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## POLICY STALEMATE

This chapter will provide an assessment of recent reforms designed to buttress executive authority in Japan. It concludes that the changes have served merely to produce a policy stalemate<sup>1</sup> between revamped structures of executive power and the party-bureaucratic complex,<sup>2</sup> rather than eliminating the traditional policymaking system. An emergent trilateral system comprising the executive, the bureaucracy and the party portends even greater immobilism in the policymaking process.

*– The executive does not exercise sufficient authority to override the de facto power of the LDP and the bureaucracy*

Japanese prime ministers who have been effective agenda-setters and policy-initiators have been the exception rather than the rule, despite a number of factors that have served to strengthen the position of prime ministers in recent years.<sup>3</sup> These factors include attempts by Japanese prime ministers to proliferate advisory councils in order to bypass the traditional policymaking system<sup>4</sup> and evidence suggesting that the prime minister is becoming more and more important as a determinant of the electoral fortunes of the LDP.<sup>5</sup> Japan's prolonged economic slump punctuated by periods of heightened crisis have certainly placed a premium on more active and decisive leadership by the chief executive. The need to bolster the prime minister's powers to deal with economic

emergencies, to act quickly and decisively in a crisis and to overcome institutions and interests resistant to change culminated in the administrative reforms of 2001.

### BUTTRESSING THE EXECUTIVE

Strengthening the hand of the executive and making it less a creature of the dominant ruling party and the bureaucracy requires increasing executive control and authority over those political and administrative entities that should rightfully be subordinate. Various institutional remedies have been pursued to enhance policy leadership by the executive branch.

The government reorganisation that took place in January 2001, three months before Koizumi came to power, modified the dual party–bureaucracy policymaking structure to some extent. In his mission to remodel Japan and exert all the formal power of his office, Koizumi has been able to rely on a beefed-up executive and to tap into a much more substantial institutional support structure for prime ministerial initiative, with a corresponding reduction in the power of the party and the bureaucracy. As Eda points out, in contrast to Hashimoto's time, it is now much easier for the prime minister to show leadership because of changes to the executive system.<sup>6</sup>

The Central Ministries and Agencies Reform Basic Law clarifies the leadership of the prime minister over the management of state policy and emphasises that the prime minister is the head of the cabinet.<sup>7</sup> This point is further driven home by the Law to Amend the Cabinet Law (*Kaisei Naikakuho*), which also aims to elevate the position of the prime minister.<sup>8</sup> The prime minister's right to initiate policies (*sôridaijin no hatsugiken*) within the cabinet has been legally recognised. An amendment to Paragraph 2, Article 4 of the Cabinet Law clarifies that the prime minister may submit to the cabinet proposals on such issues as 'basic principles on important policies for the cabinet'.<sup>9</sup> Cabinet functions have also been strengthened by the Law to Amend the Cabinet Law and the Law to Establish the Cabinet Office. Both provide measures to bolster the executive role of the cabinet.<sup>10</sup>

Prime ministerial policy leadership has been additionally reinforced by a more potent executive support structure. The Cabinet Secretariat (*Naikaku Kanbô*), which directly assists the prime minister, has been expanded, granted greater powers of policy coordination and made more independent of the bureaucracy. Paragraph 2, Article 12 of the Cabinet Law was amended to

clarify that the Cabinet Secretariat, which directly assists the Prime Minister, takes charge of drafting and planning the basic principles mentioned in the preceding section, and now stipulates that the Cabinet Secretariat drafts and plans 'basic principles on important policies of the Cabinet'.<sup>11</sup>

The functions of the Cabinet Secretariat were thus expanded to include planning and drafting (*keikaku ritsuan*)<sup>12</sup> in addition to comprehensive coordination (*sôgô chôsei*). The purpose of assigning these additional functions to the secretariat was to ensure directly the prime minister's leadership.<sup>13</sup> New positions within the secretariat based on prime ministerial appointment were created to underpin these functions, with the jurisdiction of each of the new posts made more general and flexible. In addition, the positions were opened up to individuals from both inside and outside the government, 'eliminating the inflexible method of assigning particular posts in the Cabinet Secretariat to officials from particular ministries'.<sup>14</sup> The change was designed to eliminate the entrenched practice of mainstream ministries colonising the Cabinet Secretariat. The secretariat now has a number of offices (*jimukyoku*) and rooms (*shitsu*) with largely non-bureaucratic staff devoted to developing and advancing specific policy initiatives of Koizumi's structural reform program. Examples are the 'Four Road-Related Public Corporations Office', 'Privatisation Promotion Committee Preparation Room'<sup>15</sup> and the 'Administrative Reform Promotion Office'.

The Kantei has also been expanded.<sup>16</sup> The number of staff personally assisting the prime minister has been increased and made subject to political appointment. The prime minister is still supported by the chief cabinet secretary (*naikaku kanbô chôkan*) and three deputy chief cabinet secretaries (*naikaku kanbô fukuchôkan*), but, in addition, there are now three assistant deputy chief cabinet secretaries (*naikaku kanbô fukuchôkanho*) as well as up to five cabinet-appointed special advisors (*sôridaijin hosakan*). These positions were established 'as part of the consolidation of direct assistance system provided for the Prime Minister'.<sup>17</sup> The number of private secretaries (*hishokan*) to the prime minister has also been made more flexible.

Perhaps the most important administrative reform was the creation of a much more powerful Cabinet Office to replace the former Prime Minister's Office.<sup>18</sup> Regarded as the 'jewel in the crown' of bureaucratic reorganisation, the Cabinet Office was established specifically to achieve a strengthening of prime ministerial leadership.<sup>19</sup> The Cabinet Office is a body directly controlled

by the prime minister to coordinate overall government policy and to 'reinforce the support system for the Cabinet and the Prime Minister'.<sup>20</sup> According to its official rationale, it was designed to bolster the cabinet's functions and to provide a special mechanism that enables the prime minister 'to draw upon his full authority...[which] was considered essential to building an administrative system capable of dynamic and strategic decision-making'.<sup>21</sup> It 'assists the overall strategic functions of the Cabinet Secretariat, carries out planning and overall coordination regarding key Cabinet policy, and is engaged in administrative work deemed suitable for management by the Prime Minister from the standpoint of the government as a whole'.<sup>22</sup> As Kawakita and Onoue point out, there are no LDP *bukai* or *zoku giin* who protect the interests of the Cabinet Office, and it has no political interests attached to it, so a dependency relationship between politicians and bureaucrats is not seen in the Naikakufu's case.<sup>23</sup> This factor assists the Cabinet Office's elevation above the other ministries. In addition to providing backup for the prime minister, it conducts comprehensive coordination from a position of superiority that is one step higher than the ministries.<sup>24</sup> Moreover, in conducting its coordination function, the Cabinet Office provides 'prior proposals for policy directions rather than posterior coordination'.<sup>25</sup> According to a former METI official: 'The Cabinet Office has become the chief player in drawing up policy measures'.<sup>26</sup> In short, it is a policy-initiating rather than a policy-reactive body.

As one of its mandates, the Cabinet Office assumes responsibility for the implementation of economic and fiscal policy, because, as the official explanation goes, this requires 'high-level political decisions...under powerful leadership'.<sup>27</sup> It 'enables cabinet-led operations of finances because it is positioned above other ministries'.<sup>28</sup> The Cabinet Office thus represents the very core of bureaucratic reforms designed to effect a shift in power over economic management from the MOF to the cabinet.<sup>29</sup> Other major policy briefs of the Cabinet Office include science and technology, gender and the national lifestyle, disaster management and nuclear safety, matters relating to Okinawa and the so-called 'Northern Territories',<sup>30</sup> international peacekeeping and public relations.<sup>31</sup>

In terms of the division of roles between the existing Cabinet Secretariat and the new Cabinet Office, the former 'is in charge of final coordination at the highest level'.<sup>32</sup> It performs 'comprehensive and strategic functions and conducts

the final coordination at the highest level as an organ of the Cabinet'.<sup>33</sup> As already noted, it is also the location of developmental units for bringing to fruition and giving specificity to some of the grand proposals advanced by the CEFP in the Cabinet Office. For example, 'on the proposal for establishing structural-reform special zones, the CEFP has decided to set up a promotion office in the Cabinet Secretariat in an effort to give specificity to the plan'.<sup>34</sup>

The Cabinet Office, on the other hand, is a body to assist the Cabinet Secretariat and also has a broad range of coordinative functions. It is the prime minister's 'brain' and draws out his leadership.<sup>35</sup> It oversees ministries and agencies, and is empowered to coordinate their policies.<sup>36</sup> As Krauss and Nyblade point out,

whereas the prime minister had to act through unanimous cabinet action to direct the bureaucracy previously, the Cabinet Office Establishment Law allows him to more directly control the bureaucracy. New provisions allow him to use the Cabinet Office to direct other ministers and bureaucrats in policy areas requiring coordination among multiple ministries. Even on issues that are solely within the jurisdiction of one ministry, the prime minister may order reports and explanations from the ministries.<sup>37</sup>

Key differences distinguish the ministers of state in the Cabinet Office and other ministers at the head of established ministries and agencies. The former are part of a single, integrated executive structure, and do not operate at the head of ministries or agencies representing domestic economic and other sectoral constituencies like agriculture, business or finance. They are, therefore, without a vested interest in a particular industry and can formulate policy from a wide, non-sectoral viewpoint.

