-Depth Reform**

Since the 1990s, various governments – particularly the current Noda’s government – have used the profound social and economic transformations that have affected Japanese society since the 1960s to justify their attempts to reform social security policy. Three main reform drivers have been identified.

1. The main reform is linked to demographic evolution, typified by significant population aging and the continuously decreasing birth rates recorded between 1970 and the mid-2000s, which led to an overall population contraction. According to predictions from the National Institute of Population and Social Security

<sup>3</sup> Measured according to the Gini Coefficient for income distribution, OECD data.

Research, these already advanced trends will continue to grow. This will lead to a mechanical increase in pension and healthcare expenditure, a figure which has already doubled over the past twenty years. The risks to a system already weakened by budget cuts will only intensify<sup>4</sup>. The pay-as-you-go pension system is particularly sensitive to demographic changes and will be severely destabilised by the situation. In 1970, the number of people over 65 represented only 11.7% of the 20-64 year old working population. By 2009, this figure had increased to 38.5% and it is expected to rise again to 80% in 2050<sup>5</sup>.

2. The second reform relates to families. During the second half of the twentieth century the typical Japanese family became increasingly nuclear, leaving behind the traditional extended family model. According to the government, the increasing number of nuclear families has weakened the social role of family. There are therefore more households made up of one or two elderly people whose care will place an additional burden on public authorities.
3. The third reform relates to the labour market, which has been affected by an increase in irregular, temporary or part-time employment. In 1984 this

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<sup>4</sup> Social expenditure increased by 234% between 1990 and 2012, and projections expect an increase of 132% between 2012 and 2025.

<sup>5</sup> “*Ashita no anshin, shakai hoshō to zeī no ittai kaikaku wo kangaeru*” (“Tomorrow’s safety, considering combined reform to tax and social security”), <http://www.cas.go.jp/jp/seisaku/syakaihosyou/>.

type of employment represented 15% of the total workforce. Today, this figure is up to 34%, or 17.6 million people. This has resulted in an increase in the number of workers who are not eligible for the employee pension system<sup>6</sup>. These workers are subscribed to national pension funds open to all but which require a monthly contribution of around 15,000 yen. While the number of irregular employees “relegated” to the national pension funds have, since 2008, been higher than the number of company owners, farmers and fishermen who are the intended targets of these funds, their income is either too intermittent or small for them to make minimum contributions. The risk is that the number of people with insufficient payments to receive a decent pension will increase. According to the Ministry of Health, Labour and Welfare, almost 1.2 million people are currently in this situation<sup>7</sup>.

These three socio-economic drivers are accompanied by a fourth, budgetary, driver. Japanese public debt is currently at a record high, reaching 212% of GDP in 2011, with the budget deficit for the initial budget at 47.9%. A significant proportion of social security expenditure (31.1% of the initial budget) is funded by debt, which means the burden of social welfare is being passed onto future generations.

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<sup>6</sup> Employees need to work at least 30 hours per week to be eligible for employee pensions. See “Oshiete! nenkin: 6) fueru hiseishain do taiô suru” (“Let’s Learn! Pensions 6) How to manage an increase in irregular employees?”), *Asahi shimbun*, 19 May 2012.

<sup>7</sup> “Oshiete! nenkin: 1) nani ga mondai nano ?” (“Let’s Learn! Pensions 1) What is the problem?”), *Asahi shimbun*, 10 May 2012.

## Reform Contents

As part of its successful election campaign in 2009, the DPJ had planned to reform social security while also committing to not increase taxes. The party planned to create a budget for the reforms by reducing any unnecessary expenditure. This aim of reducing expenses quickly proved difficult to reconcile with other resolutions proposed by the DPJ manifesto, which aimed to promote new benefits to help children and education as well as the unemployed and casual workers. Prime Minister Yukio Hatoyama gave up after several months. His successor, Naoto Kan, decided to take over the social security and tax reforms and announced an increase in sales tax from 5% to 10%. Once Kan was removed following the disaster of 11 March 2011, Yoshihiko Noda finalised the legislation and presented it to the Diet.

There are two sides to the reforms proposed by Noda’s government: the first aims to deal with the socio-economic and systemic problems within the social security system while the second relates to the viability of the system and of public finances. Overall, the reforms aim to strengthen the role of the social security system while streamlining it to create savings that will ensure sustainability. They are guided by three main principles: guaranteed participation, which aims to support social security schemes by extending employment; a statement of universality, to ensure that all generations are protected by social security; the implementation of a secure society, thus enabling social security to play the role of safety net to encourage self-starters<sup>8</sup>.

Some of the most significant measures proposed under the first section of legislation

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<sup>8</sup> *Shakai Hoshô-zei ittai kaikaku seian* (Final joint tax and social security reform project).

approved by the government in 2012<sup>9</sup> include the extension and strengthening of benefits and services targeting children and their care. The aim is twofold: to encourage birth rates and free women from the care burden so they can go back to work and participate in funding the social security system. This will end the 'M' curve found among female employees and free women from the currently mutually exclusive choices offered to them (career to the detriment of family or family as long as they accept menial and often part-time, work) by allowing them to combine a family life with a career so they can participate in funding the social security system. Another key measure aims to end the division of pension systems according to type of business. Mutual pension funds will be integrated into employee pension funds. Initially, to limit exclusions from the employee pension system, the government has planned to facilitate integration of the 3.7 million additional employees by lowering the minimum monthly working hours required to 20 hours and by decreasing the minimum contribution term from 25 to 10 years. These measures should alleviate future age-related costs for part-time employees as contributions will be shared by their employers. However the burden caused by these part-time workers would increase. Similarly, the government has proposed to modify national pensions to guarantee a minimum monthly pension of 70,000 yen. The participation guarantee that should strengthen the foundations of the social security system is, however, the briefest and vaguest point in the government plans. The only solutions proposed by these plans to create a virtuous cycle are increasing the retirement age, promoting women and disabled people in the workforce and creating jobs within the healthcare and

<sup>9</sup> *Shakai Hoshō-zei ittai kaikaku taikō ni tsuite* (Guidelines for the joint tax and social security reform).

education sectors.