The focus of executive leadership in economic and fiscal affairs centres on the CEFP within the Cabinet Office. It is the 'council that decides the macroeconomic frame and the basic framework of the budget under the leadership of the Kantei and the prime minister'.<sup>38</sup> According to the official description, it supports 'the Prime Minister in the exhibition of his leadership in a sense that it is possible for the Prime Minister to take the initiative to decide the policy of the Cabinet...[Its role is] to discuss important policy issues under the leadership of the Prime Minister'.<sup>39</sup> The Cabinet Office Establishment Law grants wide powers of coordination to the prime minister as the chairman of council.<sup>40</sup> The majority of its members are also cabinet ministers, which also underpins its identity as an executive organ.

The CEFP has come to play a vital role in invigorating prime ministerial direction in the areas of economic management, fiscal management and budget preparation.<sup>41</sup> Since Koizumi took office, it has 'enhanced its identity as the core of economic management of the prime minister's official residence'.<sup>42</sup> Takenaka describes it as providing Koizumi 'with "machines" for his leadership',<sup>43</sup> and sees his own role as steering the CEFP 'to make sure that the Council underpins the prime minister's leadership'.<sup>44</sup> As Kawakita and Onoue observe, 'economic policy, which the bureaucratic side used to decide putting the MOF at the top, has now shifted to decisions dependent on the political leadership of the prime minister and the Minister of State for Economic and Fiscal Policy'.<sup>45</sup> Takenaka has commented that 'the Finance Ministry's know-how is important, but it is also important for the prime minister to take the initiative'.<sup>46</sup> Media commentators also view the CEFP as having 'played up its presence...[because of] the Koizumi cabinet's attachment of greater importance to the panel, as well as to the necessity of making judgments beyond the vertical administrative framework'.<sup>47</sup> One LDP spokesperson acknowledges that Koizumi has 'strategically used the council in his favor'.<sup>48</sup>

The norm is for Koizumi to instruct the council on the basic directions in which he wants policy to go, which the council then formulates into more detailed and substantial proposals designed to implement these policy directions. For example, Koizumi issued instructions to a CEFP meeting in June 2002 on basic policy guidelines for tax system reform, administrative and fiscal reforms of local governments, social security system reform, government expenditure reform and a strategy for economic revitalisation.<sup>49</sup> In dot point form these outlined in general terms the policy proposals that were subsequently elaborated in the CEFP's final tax reform policy plan. Included on the list of proposals was an actual reform to process rather than just simply policy content. Koizumi suggested that a procedure should be established 'in which the Council of Economic and Fiscal Policy is utilised, I the prime minister present basic policy guidelines, and each minister works to basically reform policies and expenditures'.<sup>50</sup>

The changes to the structures of executive power as well as to the procedures through which it is exercised have bolstered the prime minister's authority to direct his government and to impose his own policy priorities in a top-down fashion. Koizumi not only regularly instructs the CEFP as the main vehicle of

his economic and fiscal initiatives, he also issues direct instructions to individual ministers. In July 2002, for example, Koizumi instructed seven cabinet ministers

to work out proposals to bring about structural reform of the economy. Key measures...include a review of long-term public works projects...The prime minister aims to have the Council on Economic and Fiscal Policy discuss the proposals in late August and have them...reflected in budget requests for next fiscal year. Each ministry must submit its requests to the Ministry of Finance by the end of August.<sup>51</sup>

In sum, the cycle of policymaking has now been altered with the prime minister, together with his executive support structures, strongly initiating policies at the beginning of the policymaking cycle. The Cabinet Office advisory councils that the prime minister chairs enable the executive to go on the policy offensive. In particular, the CEFPP allows the prime minister and his cabinet to take the lead in setting economic policy directions.<sup>52</sup> These changes have, to some extent, licensed the executive to usurp the bureaucracy's conventional powers of policy initiative. They have also intruded into the bureaucrats' traditional sphere of policy formulation in those areas where the executive is concentrating its efforts in policy initiation.

Cabinet ministers' positions *vis-à-vis* their own ministries have been bolstered by the administrative reforms to political support structures within the ministries. Replacing the old position of parliamentary vice-minister (*seimujikan*), a greater number of Diet politicians are now appointed as more powerful deputy ministers (*fuku daijin*)<sup>53</sup> and parliamentary secretaries (*seimukan*)<sup>54</sup> to support the minister and to make the ministries subordinate. The new system of deputy ministers is modelled on the UK system and is designed to show that ruling party politicians (in their position as part of the executive) are responsible for carrying out policies. The changes have produced a total executive numbering 66 ministers, deputy ministers and parliamentary secretaries.

The new positions in theory allow the *zoku* to penetrate directly into the ministries right at the top, because it is important to select policy experts from the LDP to these positions. This applies particularly to the post of deputy minister, which is a much more senior position than parliamentary secretary, which is more of a policy training position. Unless deputy ministers are well-versed in policy matters, they will not be able to direct bureaucrats or answer questions in the Diet, both of which are part of their new tasks. The presence

of deputy ministers and parliamentary secretaries in the ministries may thus tip the balance in favour of the party and against the bureaucracy in the traditional balance of power between these two independent power centres, but not necessarily towards the cabinet, although that was its intention.<sup>55</sup>

Whether it has actually done so, however, remains an open question. In the view of one ministry bureaucrat, it has made no difference. The official policymaking process has not changed. There may be meetings between top-level ministry officials and the new deputy ministers, but they are just like the old parliamentary vice-ministers' meetings and are not incorporated into the official policymaking process.<sup>56</sup> Moreover, the position of the top bureaucrat in the ministry—the administrative vice-minister—as second only to the minister remains the same,<sup>57</sup> and for cabinet approval to be reached, all policy must still go through the vice-ministers' meeting. In fact, as the political executive in the ministry has now expanded from three to five, the influence of the ministry over the LDP has been reinforced because the new political executives in the ministry attend divisional meetings with the minister in order to explain and persuade the Diet members to agree with the ministry's stance.<sup>58</sup> Takenaka also admits that the administration uses the deputy ministers and parliamentary secretaries to act in the role of a 'pipe' to the LDP.<sup>59</sup> To fortify their position against ministry officials, Shiozaki suggests that the minister, deputy ministers and parliamentary secretaries have to team up and tell their policies to bureaucrats.<sup>60</sup> He implies that politicians still have difficulty in asserting their policy leadership over the ministries.

Koizumi has also tried to reinforce the credibility and standing of his ministry by breaking the stranglehold of the factions on ministerial appointments. He violated factional norms in his selection of cabinet ministers, flouting the tradition of appointment on the basis of seniority and factional balance, and making appointments not only from outside politics altogether, but also amongst non-factionally affiliated parliamentarians. On ascending to the prime ministership, Koizumi vowed to rid the party of factions, to 'break the current decision making system in the LDP',<sup>61</sup> and choose his cabinet without regard to the usual practices of selecting ministers. He took no lists of recommendations for cabinet positions from faction leaders and insisted that he would not replace his ministers until the end of his tenure with his defiant reference to 'one cabinet, one ministry' (*ichi naikaku ichi kakuryō*). He appointed an unusually

large number of women (five) and outside experts (three) as he promised, claiming that they were merit-based appointments. He thus ignored the LDP conventions that usually dominate cabinet choices. In Koizumi's view, his selection method worked: 'Over the past year, I made ministers, who used to listen to bureaucrats, work for me'.<sup>62</sup> As Curtis observes, 'Koizumi has tried to exert control over his cabinet, insisting that his ministers carry out his program. It is a Koizumi cabinet rather than an LDP coalition cabinet'.<sup>63</sup> Koizumi's declaration that he would not change his cabinet line-up during his tenure was also a political message that he would not take orders from the factions in the appointment of cabinet ministers or in his initiation of policies. It was a clever way of undermining faction leaders because their power is partly based on being able to deliver positions in government and the party to their supporters.<sup>64</sup>

However, Koizumi's victory in the party presidential election left him in an anomalous position *vis-à-vis* his own party and its factions. For the first time, an LDP Diet member had become president without the majority support of the members of the parliamentary party. Party support was only nominal, effectively elicited under duress by the revolt of the grassroots membership of the prefectural branches and by cold calculations of the LDP's prospects in the forthcoming Upper House elections.

This exceptional situation has subsequently made it very hard to determine who Koizumi's supporters are within the LDP in terms of the traditional division between the so-called mainstream factions, who voted for the presidential incumbent, versus the anti-mainstream factions, who voted against the presidential incumbent. This, in turn, has compounded Koizumi's difficulties in the policymaking process, where the party's support is so critical for the passage of legislation. It has also deepened the rift between the executive and the LDP.

Factions that should in theory support the Koizumi prime ministership are those run by Yamasaki and Mori, and members of the former Kato faction. Conversely, those that have declared their open opposition to Koizumi are the Hashimoto and Horiuchi factions. However, this divide does not include all the factions (the Eto-Kamei faction supported Koizumi for the presidency in 2001, but has not necessarily supported his prime ministership) and there are also inter-generational divisions within individual factions. Koizumi tends to

be supported by younger reform-orientated members from different factions who are kept from realising their ambitions by the seniority system within the party, which is institutionalised in the factional system.

## BUDGETMAKING

Budgetmaking is one of the severest tests of the new powers of the executive and the CEFP in particular. The council's new role under the Cabinet Office Establishment Law is officially 'to take charge of duties in relation to planning, drafting and comprehensive coordination concerning important measures relating to basic policies for budget compilation and fiscal management'.<sup>65</sup> As Kawakita and Onoue emphasise, one of the reasons for establishing the council was to effect a shift in fiscal management and budget formulation from the MOF to the cabinet.<sup>66</sup> The change was designed to destroy the ministry's monopoly over the function of setting overall fiscal directions for the government and to override entrenched MOF budgetary principles such as the balanced budget, which had been discredited in the late 1990s under the fiscal reconstruction program of the Hashimoto administration.

According to the new model, the 'council and the ministry will jointly draft several versions of the budgetary guidelines, including ceilings. After debating the merits of each version, the council will give final approval to one at a meeting slated for early August'.<sup>67</sup> Under this new division of labour, the council has the final power of approval over the budget guidelines, while the MOF uses the guidelines to draw up a draft budget for presentation to ministries and agencies. The ministry does the detailed calculation and allocation of the budget in accordance with the outline decided by the council.<sup>68</sup> The practice of allowing the Finance Ministry to have the sole authority to set guidelines for budgetary requests has thus been broken. As Kawai comments, Koizumi and his cabinet have 'more control over the budget than any premier has had in the past. "Before it was always the Ministry of Finance somehow dealing with politicians and then issuing the guidelines for requesting monetary spending...[B]ut this time it's going to be different"'.<sup>69</sup>

Whether the CEFP will ever be able to move beyond mere guideline-setting to actual budget-drafting remains an open question. The CEFP is the new player on the block, but how much of the game it will be able to play is yet to be worked out. In theory, it has a basis from which it can expand its role. As the *Asahi* observed,

[a]fter the guidelines are in place, the council will monitor the progress of the ministries and agencies as they outline the ways in which they intend to spend their allocations. To better oversee that process, the council will ask the head of each ministry and agency to submit progress reports on policy development from late August through early September. After this period, the council will serve as the key budgetary allocation coordinator, working in close cooperation with the Cabinet.<sup>70</sup>

In practice, there are as yet many unknowns about the matters that it will actually decide.<sup>71</sup> The experience of the 2002 budget formulation process revealed that the CEFP had great difficulty in moving to the budget formulation stage. The MOF has remained very protective of its budgeting powers because they are the source of its influence over the line ministries. In the early months of the Koizumi administration, when Takenaka attempted to give more power to the CEFP in the budget compilation process, he was firmly rebuffed by Finance Minister Shiokawa who rejected the suggestion that an 'outsider' could intrude on his ministry's jurisdiction.<sup>72</sup> The MOF reportedly 'took back the initiative in making final decisions about specific items in the 2002 budget'.<sup>73</sup>

The same battle was played out again over the 2003 budget. The CEFP's draft policy on economic and fiscal management and structural reform of June 2002 stated that cabinet ministers should take the initiative in reforming policies and expenditures of their ministries based on principles established by the prime minister and advice from the council. This statement was interpreted as an attempt by the council to transfer greater budget drafting powers to the cabinet as opposed to the Finance Ministry. Shiokawa warned, however, that the CEFP 'should confine itself to outlining basic principles and leave the task of deciding budget appropriations to his ministry, which would consult with the relevant government organisations'.<sup>74</sup> Some MOF officials also expressed doubts about whether the council could win over the ruling parties and 'balance conflicting interests amongst ministries and agencies'.<sup>75</sup>

Furthermore, it is 'questionable whether the Council on Economic and Fiscal Policy will be able to obtain the necessary fiscal information to create a budget, because the quality of the information disclosed at present is awful'.<sup>76</sup> The CEFP remains a body for making grand budget strategy not for deciding micro-allocations. It endeavours to set the big objectives for the budget, but the actual budget compilation process is a separate exercise altogether. It is doubtful whether this has changed at all.

Besides the MOF's attempts to husband its budget formulation powers, the most formidable political obstacle for the CEFP in attempting to reorder

fiscal priorities and eliminate rigidities in Japan's budgetary structure is the vertically segmented budget-making process dominated by individual ministries and their allied politicians (*zoku*) in the PARC. Top-level financial initiatives coming from the executive have traditionally amounted to little more than blanket reductions in total expenditure by ministries (including public works expenditure), leaving largely untouched the internal contents of ministry budgets. The administration's macro-objectives apply some pressure to ministerial budgets to conform to overall spending cuts, but ultimately there is only limited change in ministry-determined targets of expenditure. Koizumi's pledge to cap the issuance of government bonds at ¥30 trillion in the fiscal 2001 and fiscal 2002 years is typical of this kind of blanket cut, but it has no impact at all on the influence of the *zoku* and other LDP politicians with vested interests in budget appropriation requests. It merely puts a lid on the total amount available for pork-barrel expenditure. The politicised process, in which politicians intervene in ministry-dominated budget formulation processes that determine the actual content and allocation of funding, carries on regardless.

Eda further drives home the marginal nature of the CEF's budgetmaking role, noting that

Takenaka announced a so-called 'big-boned reform agenda' in June 2001, but in the final budget revision stage, he commented that 'we were outside the loop'. What happened was that the MOF, each ministry and agency and the *zoku giin*—the usual budget formulation corps—revised the budget in the way they wanted. These three groups produced a budget to maintain their system. As a result, it was not a budget that contributed to structural reform. Moreover, even at this point, there was no sign that Prime Minister Koizumi intervened in order to do something about this and change these old habits and practices.<sup>77</sup>

When the CEF's June 2001 'Basic Policy Outline for Economic Reform' tried to move beyond quantitative adjustments to qualitative adjustments involving areas that had traditionally been ministry prerogatives, such as reviewing special-purpose tax revenues and public works projects, it was strongly resisted by the line ministries. Takenaka claimed that the 'Basic Policies'

...formed the foundation for formulating the FY 2002 budget. Specifically...seven priority areas were identified, and issues for reforms in public investment, social security systems, and local public finances were presented. Based on these, the guidelines for budget requests were compiled in August. It was decided that the FY 2002 budget should be drafted based on the principle of 'decreasing budget allocation by 5 trillion yen in non-priority fields while increasing [sic.] by 2 trillion yen in priority ones'.<sup>78</sup>

He later complained, however, that the ministries 'were more interested in consulting with Finance Ministry officials over the coming fiscal year budget than proposing ideas to implement some of the items in the basic policy outline'.<sup>79</sup> Comments by a MAFF official support this contention. In his view, the primary budgetmaking process occurs between the MAFF and the MOF. CEFP opinion is reflected in the MOF's direction towards the other ministries. The kind of overall budgetary direction that was previously provided by the cabinet guidelines is now provided by the CEFP. This makes the process more transparent because the council has members from many areas and attracts different kinds of opinions. However, the key negotiations on individual expenditure programs take place between the MOF and the MAFF. The MAFF's 2002 budget was supposed to cut public works expenditure by 10 per cent, but the MAFF (as usual) did not completely accept that instruction. In the first draft, it reduced public works spending by 5 per cent, so the MOF had to press it further to make more cuts.<sup>80</sup>

The MAFF is not the only ministry that disregards executive directives. The budgetary request from the Ministry of Land, Infrastructure and Transport fell far short of the re-weighting of allocations sought by the Koizumi cabinet. In fact, the allocation percentages for various projects in the ministry's request deviated little from the initial budget for 2001. The ministry, which brought together four formerly separate ministries and agencies in January 2001, appeared to be leaving the priorities of its constituent parts in place. As one ministry insider commented: 'There was a tacit agreement not to fiddle with the budget shares of each of the old ministries and agencies'.<sup>81</sup> Moreover, there were strong signs that the ministry was poised to defend long-standing policies more deftly in order to resist pressures for reform. The 2002 ministry white paper vows to increase efforts to explain and justify public works projects more clearly with reference to the usefulness of public works in expanding the economy and its role in providing employment.<sup>82</sup> It shows little evidence of a reconsideration of the need for public works in the first place, or the need to redirect spending in more economically efficient directions.

The 2002 budget also included ¥850 billion from the prime minister's own 'purse' as a 'special quota for structural reform' (*kôzô kaikaku waku*).<sup>83</sup> In the past, supplementary budgets and special budgetary frameworks or quotas—a favourite of big-spending LDP governments—have provided the executive

with an element of flexibility in channelling additional expenditure to priority programs. They have provided a common pool of funds for which ministries and agencies could make bids by re-jigging their expenditure programs to fit with the new headings. They have done nothing for budget restructuring in terms of the shares going to each of the ministries and the spending priorities decided by each ministry. Koizumi's *waku* was no exception. The 'structural reform' spending of ¥850 billion was decided by traditional budgetary staff within the ministries, and so it was not really used for structural reform but for the usual sort of projects.<sup>84</sup>

The same applies to the actual content of public works expenditure. Even though expenditure was reduced by 10 per cent overall, nothing was achieved with respect to the rigid framework of allocations within the public works budget. Traditionally 90 per cent has been allocated to engineering projects (*doboku*) such as roads and 10 per cent for building (*kenchiku*) of facilities such as schools and hospitals. This ratio of 90:10 has not changed for 20 years. Nor did it change in the 2002 Koizumi budget.<sup>85</sup>

A major restructuring of Japanese government expenditure in terms of eliminating the distinction between public works and non-public works spending and redirecting spending to more productive and needed fiscal targets will require a top-down process of redirected expenditure, which would have enormous implications for the expenditure ratios of individual ministries. The process has only just begun with the attempted prioritisation of public investment in the seven areas in the 2002 budget. As Shimada explains, this

...was one step towards structural reform. The cabinet recovered the initiative in the formulation of the budget which up to now the Ministry of Finance Budget Bureau has drafted. It was an historical achievement. There was no problem when the economic pie was expanding, but for the first time, budgetary allocations that cut across the various ministry sectors was possible.<sup>86</sup>

In spite of Shimada's glowing assessment, the CEFPP was, on balance, successful only to a very limited degree in restructuring public expenditure in this exercise. Furthermore, the ¥2 trillion for the seven priority areas was a drop in the bucket as a proportion of total general policy expenditures of around ¥48 trillion (what remains after debt-servicing costs—interest payments and bond redemption—and grants to local governments are taken out).