The second part of the reforms focus on overhauling the taxation system, initially by gradually increasing the sales tax by 5 points, from 5% to 8% in 2014, then to 10% in 2015. Other taxation measures will be implemented in the future.

To justify the increased tax rate, the government has explained that social security expenses are an investment in the future and that transferring these costs to future generations is not an acceptable option. The current state of public finances has imposed a limit on funding through debt and a return to a principle whereby the generation benefiting from social welfare should also accept the burden of it<sup>10</sup>. Sales taxes affect all generations, including those who profit the most from social welfare. They are also a way of guaranteeing a stable income. Furthermore, since 1999 an unofficial and non-binding budgetary rule stipulates that the government's share<sup>11</sup> of the income generated by sales taxes must be allocated to funding the three later-life expenses (pensions, health, and dependence).

In the latest reform project published in July 2011, the government explained that the three later-life expenses would cost 22.1 trillion yen in 2011, 12.8 trillion of which would be paid by the 5% sales tax with the remainder covered by other types of taxation. In 2015, the government expects the following breakdown: expenses will increase to 26.3 trillion, while sales tax will increase to 13.5 trillion. The remaining deficit would be a total of 12.8 trillion yen. A sales

<sup>10</sup> *Ibid.*, p. 10.

<sup>11</sup> The 5% sales tax is divided so that 4% goes to the State and 1% goes to local governments. The State then transfers 30% of its share to local governments through the local allocation tax (*chihō kōfu zei*).

tax increase of one point would generate an additional 2.5 trillion yen, while an increase of 5 points would increase tax income by 12.5 trillion yen. This additional income would be divided up, with 1% going to fund the expansion of welfare programmes, including childcare, and the remaining 4% available to fund the long-term future of the social security system<sup>12</sup>.

Increasing the sales tax will therefore increase the proportion of welfare expenses funded by the current benefiting generation while distributing the burden more or less equally among the generations. However, it does greatly reduce tax progressivity and redistribution as the higher sales tax will have a greater impact on poorer sections of society. Aware of this problem and to avoid the impression of only taking from the poor, the government has made plans to create a new tax bracket of 45% for households with an income of over 50 million yen. It was decided exemptions for certain products, such as food, would not be included as this would only serve to lighten the contribution of the richer sections of society<sup>13</sup>. The government also committed to using the income generated only for social security: nothing will be used to fund any administrative expansion.

Nevertheless, the government is also planning to introduce social equality measures to help poorer households. New subsidies will be created alongside tax exemptions for the poorest households. This will be followed by the introduction of social security and tax payer numbers with the aim of providing a more personalised taxation and welfare system. Specific measures have yet to be defined.

<sup>12</sup> *Asahi shimbun*, 18 March 2012.

<sup>13</sup> *Shakai Hoshō-zei ittai kaikaku taikō ni tsuite*, p.32 (Final joint tax and social security reform project).

## Can Reforms Withstand Politics

Although the reform is entitled “Joint Social Security and Taxation Reform”, the headlines in the *Asahi shimbun* on the day following the vote approving the law in the lower house only focused on the increase in sales tax. What happened to the other half of the reform?

Tax increases are a politically sensitive subject in Japan. Any Prime Minister that has created or increased sales taxes has gone on to suffer electoral setbacks, as highlighted by Naoto Kan, who lost control of the upper house in the summer of 2010. This has made the legislative process leading up to a reform vote more complicated for the ruling party. By supporting a 10% increase in sales tax, Kan not only tackled a sensitive subject, he was dividing his party. Hatoyama opposed the move as it went against the electoral promises he had made two years previously. And, despite having supported an increase in sales tax during the 1990s, Ichirō Ozawa opposed the present move for fear of electoral repercussions.

Yoshihiko Noda quickly showed his determination to see through the reforms, although faced with a difficult political context; he was forced to make several concessions and accelerate the process, thereby sacrificing certain measures. As of December 2011, the higher tax rate designed to rebalance funding and the increase in retirement age were deferred. Then in February 2012, following a delay to the preparation of the laws relating to social security reform, Noda announced that these two measures would be removed from the agenda<sup>14</sup>.

<sup>14</sup> “Zōzeian senkō teishutsu e shakaihoshō hōan wo bunri” (“Priority introduction of the proposed law increasing taxation and an adjournment on social security”), *Asahi shimbun*, 24 February 2012.

Facing a rebellion by Ozawa and his supporters, and the refusal of smaller opposition parties to support the reforms, Noda had to look for support from the main opposition party, the LDP. He received the support but the price was concessions that dramatically limited the reforms. Although Noda hoped to transfer 3.7 million contributors from national retirement funds to employee retirement funds, the government was forced to decrease the numbers to 450,000 then again to 250,000 to please the LDP who were worried about the resulting burden to companies. Cornered by the LDP and the Komeito, the government was forced to concede several points during parliamentary negotiations. Another key measure designed to reinforce support given to working generations was the merger of nurseries and kindergartens: the aim of this measure was to streamline facilities and avoid redundancy as nurseries are administered by the Ministry of Health, Labour and Welfare while kindergartens are managed by the Ministry of Education. In 2006 the LDP set up “Designated Childcare Facilities”, a measure allowing designated facilities to extend their service provision to provide nursery and kindergarten services. This is the system that will be continued and extended rather than the government’s own project. Finally, the LDP announced that the introduction of the minimum pension system would be delayed and discussed by a national commission<sup>15</sup>.

In the end, and as the press correctly pointed out, the reform project resembles a simple tax raise, a fact which has raised even more criticism. Moreover, it has led to questions surrounding the Prime Minister’s true motives: although he conceded social security reforms, he kept the sales tax increase.

<sup>15</sup> “Shakai hoshō no kokumin kaigi minshu ga yōnin hōshin” (“National Conference on Social Security, DPJ is in favour”), *Asahi shimbun*, 10 June 2012.

## Divisive Solutions

If motivations are varied within the world of politics, so is blame: can a reform that only increases taxation be called a “joint social security and taxation reform”? Highlighting this point, Mizuho Fukushima, the president of Shamintō, underlines the lack of actual social security reform within the project. Ichirō Ozawa has remained in line within his party’s electoral manifesto and points out that other reforms should have preceded this one: administrative reform, action against deflation, true social security reform. Other politicians fear that, once the political process is finished, the first phase will be reduced to an increase in taxation which will be badly received, particularly given that the future of the agenda which planned to remove 80 seats within the Diet (validated by the cabinet in February 2012), remains uncertain<sup>16</sup> and that the anticipated 20% reduction in administrative salaries has been limited to 7.8%<sup>17</sup>.

High-level dissenting voices can also be heard within the university sector. Tarō Miyamoto from the University of Hokkaidō, who led the Social Security Reform Expert Commission for the Kan’s government, is surprised by the small proportion of funds the government intends to allocate to childcare, the measure that was meant to free women from their educational responsibilities. Only 5% of the additional funds raised by the sales tax will be put towards these programs. The lack of opportunities aiming to create an inclusive society is also seen as a source of concern. According to Miyamoto, there is no economic or employment policy that could really create a job for everyone<sup>18</sup>.

<sup>16</sup> *Shakai Hoshō-zei ittai kaikaku taikō ni tsuite*, p. 31.

<sup>17</sup> *Asahi shimbun* Edition, 22 May 2012.

<sup>18</sup> Tarō Miyamoto, “Ittai Kaikaku” wo atarashii kōzō kaikaku he” (“Transform the joint reform into a new

Yukio Noguchi (former member of the Finance Ministry, professor emeritus at the University of Hitotsubashi and former director of the Centre for Advanced Economic Engineering at the University of Tokyo) takes a completely different tone and has other concerns, vehemently denouncing the increased sales tax. He maintains that any beneficial effect to the public finance situation will not last for more than two years for bond issues and seven years for the budget deficit<sup>19</sup>. He is up in arms against the decision, which he considers to be a trick designed to “con” the population into accepting a tax rise. This is his argument: presenting this increase as a budget deficit reduction method would not have been accepted so guaranteeing that the additional income would go to fund social security was a way of avoiding criticism. Regardless of the justification, the result will be the same: additional income from sales taxes, which will be put towards funding the social security system, will automatically free up an equivalent amount of budgetary resources. How these will be used remains to be seen. Noguchi also points out that there is a risk of losing control of taxation inherent in pre-attributing sales tax income to welfare expenses: if the latter are not managed, it will be tempting to simply continue increasing the sales tax<sup>20</sup>.

The concerns raised by Yukio Noguchi coincide with the parliamentary debates surrounding the increase in sales tax. During these debates, the LDP obtained the inclusion of an amendment stating that once public finances have returned to a certain level of flexibility, the government will commit to enacting economic stimulation and risk

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structural reform”), *Sekai*, n° 828, March 2012. p 108

<sup>19</sup> Yukio Noguchi, “Shōhi zōzei de wa zaisei saiken dekinai” (“Consolidation of public finances is impossible due to the increase in sales tax”), *Diamond Sha*, Tōkyō, 2012, p.6

<sup>20</sup> *Ibid.*, p. 128-129.

prevention measures. In other words, the LDP has returned to traditional methods and is looking to ensure the funds will go towards public works.

Other researchers have raised questions about the effects of extending childcare services, particularly in terms of their influence on female employment levels and the recovering birth rate. Japan already attempted to implement a similar strategy during the 1990s, as it became aware of the risks created by a weak birth rate. However results were not particularly successful. The government of the time realised that the main obstacle to female employment was not a lack of welfare services for families but inherent within the business world<sup>21</sup>.

This last point is relevant to the increase in sales tax. Although income from this tax will be stable, it will not be completely independent from the economic environment. Growth and deflation will be particular influences. Doubling the rate should guarantee new income but will this income meet government expectations? Despite a sales tax increase from 3% to 5% in 1997, income never exceeded the peak achieved in that same year. Overall, and although it remains blurred, taxation reform highlights doubts relating to its impact on the population and the economy. Despite measures to lighten the financial load, the press is worried about the impact the reforms will have on poorer households as well as on the middle classes<sup>22</sup>. Despite the fact that the measures designed to enhance social equality have been shelved, the increased sales tax will still make household gas, electricity and water bills more expensive and will therefore have

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<sup>21</sup> Schoppa Leonard, “Demographics and the State”, in Coulmas Florian (dir.), *The Demographic Challenge, a Handbook about Japan*, Leiden, Brill, 2008, p. 639-652.

<sup>22</sup> *Asahi shimbun*, Editorial of 27 June 2012.

a greater impact on poorer households.

This is not the only tax increase that Japanese households will have to face. In 2004 the Koizumi's government decided to gradually increase health and pension contributions until 2017, a decision that Yoshihiko Noda supported despite being a member of the opposition<sup>23</sup>. Finally, from January 2013, income tax will increase by 2.1% for 25 years to help rebuild the Tōhoku east coast. The accumulated tax pressure and the doubts which surround the supposed strengthening of welfare protection may curb household spending. This possibility, which could damage Japanese economic growth, goes against the current Prime Minister's aim of reviving the large Japanese middle class which symbolised the socio-economic success of post-war Japan.