Budget prioritisation has continued with four new priority areas in the 'Basic Policies for Economic and Fiscal Policy Management and Structural Reform

2002'. However, although four priority areas are nominated for the 2003 budget, including science and technology,<sup>87</sup> the policy does not stipulate how those key areas are to be treated in relation to conventional budget allocations.

The 'Basic Policies for Economic and Fiscal Policy Management and Structural Reform 2002' has put reform of the budget compilation process on the agenda in an effort to impose a top-down, executive-dominated approach. It proposes to

reinforce the decision-making system so that the prime minister fully exercises his leadership (the prime minister will put forward a basic guidelines based on the deliberation at the Council on Economic and Fiscal Policy, and thereby each minister shall fulfil his/her responsibility in undertaking fundamental reforms in the policies and expenditures of each ministry and agency); to conduct strict policy and project evaluations so as to make objectives and effects of the policy more transparent to the public; and to organise the budget by minister and by priority area.<sup>88</sup>

So far, however, Koizumi and the CFP have made only small headway in imposing macro-level budgetary priorities on micro-level ministry programs and thus undermining the sanctity of individual ministry 'shares' and budgetmaking power. Without fiscal structural reform resulting in far greater flexibility in budgetary allocations across ministries and agencies, it will be impossible for Koizumi to make the drastic cuts in spending that he regards as unproductive, or to redirect large amounts of funds from one particular sector (like agriculture) to another (like welfare), or from one type of region (rural prefectures) to another (metropolitan areas), or from one specific category of expenditure (like public works) to another (like employment programs), or from one level of government (national) to another (local). Koizumi cannot penetrate the ministries where budgetary requests are decided within well-established policy frameworks.

## POLICY STALEMATE

As the Japanese budgetmaking process illustrates, the fundamental problem that Koizumi faces in the policymaking process is that he is not able to override the power structures that determine what happens to executive policy initiatives once they are launched and which determine whether such initiatives ultimately get accepted and implemented as government policy. The Koizumi administration initiates proposal after proposal only to see them delayed, modified, compromised and obstructed as they are channelled through the traditional party-bureaucratic policymaking process.

The prime minister, cabinet and other executive support structures operate largely at the strategic, supra-coordinating policy level. They churn out policy guideline after policy guideline, but in the final analysis these 'targeted policy directions' amount to little more than reform plans, proposals and recommendations. They often lack specific measures that the government will address, and it always remains an open question whether and how these plans will be formulated into concrete policies and implemented. The programs and schedules released by the CEFP and other executive advisory bodies are general lists of policy items requiring detailed implementation through policy development and law-drafting. It is at this point that they become subject to the traditional policymaking process. The old pattern continues of executive initiatives falling on sterile ground in the bureaucracy, and fizzling out or being blocked or modified in the committees of the PARC. Koizumi's challenge is to take control of the machinery of government for himself by directing the process through his ministers, who in turn would direct their own ministries, and by excluding the party machinery as a decentralised policymaking body pursuing its own interests.<sup>89</sup> Takenaka's answer is for CEFP proposals to go directly to the cabinet for decision on key economic reform issues without consultation with relevant ministries and politicians. He 'believes that on such matters, the prime minister should issue directives to relevant cabinet members, which...[he] hopes will give the cabinet a leadership role in forging ahead with structural reform'.<sup>90</sup>

The difficulty that Koizumi faces in trying to enact a radical program of economic reform which confronts vested interests in the LDP and in the bureaucracy is that none of the bureaucratic institutions and party groupings that have traditionally held sway in the policymaking process has yet been dismantled or had its powers significantly curtailed. The administrative reforms to the executive have not generated sufficient power for it to dominate entrenched policymaking structures in which the forces opposed to reform are embedded. The LDP and the bureaucracy remain powerful channels for dissent against Koizumi's reform proposals and thus operate as countervailing power structures to a beefed-up executive. They continue to parry, delay and water down Koizumi's reforms. Koizumi himself commented in a newspaper interview that 'he was as determined as ever to push through reforms, "despite Liberal Democratic Party or bureaucratic intervention"'.<sup>91</sup> As junior LDP Diet member Shiozaki Yasuhisa has commented, 'everyone forgets that ruling party

representative Diet members in the cabinet, namely ministers, deputy ministers and parliamentary secretaries, should decide policies'.<sup>92</sup> In other words, the party should only play a role in government through the executive.

Neither Koizumi the charismatic leader, nor Koizumi the leader of a stronger prime ministerial executive has been able to alter fundamentally Japan's traditional policymaking structure. The CEFP has been Koizumi's main vehicle of structural reform, but it is unclear whether or not government decisions are actually made in the council.<sup>93</sup> Its proposals are often watered down in the debate that follows amongst the ruling coalition parties, and the bureaucracy.<sup>94</sup> For example, the CEFP document 'Basic Policies No. 2' was significantly revised by the ruling party and the relevant ministries. As part of this process, the CEFP failed to overcome MOF resistance to its plan to use funds from spending cuts to reduce taxes. It could not finalise its draft proposal because of opposition from the MOF.<sup>95</sup> The *Nikkei* reported that, '[f]acing repeated failures on tax reform proposals, private-sector members of the Council...have begun feeling a sense of despair... "Ministry section chiefs now have more power than the prime minister," said one council member from the private sector'.<sup>96</sup> As Williamson and Haggard observe, although an economic team may exist, economic reform is unsuccessful where 'the team did not receive the support from the rest of the government that was needed to be able to act effectively'.<sup>97</sup>

Given the continuing predominance of the dual policymaking system alongside the revamped structures of executive power, Japan risks ending up with a chronic policy stalemate in which the prime minister and his Cabinet Office support team exercise stronger executive power but are not able to impose their policy will on traditional power centres. The confrontation pattern over policies and legislation has shifted from 'the ruling camp versus the opposition bloc' to the 'prime minister versus the ruling camp'.<sup>98</sup>

At almost every turn, Koizumi has to overcome resistance from the old guard in his own party and from the bureaucracy who want to revert to traditional policies. Alliances of uncooperative bureaucrats and politicians actively resist translating macro-policy proposals into micro-policies to be implemented in their own sectors.<sup>99</sup> While the administration may issue new policy directives that challenge vested interests, such directives merely impose a kind of external point of reference for policies that continue to emerge from entrenched and dominant policymaking structures. Koizumi's leadership and vision are slowly being ground down and dissipated in fighting constant battles not over grand

strategy but over the implementation of these strategies in the form of specific policies that pose a threat to particular interests. As former Prime Minister Hosokawa points out, Koizumi has the necessary leadership qualities such as determination and vision to change history and prevent Japan's long decline, but he is now caught up with the details of pushing his reforms through in the face of forces resistant to his reform plans.<sup>100</sup> He concludes that: 'Koizumi...has no choice but to right the resistance forces that try to water down his reform plans over minor issues'.<sup>101</sup> This means that any changes achieved will simply not match the effort required, which may disillusion even the most ardent reformers within the Koizumi administration, including Koizumi himself.

Structurally speaking, Japan is only a little further towards genuine cabinet government in spite of the administrative reforms designed to enhance the power of the executive. Certainly the prime minister has been considerably bolstered in his ability to initiate policy change. He has more powers of independent policy initiative and coordination with a revamped Cabinet Office and the legal authority to initiate discussions in Cabinet. He now presides over 'a policy formation process in which...[he] can exercise his executive power and lead discussion in the Council of Economic and Fiscal Policy'.<sup>102</sup>

Koizumi is also deliberately trying to overcome the blockages in the system by cutting the PARC out of the policymaking process or at least ignoring its wishes. As Upper House LDP Diet member Masuzoe complains,

I am a member of eight committees and divisions in the PARC, but the serious discussion in the ruling party's divisional meetings do not seem to be reflected in the policies of the Koizumi administration. Even though we discuss matters in party divisions, the decisions are all made by the cabinet which just asks us for *ex post facto* approval.<sup>103</sup>

The most dramatic test of Koizumi's attempts to subordinate the party to the executive came with the four postal bills. When the LDP's Public Management, Home Affairs, Posts and Telecommunications Division objected to Koizumi's proposed reforms to the postal service, his administration went ahead and presented them to the Diet anyway. Such an act was virtually unprecedented but, in the final analysis, it did not prevent the bills embodying both the restrictions pre-imposed by the ministry and some of the modifications desired by the LDP and extracted during the period of Lower House committee examination.<sup>104</sup>

Thus, Koizumi does not run Japan, nor does his cabinet decide policy, because the party and the bureaucracy do not automatically follow the cabinet. As a

result, Koizumi cannot execute his structural reform program by the force of his leadership and the policy will of his administration. In Japan's 'Un-Westminster' system,<sup>105</sup> the prime minister is still not able to count on his ministers in cabinet, and the cabinet is not the supreme arbiter and decisionmaking body for government policy. Rather it is subordinate to the parliamentary party and the bureaucracy. The executive still has to negotiate with its own majority party otherwise the cabinet cannot count on carrying parliament, and cabinet ministers remain captive of the bureaucracy and disconnected from their own party. Meanwhile, both the party and the bureaucracy continue to pursue their own interests independently of the administration. In Japan's case, revamped prime ministerial power has not produced authoritative cabinet government.