## Conclusion

After being watered down and emasculated, this phase of the joint tax and social security reform was primarily defined by the first tax rise since 1997. In its initial form it did not question the foundations of the Japanese social security system: despite taking into account the needs of families, welfare spending remained weighted in favour of the elderly. The speeches are different, but the desire to keep people in work remains high, and is necessary in light of the current situation. It is therefore a question of participation, especially in terms of increasing female employment. A desire for greater universality puts this project in the same group as the reforms of the 1990s. However, an economic policy able to kick-start these systemic changes is still missing. This lack of anticipated growth puts the future of this first section of the reforms, the

tax increase, into doubt as the law states that should economic performance be too weak, the sales tax increase will become void. In Japan, as elsewhere, growth is paramount.

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<sup>23</sup> Noda was one of the rare members of the DPJ to openly support liberal reforms initiated by the Koizumi government in the mid-2000s.



## 2. Looking Back at the Split in the Democratic Party of Japan and the Creation of Ichirō Ozawa's New Party.

– **Arnaud Grivaud**

### The Thorny Question of a VAT Increase

On 2<sup>nd</sup> July 2012, Ichirō Ozawa left the Democratic Party of Japan (DPJ), taking 51 members of parliament<sup>24</sup> with him and thereby reducing DPJ numbers to 251 members of parliament out of 480 in the House of Representatives (lower house) and 92 out of 242 in the House of Councillors (upper house). The cause of this defection – which is the largest experienced by this party since it came to power – is rooted in the differences of opinion surrounding the social security reform project and the VAT increase proposed by the government. On 26 June, 57 DPJ members of parliament abstained or voted against the VAT increase. Since Yoshihiko Noda took over as Prime Minister, many have criticised the growing ideological closeness with the Liberal Democratic Party and the neoliberal focus of the government's proposed policies. Recently, former Prime Minister Yukio Hatoyama described his party as the "LDP's Noda faction"<sup>25</sup>. The government's proposals are particularly controversial as in 2009 the party promised not to increase VAT over the coming four years. Several members of the opposition and of the majority party have spoken up to denounce what they consider a "manifesto

<sup>24</sup> Only 48 members of parliament actually followed him. Two denied having left the party on the same day and a third retracted the following day.

<sup>25</sup> "'LDP's Noda Faction': Hatoyama's new criticism of the government", *Sankei shimbun*, 10 July 2012.

violation" (Manifesuto Ihan), a breach of a promise to the electorate. Others, however, believe that the promise has just about been kept as the first increase, from 5 to 8% will only take place in 2014<sup>26</sup>.

With the party already divided over the government's reform project, parliamentary opposition increased when, on 15 June, following several days of negotiations, the three main parties (DPJ, LDP and Kōmeitō) agreed to approve an extensively revised version of the tax and social security reform project. On this occasion the government was forced into a number of concessions<sup>27</sup> which removed many of the measures designed to reform social security, transforming the project, for its detractors, into a simple VAT increase. This reinforced the beliefs of those who, like Yoshimi Watanabe, president of Minna no tō (Your Party), feel that the decision process was actually led by senior civil servants from the Finance Ministry<sup>28</sup>, who advocate the consolidation of public finances by increasing revenue and reducing budget expenditure.

<sup>26</sup> Five years after their victory in 2009. "Achieving compromise around the tax and social security reform project: DPJ politicians opposed to the project are bitter", *Mainichi shimbun*, 17 June 2012.

<sup>27</sup> The project to combine nurseries (ho.iku.en) with kindergartens (yōchi.en) was based on an LDP project, while the questions surrounding an income tax increase for highest earners, allocating 6,000 Yen to people receiving the minimum pension of less than 66,000 Yen per month and the removal of the current health care system for people over 75 were pushed back to the end of the year and will be discussed as part of a "Popular Assembly on Social Security reform" ("shakai hoshō seido kaikaku kokumin kaigi") as requested by the LDP. See "Compromise among the three parties: Appreciating politics when it succeeds in making decisions", Editorial from *Mainichi shimbun*, 16 June 2012.

<sup>28</sup> Yoshimi Watanabe: "We will propose a blame resolution in the House of Councillors before the reform vote", *Sankei shimbun*, 31 July 2012.

## Splitting the DPJ and Ozawa's New Party

Aware of the split within the party, the DPJ's Executive Committee, and Secretary General Azuma Koshi.ishi in particular, were very careful about applying disciplinary sanctions to members of parliament who had opposed the bill during the vote in the lower house<sup>29</sup>. However, pushing back the consequences was not enough to stop the party from splitting. Seven days later, Ozawa created a new party (Kokumin no Seikatsu ga Dai.Ichi or "People's Lives Come First")<sup>30</sup>. Comprising 49 members of parliament, Ozawa's new party – the fourth he has created since 1993 – has presented itself as the new political force opposing both the DPJ and LDP. On 28 July, Ozawa revealed the three cornerstones of his new party: abolishing nuclear power within 10 years, repealing the bill increasing VAT and promoting greater autonomy among local governments. It should be noted that, in relation to the VAT increase, Ozawa has not always held this opinion<sup>31</sup>. His manifesto during the presidential elections for the New Frontier (Shinshintō) party in 1995 supported a fixed increase to 10%, although his opinion was different again during the general elections of the following year, where he was in favour of maintaining the 3% rate. During Councillor elections in 1998, Ozawa,

<sup>29</sup> Overly severe sanctions would have accelerated the split within the party while overly indulgent sanctions would have damaged the party's leadership and partisan discipline. See "Dissidents want Ozawa to lead their new party", *Nikkei shimbun*, 3 July 2012.

<sup>30</sup> The party's name is derived from a DPJ campaign slogan from 2009. Adopting this name implies a return to DPJ roots.

<sup>31</sup> Harukata Takenaka, *Shushō shihai – Nihon seiji no henbō, A Dominant Prime Minister: transforming Japanese politics*, Tōkyō, Chūō kōron shinsha, 2006, p. 83-88 and "Ozawa changes opinion of VAT, 20 years of splits and reforms", *Nikkei shimbun*, 12 July 2012.

then leader of the Liberal Party (Jiyūtō), recommended reducing VAT from 5 to 3%. Since he rejoined the DPJ in 2003, Ozawa has generally been against increasing VAT.

## Splitting as an Election Strategy

All the members of parliament who joined Ozawa in his new party agree that other policies should have been prioritised over a VAT increase<sup>32</sup>. However it would be misleading to think that these politicians decided to link their political future to Ozawa based solely on ideological similarities, or even loyalty towards their leader. When the profile of these politicians is examined, it is obvious that the majority (33 out of 49, or two thirds) are "young politicians" serving their first term in office. Moreover, half of them (12 out of 24) were elected to the lower house in constituencies with proportional representation. Most had not even stood for election in single-seat constituencies<sup>33</sup>. These politicians are electorally vulnerable and, objectively, had no hope of being re-elected under the DPJ banner at the next elections. Therefore, it is highly probable that by calling for an end to nuclear power

<sup>32</sup> This advice has since become a slogan: "Zōzei no mae ni yaru beki koto ga aru" ("There are many things to do before increasing taxes").

<sup>33</sup> Since the 1994 reforms, there has been a mixed electoral system in the lower house, combining single seat constituencies using single round majority representation systems (300 seats) and multiple seat constituencies using proportional representation systems (180 seats). It is also possible for a candidate to stand for election under both types of constituencies, allowing them to "qualify" in the proportional system, according to a predetermined party list, even if they have lost the single seat constituency. Candidates who only stand in proportional seats often "fill in" spaces at the end of these lists and are only elected because of the very good performance of their party. In other words, without the landslide victory of the DPJ in 2009, a large number of these politicians would never have been elected.

and repealing the VAT increase project, these politicians are hoping to renew their ties with an electorate that is increasingly abandoning them. It would seem that, in order to convince them to join him, Ozawa promised several of these young politicians victory if they campaigned together to decrease VAT<sup>34</sup>. However they will have a lot of ground to make up to win a seat at the next general elections. According to a poll run by the *Nikkei shimbun* on 3 July 2012, 80% of respondents confirmed they had no expectations of this new party<sup>35</sup>.

### **Ozawa Looks for Partners**

Ozawa quickly drew up partnerships with other parties such as Shintō Kizuna<sup>36</sup>, with whom he created the Kizuna-seikatsu parliamentary group in the lower house, Genzei Nippon, current party of the mayor of Nagoya and Ishin no Kai, current party of the mayor of Ōsaka Tōru Hashimoto. However, the latter has manifested only relative enthusiasm for this partnership and has said that a requirement for any future coalition is that the party comes out in favour of Japan's participation in the trans-Pacific treaty, which is currently far from the case<sup>37</sup>.

### **The Government's Project is Approved: The Party's First Failure?**

In the end, Ozawa and his new party were unable to stop the reform from being passed in the House of Councillors.

<sup>34</sup> "DPJ in agony: confusion among politicians", *Sankei shimbun*, 23 June 2012.

<sup>35</sup> "Ozawa's new party, 80% of respondents are "without expectation", *Nikkei shimbun online*, 3 July 2012.

<sup>36</sup> Shintō Kizuna is made up of nine former DPJ politicians, close to Ozawa, who left the party in December 2011.

<sup>37</sup> "For Tooru Hashimoto, the TPP will be the necessary path to cooperation", *Sankei shimbun*, 11 July 2012

Kokumin No Seikatsu Ga Dai.Ichi, along with five other opposition parties, made a final attempt by putting forward a motion of no confidence to the lower house, but this was rejected on 9 August, the eve of the vote for the VAT increase. This episode allowed the LDP to put pressure on the Prime Minister by threatening him with a censure motion (*monseki ketsugi*<sup>38</sup>) in the upper house, forcing the head of the government to promise to "dissolve the Diet soon" on 8 August. Although Yoshihiko Noda remained vague as to the exact date of this dissolution (which has allowed for various interpretations), several DPJ politicians did little to hide their displeasure at the announcement. Some believe that this dissolution will happen just after the DPJ and LDP presidential elections, which will both be held at the end of September<sup>39</sup>. However, nothing has been set in stone as Yoshihiko Noda has confirmed that if he is replaced as president of the party, his successor would not be held responsible for dissolving the Diet. Several members of parliament, including former Prime Minister Yukio Hatoyama have started to organise an anti-Noda candidate<sup>40</sup> for the election. Katsuya Okada and Seiji Maehara, both former party presidents, have declared their support for the current Prime Minister. Everything seems to indicate that future events (new split in the party around Hatoyama, increased power of anti-Noda politicians within the party, expected dissolution and elections?) will largely be determined by the result of these upcoming elections.

<sup>38</sup> Equivalent to a vote of no confidence in the upper house. It has no binding legal force but generally causes a complete cessation of legislative scrutiny which, in this instance, would have prevented the VAT increase from being approved.

<sup>39</sup> "What does 'soon' mean? Various expert opinions", *Sankei shimbun*, 9 August 2012.

<sup>40</sup> "DPJ presidential elections: Mobilising a rival candidate to prevent dissolution", *Asahi online*, 11 August 2012.

## POINTS OF NEWS

**Masakatsu Yamazaki, Kayoko Ikeda and Masakatsu Oita,**

**“Reviewing the Basic Law on Nuclear Energy, a Change for the Worse?” [Naze genshiryokukihonhō ha kaiakusareta no ha?], Sekai, August 2012, p.100-107. (translated from the Japanese source by Adrienne Sala).**

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On 20 June 2012, reforms to the Atomic Energy Basic Law were mentioned

within the framework of Article 12 of the law implementing a Nuclear Regulatory Commission. The following paragraph was added after the phrase “fundamental direction” in article two, paragraph two: “In relation to the measure set out in the preceding paragraph: “maintaining security”; it should contribute to Japan’s national security by defending people’s lives, health, property and the environment, based on existing international standards”.