Further reforms are needed to push the system closer to the ideal of the Westminster model. One such reform might be allowing the cabinet to operate according to the majority principle. Although the Administrative Reform Council under the Hashimoto administration recommended this reform, the proposal was not implemented because it would have enabled the cabinet to ignore its traditional role of representing ministry interests and the interests of bureaucrats.<sup>106</sup> Indeed, Article 66, Clause 3 of the Japanese Constitution, which states that the cabinet is collectively responsible to the Diet, created a commonly accepted view that the cabinet had to operate on the principle of unanimous consent. This was primarily driven by the bureaucracy in its own self-interest. Its deliberate intention was to limit the prime minister's authority in order to gain the upper hand in government in the guise of preventing the emergence of a dictatorial prime minister.<sup>107</sup>

Another potential reform is politicising the third position of deputy chief cabinet secretary. Two of these positions are political posts filled by LDP politicians (currently Abe Shinzô and Ueno Kôsei), but the third is an official's post, filled by a bureaucrat, who stays in the post for at least seven years. The deputy chief cabinet secretary in the Koizumi Cabinet is a former official of the Ministry of Health and Welfare, Furukawa Tadajiro. He has been in the post since 1995. His predecessor was called the 'shadow prime minister' (*kage no sôri*) because of the amount of power he wielded. The post is critical insofar as the person holding this position exercises influence over bureaucratic personnel appointments and is, therefore, in a position to appoint bureaucrats to top positions in the ministries either to oppose or to work with prime

minister. The deputy chief cabinet secretary is also a key mediator between bureaucrats and the prime minister and is influential in dealing directly with the prime minister himself.<sup>108</sup>

Koizumi has not even fully exploited some of the new powers given to him under the new administrative system. For example, he has not fully utilised his right to propose topics for debate at cabinet meetings, preferring to exercise his powers of instruction to other cabinet ministers at unofficial conferences held outside cabinet meetings.<sup>109</sup> Despite the fact that Koizumi is entitled to five cabinet-appointed assistants (*sôridaijin hosakan*), he has only one, whilst the others are fulfilling their duties as advisers to the Cabinet Secretariat and the Cabinet Office.<sup>110</sup>

In addition, Koizumi has only one private secretary for policy (*seimu hishokan*) who is from the Koizumi camp, whilst the remaining four work in financial affairs (*zaimu*), foreign affairs (*gaimu*), police (*keisatsu*) and economy and industry (*keisan*), and represent their former ministries.<sup>111</sup> In fact, this structure is no different from Koizumi's predecessors. The well-established tradition in which executive support positions were virtually 'owned' by particular ministries (in order to maintain balance amongst the bureaucratic interests closest to the prime minister) has not changed. Not surprisingly, these aides are generally considered 'spies' for their former ministries. They report back to their ministries on discussions involving the prime minister, which can elicit ministry lectures to the prime minister about what is and what is not possible.<sup>112</sup> This is particularly the case with respect to Koizumi's aide from the MOF, Tango Yasurake. Ex-MOF officials also act as secretaries for Takenaka and Chief Cabinet Secretary Fukuda. As Okamoto puts it, the 'commander-in-chief' of all these secretaries 'is undoubtedly Finance Vice Minister Toshiro Muto, the ministry's top bureaucrat'.<sup>113</sup> One METI official commented that 'Muto is the prime minister and Koizumi is merely public relations'.<sup>114</sup>

Moreover, the three assistant deputy chief cabinet secretaries in the Kantei are all from bureaucratic backgrounds. One, Takeshima Kazuhiko, who until recently was closest to Koizumi, was a former MOF mainstream official in the Budget Bureau. He has exercised indirect influence over CEFP proceedings by coordinating ministry proposals to the council. The Chairman of the DPJ's Diet Policy Committee, Kumagai Hiroshi, accused Koizumi of becoming 'a pet of the Finance Ministry' on learning of Koizumi's appointment of Takeshima to head the Fair Trade Commission in June 2002. Kumagai commented that

'[a]warding a former MOF official with the post of FTC chairman, who is in a position of handling the Anti-Monopoly Law—equivalent to an economic constitution—has revealed the true colors of the Koizumi administration which is aiming at government of bureaucrats, by bureaucrats'.<sup>115</sup> He went on to rebuke the MOF for expanding its power and influence.<sup>116</sup> Significantly, Takeshima's successor is also a former official from the MOF's Budget Bureau.<sup>117</sup>

In Eda's opinion, the influence of the MOF bureaucracy is too strong in the administrative support structures to the executive, leading him to conclude that 'the Prime Minister's Office is virtually a colony of the Finance Ministry'.<sup>118</sup> As Eda sees it, Koizumi is not interested in surrounding himself with aides whom he can trust, the end result being that he is pushed around by the MOF, which explains why almost all of Koizumi's successes have been along the lines of MOF policy.<sup>119</sup> He concludes that Koizumi's big weak point is the insufficient number of non-bureaucratic appointees as advisers, such as persons from industry, scholars, think tank researchers and other 'private' individuals.<sup>120</sup> Japanese journalists charge that even though Koizumi has a clear posture of confronting the bureaucracy with his commitment to political leadership (*siji shudō*), in fact he sticks pretty closely to bureaucrats (*kanryō bettari*).<sup>121</sup> Even in his answers to questions in the Diet about issues such as the state of the economy and finance, he just reads the text of answers written by officials in the MOF and the Cabinet Office.<sup>122</sup> Most of the people he meets and consults with are officials, including the head of the MOF's Budget Bureau and policy counsellors in the Cabinet Office also from the MOF who operate behind the scenes.<sup>123</sup> In fact, both the MOF and METI exert influence through the Cabinet Office and the Cabinet Secretariat because officials from these ministries hold posts in the administrative organisations of these bodies. Tanaka Shūsei, a private Koizumi adviser and former LDP Director-General of the Economic Planning Agency 'believes the prime minister is doomed if he ends up simply a puppet for the bureaucrats...The prime minister needs to spend at least an hour a day, head to head with civilian advisers. He needs to receive fresh, hands-on economic reports and analyses from civilians, not versions concocted by bureaucrats'.<sup>124</sup>

Administrators in the Cabinet Secretariat and the Cabinet Office also provide backing for the CEEP. As Eda points out, the initial plan was for over half of the 150 administrative support staff of the CEEP to come from the private sector, but in the end only one in 10 were recruited from outside bureaucratic

ranks.<sup>125</sup> This key institutional weakness has prevented the CEFP from operating as a tool of reform.<sup>126</sup> In Takagi's view, the council has 'turned into a rubber stamp for policies drafted by the Finance and other ministries'.<sup>127</sup> In particular, the view that the council's decisionmaking process is controlled by MOF bureaucrats is widespread.

Symptomatic of bureaucratic infiltration of executive support structures is the composition of the secretariat of the newly established committee to oversee the privatisation of four road-related public corporations. Almost all are bureaucrats, with the largest number from the Ministry of Land, Infrastructure and Transport, seven from the Ministry of Public Management, Home Affairs, Posts and Telecommunications and two from the Ministry of Finance. A widely held view is that the appointment of such personnel 'would give the public corporation [Japan Highway Public Corporation] and the transport ministry undue influence over the privatization process'.<sup>128</sup> Ishihara himself has complained that 'privatisation of the Road Public Corporation cannot be implemented because he is surrounded by officials of the Ministry of Land, Infrastructure and Transport (Kokudo Kōtsūshō)'.<sup>129</sup>

Similarly, the new Cabinet Secretariat structural reform special zone promotion team, which is drafting the legislation to establish the zones, has around 10 preliminary staff members. They all work for related ministries, which presents an immediate conflict of interest because the zones inevitably curtail the interventionist powers of bureaucrats. This makes it highly unlikely that the team will 'pursue projects against strong opposition from their parent ministries'.<sup>130</sup>

## AN EMERGENT TRILATERAL SYSTEM

The policy stalemate consequent upon the continuing predominance of the traditional policymaking system alongside revamped structures of executive power risks becoming institutionalised in a quasi-trilateral policymaking structure. Policymaking for tax reform illustrates this development. Three councils are examining possible reforms to the taxation system and Koizumi chairs two of them. All three will have a role in drafting tax reform measures. One is the CEFP, which is an arm of the executive and part of the Cabinet Office. The second, which Koizumi also chairs and which like the CEFP is an advisory panel to the prime minister, is the government's Tax Commission

(Zeisei Chôsakai), which represents the MOF.<sup>131</sup> The third is the LDP's Tax System Investigation Committee (Zeisei Chôsakai) in the PARC.