**Yamazaki:** The Atomic Energy Basic Law was approved by the Diet in December 1955. At that time, the 1955 system played a key role and deliberation was mainly carried out by a faction within the Nuclear Committee led by Yasuhiro Nakasone, the then president of the Committee who –

although officially non-partisan – excluded the Workers and Farmers Party as well as the Communist Party, thereby giving substance to a bill whose proposal had previously been put forward by Diet members<sup>41</sup>.

At the time, Shigeyoshi Matsumae, director of the Committee and closely involved in the establishment of the Atomic Energy Basic Law, strongly insisted on peaceful use (...). Therefore the second paragraph of the basic law stipulates that “the research, development and use of nuclear power will have a strictly peaceful aim. Within a democratic framework, these activities will develop autonomously and will be used to contribute to international cooperation; moreover, results must be made public”.

Once the Nuclear Energy Safety Committee was founded in 1978<sup>42</sup>, a phrase stating the “aim of maintaining security” was added after the phrase setting out the limits of “maintaining the peace”.

Thus Japan created legislation which banned the use of nuclear technology for military applications. Japan was the first country in the world to decide not to have any nuclear weapons. Although the scientific committee put forward the three nuclear principles of “transparency, democracy and autonomy of nuclear activities”, a resurgence of controversy led to the creation of a decision making body in which politics took the upper hand. This led to problems remaining unresolved, particularly in terms of evaluating the Atomic Energy Basic Law.

However, during Prime Minister Satō’s cabined in the 1960s, two of the three nuclear

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<sup>41</sup> “Parliamentary law”, *Giin Rippō*.

<sup>42</sup> In contrast to the Committee led by Nakasone, the latter included a scientific meeting that set out the three nuclear principles: do not manufacture, do not store and do not distribute.

principles [which were officially adopted in 1967], “no manufacturing” and “no storing” were used as the basis of the Atomic Energy Basic Law. This was mentioned by the Prime Minister at the time as well as by Akira Kurosaki<sup>43</sup> of the University of Fukushima in his work “Nuclear Weapons and the Japanese-American Relationship”.

The expression “contribute to national security” does not have an obvious definition and although the Atomic Energy Basic Law is the foundation on which Japan’s anti-nuclear principles are based and is described as a very important law, there was no large public outcry. The addition of the paragraph on maintaining national security went practically unnoticed when the law was reformed.

**Ikeda:** Even the Committee of Seven for Global Peace was only informed on 17 June that the Atomic Energy Basic Law was going to be amended. The proposed bill was not listed on Parliament’s official internet page; the Committee had to examine the proposal published on the Liberal Democratic Party’s site and immediately took the appropriate measures.

A basic law is meant to be an important law listed in the Constitution, so how can this peculiar amendment process be explained? The additional measure, “contribute to national security” was missing from the proposed law drafted by the Prime Minister’s office, although it is included in the official proposal. The changes made by this addition to the jurisprudence relating to the application of the basic law fall under the responsibility of the office of the Minister in charge of the legal system. The question of who added this expression into the basic law

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<sup>43</sup> NB: Associate Professor at the University of Fukushima, specialising in Foreign Affairs and International Relations.

and how is creating many rumours. Given that the bill authorising the creation of a nuclear regulatory commission was drafted as a result of the debates that followed the Fukushima disaster, this is the “Shock Doctrine” at work. However, *Red Flag*<sup>44</sup>, was proposing this from the very beginning before a member of the Communist Party, Hidekatsu Yoshi<sup>45</sup>, started asking many questions in May.

**Oita:** For my part, I was away from Japan for a business trip and, not long after my return, I was informed of this situation by the Committee of Seven as well as by an email from Professor Yamazaki, in which he particularly pointed out the participation of the lower house.

According to security and nuclear accident risk protection officers at METI, it seems that this specific measure, “contributing to national security” was not mentioned in the bill proposed by the government.

I quickly gathered information from MP Yasuhisa Shiozaki<sup>46</sup>, who initiated the proposed bill in the LDP. I was informed that the regulatory office and the Regulatory Commission were based on the American Nuclear Regulatory Commission (NRC). This is an independent organisation that answers to the American Armed Services Committee. The purpose of this organisation is to control and regulate industries arising from the use of nuclear energy, derived products and nuclear quality. Its aim is to ensure public

<sup>44</sup> Communist Party Journal

<sup>45</sup> NB: Yoshi Hidekatsu, communist member of parliament responsible for the nuclear portfolio within the Japanese Communist Party, was a vociferous critic of Tepco’s crisis management following the events of March 2011 and held the company responsible for the whole chain of failures that led to the Fukushima incident.

health and safety as well as environmental safety. In addition, this organisation must “participate in improving and developing public defence and maintaining security”.

Another feature is present in the official proposal: “security measures”, or, in other words, the way in which investigations are carried out. Japan has an original system of investigations, particularly in comparison to the International Atomic Energy Agency (IAEA). In Japan it is not government civil servants who work with professionals to improve coordination, but rather non-profit organisations such as the Nuclear and Industrial Safety Agency (whose employees are responsible for investigations at a national level). The Minister of Education and Culture is responsible for any investigative activities carried out by the IAEA.

According to the proposed bill, the role played by the Committee would be broken down as follows: nuclear safety and security linked to nuclear power (this should actually be “the role of the regulatory committee will include safety and security [...]”). Safety guidelines also sparked controversy with regard to their use, particularly following the opposition expressed by the Education Minister. The safety guidelines could have remained the responsibility of this Minister, but MP Shiozaki expressed an opposing opinion so the result was that the Regulatory Commission was finally chosen to be responsible for safety guidelines.