The problem with achieving tax policy reform is that each of these groups has its own mission and seeks to further its own interests and objectives.<sup>132</sup> Naturally, the most radical proposals are emanating from the CEFP because of its overarching concern with reinvigorating businesses and the economy,<sup>133</sup> but the CEFP can only say what 'should' be done with respect to tax reform. For example, it unveiled its final plan on tax reform policy in early June 2002. In it was a raft of proposals for tax reform, but clearly these were only items for negotiation with the LDP and government tax panels, not the final word on tax policy. Even this was giving the CEFP too much power according to Shiokawa, who was quoted as saying: 'It's illogical that the Council on Economic and Fiscal Policy has been given extraordinary authority (in the taxation system reform). It's even tasked with setting the direction for reforming individual tax items'.<sup>134</sup> MOF interests emerge through the views of the government's Tax Commission.<sup>135</sup> Its top priority is securing tax revenue.<sup>136</sup> It has been criticised by the Japanese economic press for using tax reform 'to help stabilize Japan's finances by eliminating deductions and other measures'.<sup>137</sup>

The LDP's tax investigation committee, in contrast, seeks to protect and promote the interests of major groups of LDP supporters. It 'tries to curry favour with industries while holding fast to vested rights and voters'.<sup>138</sup> Furthermore, it has the strongest say and the last word in drafting tax reform measures<sup>139</sup> and is expected to begin full debate on proposed changes to the tax system. It is firmly in favour of tax cuts as a device for shoring up its popularity. One of the members of the panel was quoted as saying that 'I shall never let them have their own way with tax reform, as long as I'm alive'.<sup>140</sup> LDP 'tax panel members warned Takenaka...that the panel will not allow the council to spell out specific tax policy measures'.<sup>141</sup> Takenaka, who attended a meeting of the LDP's Tax System Investigation Committee in June 2002 prior to the finalisation of the tax system draft guidelines by the CEFP, was bombarded with calls 'not to bring up specific arguments', meaning 'do not propose specific items for reform' which the LDP either wanted to block or for which the LDP wanted to take the credit, depending on the nature of the proposal. At the same time, the MOF's Tax Bureau called on the Cabinet Office to delete all specifics from the basic guidelines.

The effect of cross-cutting pressures and objectives from the three different tax groupings is to block tax reform altogether. The political conflicts amongst the CEF, the government's Tax Commission and the LDP's tax panel have effectively stalled progress on this issue. The CEF wants to reduce corporate taxation as well as institute tax relief for specific policy areas, proposals that are supported by some LDP politicians. In contrast, the Tax Commission, reflecting the priorities of the MOF, emphasises measures designed to secure tax revenue. As a result, 'both sides have been at odds with each other, making deliberations on tax system reform chaotic'.<sup>142</sup>

Tax reform illustrates the nature of Japan's current policymaking process, which is in transition to a more executive-driven system, but still has a long way to go. The fact that the CEF has now been brought into a process that was exclusively dominated for years by the government's Tax Commission and the LDP's tax panel is symptomatic of this transition. However, while Koizumi presides over both the CEF and the government's Tax Commission, he has failed to demonstrate his leadership over the tax issue by imposing a unified view on the two committees. Still less is he able to exert leadership over his own party, which pursues its own independent interests through the LDP committee. The dual structure of party-bureaucracy policymaking continues to assert itself, although it is overlaid by a more powerful executive structure, which has not yet succeeded in imposing its policy will on the established centres of power. As a result, it 'is unclear which organization—the Cabinet, the government's Tax Commission or the LDP's panel—has the final say over tax reform'.<sup>143</sup> Moreover, because the executive is stronger and reformist, the party and the bureaucracy have found common cause on many issues and joined together to resist reform in order to protect their vested interests.

## POLITICAL STRUCTURAL REFORM

In order to strengthen executive power in Japan, policy decisionmaking has to centre on the executive. This means that the bureaucrats have to become tools of their ministers and party politicians have to become tools of the political executive (that is, the party president and prime minister as well as the cabinet). It also means that the lateral connections between politicians and bureaucrats which bypass the executive altogether need to be outlawed. Such a solution has been identified by several economic and political commentators in Japan.

What is needed now is to set new rules for the relations between politicians and bureaucrats. The rules should prohibit politicians from speaking directly with bureaucrats about policy issues. Politicians should be banned from negotiating with bureaucrats except through the three political posts at ministries: ministers, senior vice-ministers and parliamentary secretaries. It is also necessary to require bureaucrats to report all personal contacts with politicians...Bureaucrats, for their part, should avoid developing working relations with politicians...They must give up all efforts to implement policies with the help of special-interest politicians. The incestuous ties between politicians and bureaucrats have their roots in Japan's political tradition, which is blamed for many of the problems dogging the nation.<sup>144</sup>

In this regard, some of Koizumi's political reform proposals may potentially be more significant than any of his economic reform proposals. Koizumi certainly wants to change the policymaking process, not only by directly challenging it in the actual policymaking process but also by changing the rules of the game. He believes that the prime minister should be able to take the initiative and assert policy leadership. Otherwise, he will not be able to make changes from a wide perspective, in the sense of policy changes that cut across narrow sectoral interests, and which are currently blocked by policymaking structures entrenching those narrow interests.

First, Koizumi wants to allow the policymaking process to bypass the LDP by abolishing the veto point that the LDP represents for initiatives coming from the executive. In short, he is aiming to refashion executive power along standard Westminster lines. In November 2001, he instructed the LDP's National Vision Project Headquarters (Kokka Senryaku Honbu)<sup>145</sup> to consider ways in which the existing decisionmaking process could be reformed to grant the cabinet sole authority in laying down government policy, a move that would remove the ruling party from the process and significantly alter the balance of power between the executive and the party. The headquarters replied with a recommendation that the practice of allowing the ruling parties to review government-sponsored bills prior to their submission to the Diet should be scrapped. This would emasculate the powers of the LDP's PARC and enhance the powers of both the Diet and the executive. Koizumi has also shown the way himself by circumventing the LDP's prior approval requirement for some of the bills presented to the Diet by his administration. In this respect he has already begun the process of political reform.

Second, Koizumi wants to outlaw collusion between influential LDP members with vested interests in particular industrial sectors and ministry

officials with jurisdiction over those industries. In late February 2002 he suggested that any opinions conveyed by Diet members to officials should be subject to information disclosure requirements.<sup>146</sup> His objective was to unravel some of the connective tissue between the bureaucracy and the LDP, where direct, horizontal connections facilitate influence peddling by individual Diet members acting on behalf of constituents' interests. In addition, he proposed independently a review of the relationship between legislators and bureaucrats. To complement such moves, he suggested the introduction of limits on the amount of political donations that construction companies that bid for public works could make and also new legislation designed to raise political ethics by stamping out bribery and collusion.

Reform of relations between politicians and bureaucrats is strongly supported by younger members of the LDP, who are in the forefront of the political reform movement within the party. They have presented their own plan to prohibit in principle contact between Diet members and bureaucrats. Even though the plan was withdrawn because of strong opposition within the party, one of its drafters, Kondô Takeshi, proclaimed its significance, saying that

it is obvious that the LDP will oppose Koizumi because their way of doing things has been so successful over a long period. But if you think about last year's LDP, not even discussion about these matters was allowed. Because of Koizumi, we were able to discuss this kind of issue. This represents one of Koizumi's successes.<sup>147</sup>

To put Koizumi's political reform proposals into effect, the LDP's National Vision Project Headquarters was asked to come up with ways to rework the relationship amongst the Cabinet, politicians and bureaucrats.<sup>148</sup> The committee's draft report presented to Koizumi in March 2002

outlined three main principles for the creation of a new policy decisionmaking system: leadership by the cabinet, centring around the prime minister; elimination of the influence of bureaucrats in the process; and putting an end to party lobbies' ability to influence policy... The proposal calls for the elimination of the current practice of obtaining ruling party approval of bills before the cabinet submits them to the Diet. Parties would still have some input into cabinet decisions in the form of policy coordination state ministers. The new posts would be occupied concurrently by the chairmen of the policy affairs research councils of the ruling coalition. Committee chairmen in those policy affairs research councils would concurrently sit as either senior vice-ministers or parliamentary secretaries.<sup>149</sup>

This would be a roundabout way of bringing the *zoku* into the cabinet and making their input into policymaking more transparent. To reduce the influence

of party lobbies over the amendment of bills, however, that process would be left to Diet deliberations.

The National Vision Project Headquarters also proposed that

politicians would also be limited in their contacts with lower-ranking bureaucrats. In principle, politicians would only be able to meet with political appointees, such as ministers, senior vice-ministers and parliamentary secretaries. Otherwise, contact between politicians and officials would be prohibited. Bureaucrats would have to report contacts with politicians to their respective political masters, and file written reports if they initiated contact with politicians.<sup>150</sup>

Another recommendation in the report was 'the elimination of the meeting of administrative vice-ministers the day before cabinet meetings, where bureaucrats have a large say in what bills are taken up by the Cabinet. Policy differences among ministries would instead be hammered out at cabinet meetings'.<sup>151</sup> Such a move would facilitate discussion in cabinet amongst ministers.<sup>152</sup> To drive this home, in February 2002, Koizumi attended and gave instructions to the administrative vice-ministers' meeting

to bear in mind their positions as the persons charged with the highest responsibility for their respective bureaucracies as they carefully judge whether or not requests they receive from members of both the ruling and opposition parties are appropriate from the perspective of their bureaucracies.<sup>153</sup>

The report from the National Vision Project Headquarters also recommended a number of measures to improve policymaking functions within the cabinet, including the establishment of a national strategy council consisting of specialists from various fields, an increase in the number of political appointees selected for the ministries and the Cabinet Office, the appointment of policy assistants and the strengthening of the Cabinet Office's intelligence-gathering function.

In May 2002, the final National Vision Project Headquarters report on 'Rules on Contact between Diet Members and Bureaucrats' proposed that officials report to their ministers when politicians pressure them to take measures inconsistent with government policy and for ministers to deal with it appropriately. The rules also required that ministers must make an exact note when bureaucrats contact them and request a verification from the Diet member if necessary.<sup>154</sup> The prohibition in principle on contact between ministry officials and Diet members was dropped, but the report did require that 'when bureaucrats need to come into contact to [sic] lawmakers, "the bureaucrats be mandated to take action under the direction of their respective ministers and

make a report to the ministers".<sup>155</sup> The new rules also stipulated that the information that was given to an administrative vice-minister had to be reported without fail to the cabinet and to deputy ministers in order to prevent bureaucrats from supplying information that advantaged bureaucrats' vested rights or which might cause a mistake in an important policy decision through the concealment of bad or inaccurate information.<sup>156</sup>

The basic policy put together by the ruling coalition in June 2002 watered down the report from the National Vision Project Headquarters. It only required

...that bureaucrats be acting on the authority of their respective ministers when meeting with Diet members. The bureaucrats will not even have to report such encounters to their ministers, as originally proposed. Another provision would require bureaucrats to report to their respective ministers if a Diet member makes a request of them that differs markedly from the government's policy [it will be mandatory for officials to report to their ministers about any 'unreasonable' pressure from Diet members]. The turnabout follows strong protests from LDP Diet members... 'Diet members are free to talk with the Cabinet Office and the various ministries whenever they want,' said Mikio Aoki.<sup>157</sup>

The final July ruling party draft presented to Koizumi also differs from the recommendations of the headquarters. It proposes that

1) When bureaucrats are faced with a politician's suggestion they find difficult to accept, they should report it to Cabinet ministers and their deputies, and Cabinet ministers should be responsible for dealing with it; 2) When bureaucrats seek prior advice and consent from politicians in the course of making decisions, they should follow the orders of Cabinet ministers and their deputies; and 3) When bureaucrats keep notes on contacts with politicians, they should have the politicians confirm the notes. ...One problem with the draft... is the suggestion that bureaucrats need politicians to confirm what was said in memorandums of conversations. Politicians could try to disguise what was said to avoid embarrassment later on. The principal problem with the draft is that it muddies the relationship between politicians and bureaucrats and between the Cabinet and ruling political parties. As it is, it will not lead to genuine reform in politics.<sup>158</sup>

Moreover, considering that any new rules will have no penalties for violation, they can do no more than raise awareness amongst bureaucratic and Diet members about the dangers of so-called 'influence-peddling'. Nonetheless, the National Vision Project Headquarters continues with its 'discussions on ending the Diet's reliance on bureaucrats in the drafting of legislation. It also wants to find ways to stop ruling parties from intervening in the compilation of bills before they are submitted to the Diet'.<sup>159</sup> In July 2002, it came up with a draft recommendation to abolish the LDP's prior screening system,

only to drop it in the face of strong opposition from the LDP. Other proposals being mooted are eliminating the practice of binding members to abide by party decisions (thus getting around the prior screening process and reducing *zoku* control over policy), abolishing the Executive Council's practice of requiring a unanimous vote on policy issues (in order to prevent certain Diet politicians from exercising strong influence on specific policy issues), allowing the same person to serve as divisional chairman and deputy minister (thus unifying the policymaking systems of the cabinet and the LDP), creating ministerial assistant posts, as well as introducing a political appointee system under which ministers would be able to appoint the heads of bureaus and other senior posts in the ministries.<sup>160</sup> Koizumi has also set up an 'LDP Council on Future Options for Relations between Politics and Bureaucrats'.

These moves suggest that the old rules of the game, in which the LDP, as a discrete set of interests, is able to insert itself so effectively into government policymaking processes, and individual LDP Diet members are able to extract direct favours from the bureaucracy in pursuit of their own independent interests, may be discarded at some time in the future. It is not yet clear, however, to what extent the new rules will buttress cabinet ministers' authority and responsibility, reduce policy 'intervention' by the party and 'interference' by individual LDP politicians and produce a more transparent policymaking system. The reform process is still largely at the discussion stage and even if the new rules are implemented and strictly applied they could take years to alter bad old habits. They may also drive politician-bureaucrat collusion underground.

## NOTES

- <sup>1</sup> Personal communication, Professor Ellis Krauss, University of California, San Diego. See also Ellis Krauss and Robert Pekkanen, "The '94 System"? Theory and Practice', p. 2, where the authors refer to a 'stalemate between a strengthened Prime Minister and the *zoku giin*'.
- <sup>2</sup> This is the term used by former Administrative Vice-Minister of the Ministry of Finance, Sakakibara Eisuke.
- <sup>3</sup> Recent analysis of prime ministerial power argues that Japanese prime ministers are getting stronger for a number of reasons, such as a more important role via the media and the increasing role of media in the creation of prime ministerial image. See Ellis Krauss and Benjamin Nyblade, *The Changing Role of Japan's Prime Minister*, unpublished manuscript, p. 18.

- <sup>4</sup> Tsujinaka shows increasing policymaking activity of the prime minister from the time of Prime Minister Fukuda (1976–78) onwards, well before the administrative reforms of 2001. See Tsujinaka Yutaka, 'Hikaku "Naikaku" Shōron' ['A Comparative Analysis of the "Cabinet"'], *Gyōsei Kanri Kenkyū*, No. 35, September 1986, pp. 52–5.
- <sup>5</sup> Kabashima Ikuo and Imai Ryōsuke, 'Evaluation of Party Leaders and Voting Behaviour—An Analysis of the 2000 General Election', *Social Science Japan*, Vol. 5, 2002, pp. 85–96.
- <sup>6</sup> 'Koizumi Shushō', p.127.
- <sup>7</sup> Tanaka Kazuaki and Okada Akira, *Chūō Shōchō Kaikaku* [*Reform of the Central Ministries and Agencies*], Tokyo, Nihon Hyōronsha, 2000, p. 73.
- <sup>8</sup> Kawakita and Onoue, *Naikakufu*, p. 100.
- <sup>9</sup> *Central Government Reform of Japan*, January 2001, pp. 3–4. The Central Ministries and Agencies Reform Basic Law defines these important policies to cover basic external and security policy, basic administration and fiscal policy management, management of the general economy and basic policy for budget compilation, basic policies for the organisation and personnel of administrative organs, and important matters of state policy comprising individual policy subjects. Kawakita and Onoue, *Naikakufu*, p. 101.
- <sup>10</sup> *Central Government Reform of Japan*, January 2001, p. 2.
- <sup>11</sup> Ibid., p. 4. The Cabinet Secretariat's functions prior to the administrative reforms were formally described as arranging the cabinet agenda, conducting the coordination necessary for maintaining integration of policies, and collecting information and research. <[http://www.kantei.go.jp/foreign/constitution\\_and\\_government\\_of\\_japan/national\\_admin\\_e.html](http://www.kantei.go.jp/foreign/constitution_and_government_of_japan/national_admin_e.html)>.
- <sup>12</sup> The terms 'planning and drafting' are standard terminology in the organisational ordinances of the mainstream ministries which describes the duties and responsibilities of their bureaus and divisions. The Cabinet Secretariat has, therefore, been put on an equal footing to the ministries in terms of its role in developing and formulating policy and not simply coordinating policies planned and drafted in the ministries.
- <sup>13</sup> Kawakita and Onoue, *Naikakufu*, p. 105.
- <sup>14</sup> *Central Government Reform of Japan*, January 2001, p. 6.
- <sup>15</sup> But see also the comments below about the secretariat to the committee appointed to oversee the privatisation of the four road-related corporations.
- <sup>16</sup> Eda, 'Koizumi Shushō', p.128.
- <sup>17</sup> *Central Government Reform of Japan*, January 2001, p. 6.
- <sup>18</sup> The Cabinet Office was created from the former Prime Minister's Office (Sōrifu), Economic Planning Agency (Keizai Kikakuchō), Okinawa Development Agency (Okinawa Kaihatsuchō) and Financial Reconstruction Commission (Kinyū Saisei Iinkai). So-called 'extra-ministerial'

bureaus (*gaikyoku*) of the Cabinet Office are the National Public Safety Commission (Kokka Kōan linkai), the Financial Services Agency, the Defence Agency (Bōeichō) and the Imperial Household Agency (Kunaichō).

<sup>19</sup> Kawakita and Onoue, *Naikakufu*, p. 61.

<sup>20</sup> *Central Government Reform of Japan*, January 2001, p. 7.