By highlighting the three “S”s: “safety”, “security” and “safety guidelines (or SG)”, and strengthening them, Japan has, for some time, demonstrated its desire to create an international order for nuclear energy.

However, these three “S”s need to be unified and the safety guidelines should be under the responsibility of an independent organisation

such as the Regulatory Commission in order to reinforce investigatory activities. The reason for this is that the Education Ministry is controlled by the Prime Minister and the Education Minister and, should there be a change in political direction, the ministry would act according to government orders and if the latter decided to secretly acquire nuclear weapons, it could easily trick the Regulatory Commission monitoring systems.

The LDP has explained that, as a consequence of the stronger investigatory activities, the Regulatory Commission is now a key organisation and that the phrase “contribute to national security” was added in case the country decides to stop developing nuclear power.

**Ikeda:** However the NRC is an organisation set up by countries that have nuclear weapons, such as the United States, and this is not the case in Japan. As part of the Environmental Commission run by the upper house, Tadayoshi Ichida, General Secretary of the Communist Party, questioned the meaning of the phrase “*anzen hoshō*” (“maintaining security”). The government energy spokesperson responded several times by saying “safety guide, SG”. However SG means “safety guidelines”, so the response should have been “safety”. SG are designed according to an international structure responsible for preventing a diversion in the use of civilian nuclear power for military purposes. The question that should be asked is what is the relationship between these measures and the “contribution to national security”?

**Oita:** If the government’s aim is safety, then why is strengthening SG linked to a “contribution to national security”? Perhaps, strict safety guidelines have been introduced to prevent Japan from using civilian nuclear

power for military purposes. Someone should carefully explain to the general public that this initiative could contribute to reinforcing the system of nuclear non-proliferation at international levels.

**Ikeda:** This is the most common explanation. But today, the link between stronger safety measures and security seems less obvious and even completely contradictory. Moreover, at least half of IAEA employees are currently in Japan, where investigatory activities represent a quarter of all global activities. It would not be an exaggeration to say that the IAEA is an organisation that monitors Japanese nuclear armament.

As Japan called for “peace enforcement”<sup>47</sup> by becoming one of the main funding States of the IAEA, we could ask why “contributing to national security” needs to be mentioned at all. Given the legislation implemented after the Fukushima nuclear plant incident, adding that phrase served no purpose. However, not only did the Diet rush to add different measures, it also supported the government’s response (according to which this amendment had no military purpose). If we look at previous laws on the flag and national anthem, we can only be partially reassured [...].

## A Background Debate on Possible Nuclear Armament

**Yamazaki:** During the summer of 2011, listening to the words of Shigeru Ishiba<sup>48</sup>,

<sup>47</sup> In Japanese this is “*heiwā riyō*” or the same expression used to translate “Atoms for Peace” (*genshiryoku heiwā riyō*), the title of the speech given by Dwight D. Eisenhower to the General Assembly of the United Nations on 8 December 1953.

<sup>48</sup> Former Minister of Defence for the Yasuo Fukuda government (2007-2008) and one of the main candidates for the Liberal Democratic Party presidential elections which will be held on 26 September.

I suddenly got the impression that the continued nuclear research and technology programmes were a prelude to owning nuclear weapons. On 30 April this year, during a joint speech by Noda and Obama on “strengthening the Japanese-American cooperation on Nuclear Power”, the United States let it be clearly understood that they would support the development of a Japanese nuclear reactor in East Asian Countries. When, during the 1960s, light water reactors were introduced, nuclear energy fell within the non-proliferation treaty created by the American strategy for Japan: to limit nuclear energy within a non-proliferation treaty. Now, it is Japan’s turn to support East Asia.

**Oita:** The American Democrat government has maintained its strict stance on the issue of developing nuclear power. This is in contrast to the Republican Party where, until now, prevailing opinion was that it was not necessary to prevent the development of nuclear weapons in trusted allied countries. This was particularly seen during the Nixon government, when the President was in no hurry to ratify the Nuclear Non-Proliferation Treaty (NPT) with Japan. Former President Bush told China that if it did not stop helping North Korea develop nuclear weapons, it was conceivable that Japan would also be given nuclear weapons. However, dialogue with the former Chinese President Jiang Zemin was primarily about intimidation. In comparison, the Democrats have closely monitored nuclear reprocessing activities in third countries since the Carter government prohibited all nuclear reprocessing for commercial gain.

**Ikeda:** Is it not possible that the dialogue between President Bush and China could have been interpreted by some minor Japanese politicians as tacit approval to develop nuclear weapons?

**Oita:** I had heard of this story in 2003, spread by some people within the government. It is possible that those who support the development of nuclear weapons understood the message in that way. Japanese-American nuclear cooperation must be reviewed in 2018. Following implementation of the Japanese-American cooperation in 1998, Japan received generalised pre-approval from the American government which would have approved reprocessing; however, if Japan decides to stay with nuclear power, it could be that the United States removes their approval for reprocessing activities. This is what I think, but I have also met some senior American civil servants who share this opinion since 11 March 2011. Opinion remains divided in the Obama government, particularly among senior scientific civil servants, some of whom believe that “if Japan no longer needs nuclear reprocessing, she shouldn’t continue any nuclear development activities”. The Energy Minister is one of several who are strongly opposed to Japanese reprocessing techniques.

Nevertheless, as Japan is an important ally, another group of senior civil servants prefer to continue to allow it to have unilateral reprocessing rights as they believe that the country should continue its reprocessing activities even if it uses nuclear fuel from intermediary countries such as South Korea.

**Yamazaki:** According to Japanese professionals developing nuclear science and technologies, even after pursuing research to build new reactors for example, nowhere is likely to accept the reactor in Japan. Some therefore believe that a reactor could be built in East Asia. Therefore, by exporting nuclear plants, reprocessing activities could continue in Japan.

**Oita:** The term “safety” can have many meanings. Moreover, the use of progressive nuclear technology is widespread (...)

**Yamazaki:** [...] It is therefore unnecessary to use the term “safety”. The main aim of “safety” is to defend the country. As there is no link, the question of why this term was added remains. For me, this remains incomprehensible.

**Oita:** Everyone here believes that it was pointless to modify the basic law. Moreover, there is the concern that those who support nuclear armament will benefit from the following theoretical argument: “What we cannot do to allay our fears, in reality, the Minister for Foreign Affairs could achieve indirectly by defending the argument of national independence, supported by nuclear weapons” [...]

**Oita:** Two main reasons explain why the Minister for Foreign Affairs supported the creation of nuclear weapons during the 1960s. The first was the nuclear weaponry developed by China and then by India [...]. Secondly, we could mention “decoupling, dissociation?”<sup>49</sup>, which relates to the interest inherent in maintaining Japanese-American safety, while the risk today is to see the common aim evaporate. As China has long range missiles (ICBM) that could target the American continent, it is highly unlikely that the United States would use nuclear weapons to protect Japan [...] We can only wonder if, firmly entrenched within the Ministry for Foreign Affairs, there is still a belief that nuclear weapons are the ultimate guarantee of national security. If this is the case, it is worrying as this belief could be an obstacle to President Obama’s view of a “world without nuclear weapons”.

<sup>49</sup> This is a dissuasive policy that places the safety of the archipelago on the dissociation of internal and external risks.

[...]

**Oita:** I mainly find it illogical that this law is based on the fact that all countries engaged in nuclear activities should follow the American Nuclear Regulatory Commission. I am sure that the controversy is due to doubts over our secret possession of nuclear weapons.

**Yamazaki:** A similar situation occurred before the Atomic Energy Basic Law was drafted. Tetsuo Maeda (a member of the Liberal Party at the time) went to the United States, where he observed policies in the scientific technology industry. Then, when he wanted to create a specific ministry for scientific technology, he explained to members of the scientific assembly that the one of the many aims of this ministry would be to carry out research into nuclear weapons. At that time, Japan had not yet made its decision to ban nuclear weapons. The difference between Japan and the countries that had nuclear energy was put to one side, to share knowledge coming from the United States.[...]

The Atomic Energy Basic Law was approved in 1955, the same year in which the Japanese-American Nuclear Cooperation Treaty was signed. However, the two countries’ aims were different from the very start. The Basic Law includes the word “independence” while the treaty does not deal with “independence” but with cooperation with the United States. Today, similar structural differences can still be noted.

**Ikeda:** The Fukushima nuclear plant was built with technology from General Electric. In other words, two concepts enshrined in the basic law, “independence” and “transparency” were not respected. Shiozaki declared in the *Tokyo News (Tōkyō shimbun)* that “having nuclear capabilities makes

sense in the context of guaranteed safety”. “Nuclear technologies used to protect Japan should also be considered as a safety feature. The controversy is fed by those who do not see what they do not want to see”.

The same day the “Reform of Agencies Managing Japan’s Space Programmes”<sup>50</sup> was approved. Through these two laws, nuclear missiles are now authorised. The Committee of Seven also expressed its opposition to the Basic Space Law when this was approved, particularly as the law also mentions “contribute to security”. This situation must be taken seriously: Adding this phrase in nuclear policy could lead to tensions within the East Asia region.

**Yamazaki:** The experts I know within this field have assured me that Japan is limited to “peaceful applications”. I do not think they caused the controversy surrounding nuclear capabilities. It seems to me that policy launched this debate.

Before confirming its aim to contribute towards nuclear non-proliferation, Japan was already involved in several diplomatic conflicts. The problem with China in the Senkaku islands, the nuclear problem and North Korean refugees and the Dokdo/Takeshima islands with South Korea.

**Ikeda:** It would seem that South Korean media has said that Japan is moving in a dangerous direction.

**Oita:** I doubt the meaning given to “safety” by the politicians who have debated this question. [...] Furthermore, how will neighbouring countries react following Japanese inclusion of this amendment?

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<sup>50</sup> The “JAXA creation law” was also modified during the vote on 20 June, to allow the space agency to participate in defence projects, something which had previously been banned.

Once again, my imagination has reached its limits.

In an interview given on 21 June, a Korean spokesperson for the Ministry of Foreign Affairs and Trade publically declared that they were seriously monitoring Japan’s real intentions and future influence. South Korea reviewed their nuclear power cooperation treaty with the United States and is looking to define a future framework for Japanese nuclear fuel reprocessing activities. However, in the past South Korea has attempted to carry out research into nuclear weapons, although the United States will not allow the country, with its history, to actively pursue reprocessing activities.

With this reform, it is more likely that Japan will “seriously consider nuclear weapons” and that South Korea will “carry out reprocessing activities and develop nuclear capacities in secret”. Enough to give the United States a headache.

However, China’s reaction is the key. In his 2010 review of nuclear policy, President Obama set out the aim to decrease the number and role played by nuclear weapons; he also stated that terrorism and nuclear proliferation were key threats to global security. In 2011, the number of strategically deployed nuclear weapons was limited to 1550 by the new Strategic Arms Reduction Treaty (START) and internal research concluded that further reductions would not lead to an end to the American nuclear umbrella for Japan and South Korea. [...]

While the United States and Russia, two nuclear powers, are not significantly reducing their nuclear capacity, they are attempting to negotiate with other countries to achieve a decreased level of nuclear proliferation. It is clear that China will not

participate in this process with them. [...] In this situation, Japan, as China's neighbour, has sent the following message: whether China participates or not, we have reduced the opportunity for progressive nuclear disarmament as sought by the United States.

One wonders if the Prime Minister's Office and politicians supposedly worried about the country's security thought about the fact that they were actually creating the opposite result to the one they sought. It seems to me that the result of this reform was not to "contribute to national security" but rather to "reduce security".

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