<sup>21</sup> Cabinet Office, Government of Japan, 'Overview of the Cabinet Office', <[http://www.cao.go.jp/about\\_cao/frame1.html](http://www.cao.go.jp/about_cao/frame1.html)>.

<sup>22</sup> Ibid.

<sup>23</sup> *Naikakufu*, p. 207.

<sup>24</sup> Ibid. As they explain, it has a 'special position' which is outside the framework of the State Administration Law and which represents one step 'status elevation' over the other ministries. (p. 59)

<sup>25</sup> *Central Government Reform of Japan*, January 2001, p. 7.

<sup>26</sup> *Asahi Shinbun*, 31 May 2002.

<sup>27</sup> 'Overview of the Cabinet Office', <[http://www.cao.go.jp/about\\_cao/page1.html](http://www.cao.go.jp/about_cao/page1.html)>.

<sup>28</sup> *Nikkei Weekly*, 16 July 2001.

<sup>29</sup> Kawakita and Onoue, *Naikakufu*, p. 26.

<sup>30</sup> These are the islands lying off the North and Northeastern coast of Hokkaido (Kunashiri, Etorofu, Shikotan and the Habomais) presently under Russian sovereignty.

<sup>31</sup> 'Overview of the Cabinet Office', <[http://www.cao.go.jp/about\\_cao/page1.html](http://www.cao.go.jp/about_cao/page1.html)>.

<sup>32</sup> *Central Government Reform of Japan*, January 2001, p. 8.

<sup>33</sup> Ibid., pp. 8–9.

<sup>34</sup> Takenaka, quoted in *Nihon Keizai Shinbun*, 22 June 2002.

<sup>35</sup> Kawakita and Onoue, *Naikakufu*, p. 77.

<sup>36</sup> Kawakita and Onoue acknowledge, however, that there are many grey areas in the scope of its powers in this regard. *Naikakufu*, p. 77.

<sup>37</sup> Krauss and Nyblade, *The Changing Role of Japan's Prime Minister*, p. 18. As they point out: 'In the past, the Prime Minister's Office would often informally request information from other ministries, but without legal authorization'. (p. 41)

<sup>38</sup> This is a direct quote from Eda Kenji's website at <<http://www.eda-k.net/chokugen/index18.html>>.

<sup>39</sup> 'Overview of the Cabinet Office', <[http://www.cao.go.jp/about\\_cao/page1.html](http://www.cao.go.jp/about_cao/page1.html)>.

<sup>40</sup> Kawakita and Onoue, *Naikakufu*, p. 38.

<sup>41</sup> Kawakita and Onoue argue that the CFP was established to 'realise political leadership' (*seiji shudō*). *Naikakufu*, p. 19. They also report that bureaucratic reorganisation was undertaken in order to shift leadership from Kasumigaseki (the bureaucracy) to Nagatacho (the politicians).

(p. 80) They, like many Japanese and other commentators, confuse political leadership with leadership by the executive. They are not quite the same thing. The CEFP has a crucial role to play in supporting the demonstration of prime ministerial (that is, executive) leadership.

<sup>42</sup> *Nihon Keizai Shinbun*, 14 June 2002.

<sup>43</sup> 'Japan Takes on Challenges', p. 3.

<sup>44</sup> *Ibid.*, p. 3.

<sup>45</sup> Kawakita and Onoue, *Naikakufu*, p. 30.

<sup>46</sup> asahi.com, <<http://www.asahi.com/english/politics/K2001071200817.html>>.

<sup>47</sup> *Asahi Shinbun*, 31 May 2002.

<sup>48</sup> *Daily Yomiuri On-Line*, <<http://www.yomiuri.co.jp/newse/20020106wo02.htm>>.

<sup>49</sup> For details see *Yomiuri Shinbun*, 7 June 2002.

<sup>50</sup> *Ibid.* See also below.

<sup>51</sup> *Nikkei Weekly*, 22 July 2002.

<sup>52</sup> *Nikkei Weekly*, 26 February 2002.

<sup>53</sup> This is also translated as senior vice-minister. The legally stipulated tasks of deputy ministers are to take charge of policy and planning on the order of the minister. Kawakita and Onoue, *Naikakufu*, p. 81.

<sup>54</sup> The legally stipulated tasks of parliamentary secretaries are to assist the minister, to participate in planning of specific policies and to manage affairs of state, but not to enter the line of policy decisionmaking. Kawakita and Onoue, *Naikakufu*, p. 81.

<sup>55</sup> George Mulgan, 'Japan Inc.' in *the Agricultural Sector*, pp. 68–71.

<sup>56</sup> Personal interview with MAFF official, April 2002.

<sup>57</sup> Kawakita and Onoue, *Naikakufu*, p. 81.

<sup>58</sup> Personal interview with MAFF official, April 2002.

<sup>59</sup> 'Sore de mo Kaikaku wa Kasoku Suru', p. 98.

<sup>60</sup> Quoted in Tawara et al., 'Koizumi ga Taoreru mae ni', p. 121.

<sup>61</sup> *Financial Times*, <<http://news.ft.com/ft/gx.cgi/frc?pagename=View&c=Article&cid=FT3X4APKMLC&live=true>>.

<sup>62</sup> *Daily Yomiuri On-Line*, <<http://www.yomiuri.co.jp/newse/20020510 wo05.htm>>.

<sup>63</sup> 'The Koizumi Administration', p. 302.

<sup>64</sup> However, according to Krauss and Pekkanen, who quote an unnamed Diet source, factional nominations determined Koizumi's choice of deputy ministers and parliamentary secretaries, as well as the leadership of PARC committees. "'The 94 System'", p. 15.

<sup>65</sup> Kawakita and Onoue, *Naikakufu*, p. 87.

<sup>66</sup> *Ibid.*, pp. 19, 89.

<sup>67</sup> asahi.com, <<http://www.asahi.com/english/politics/K2001071200817.html>>.

- <sup>68</sup> *Nikkei Weekly*, 4 December 2000.
- <sup>69</sup> Kawai Noboru, economic strategist at Morgan Stanley Dean Witter in Tokyo, quoted in *Far Eastern Economic Review*, 9 August 2001.
- <sup>70</sup> asahi.com, <<http://www.asahi.com/english/politics/K2001071200817.html>>.
- <sup>71</sup> Kawakita and Onoue, *Naikakufu*, p. 91.
- <sup>72</sup> *Asahi Shinbun*, 11 November 2001.
- <sup>73</sup> *Daily Yomiuri On-Line*, <<http://www.yomiuri.co.jp/newse/20020106wo02.htm>>.
- <sup>74</sup> *Daily Yomiuri On-Line*, <<http://www.yomiuri.co.jp/newse/20020615wo11.htm>>.
- <sup>75</sup> Ibid.
- <sup>76</sup> These are comments by Miyawaki Atsushi, Professor of Law at Hokkaido University, quoted in *Nikkei Weekly*, 4 December 2000.
- <sup>77</sup> 'Koizumi Shushō', p. 127.
- <sup>78</sup> 'The Economic and Fiscal Policy of the Koizumi Administration', p. 2.
- <sup>79</sup> *Asahi Shinbun*, 11 November 2001.
- <sup>80</sup> Personal interview, April 2002. The 2002 Ministry of Agriculture, Forestry and Fisheries budget, for example, sustained an overall decrease of 6.2 per cent, with a major factor being the 10.7 per cent cut in public works expenditures in line with the universal directive, offset by an increase of 4.1 per cent in non-public works expenditures.
- <sup>81</sup> *Nikkei Weekly*, 3 September 2001.
- <sup>82</sup> *The Japan Times*, 24 January 2002.
- <sup>83</sup> Eda, 'Koizumi Shushō', p. 127.
- <sup>84</sup> Ibid., p. 127.
- <sup>85</sup> Eda, 'Koizumi Shushō', p. 127. He adds that road construction stimulates only the concrete and asphalt economy, whereas building schools, for example, stimulates the furniture electronic appliance, curtain, computer and other industries. Therefore, even reducing road-making to 50 per cent and expanding school and hospital building to 50 per cent would have the effect of stimulating a variety of industries. (p. 127)
- <sup>86</sup> Professor Shimada Haruo from the Faculty of Economics, Keio University, quoted in Okamoto, "Sutemi", p. 10.
- <sup>87</sup> This heading covers areas like life sciences, information technology and nanotechnology.
- <sup>88</sup> 'Basic Policies for Economic and Fiscal Policy Management and Structural Reform 2002 (Summary)', <[http://www.kantei.go.jp/foreign/policy/2002/0621kouzoukaikaku\\_e.html](http://www.kantei.go.jp/foreign/policy/2002/0621kouzoukaikaku_e.html)>.
- <sup>89</sup> Personal communication, Professor Ellis Krauss, July 2002.
- <sup>90</sup> *Nikkei Weekly*, 8 July 2002.
- <sup>91</sup> Quoted in *Daily Yomiuri On-Line*, <<http://www.yomiuri.co.jp/newse/20020106wo02.htm>>.
- <sup>92</sup> Quoted in Tawara et al., 'Koizumi ga Taoreru mae ni', p. 119.

<sup>93</sup> Kawakita and Onoue, *Naikakufu*, p. 92.

<sup>94</sup> *Nikkei Weekly*, 8 July 2002.

<sup>95</sup> *Nikkei Weekly*, 24 June 2002. See also below and Chapter 7 on 'Team Weaknesses, Tactical Flaws and Policy Defects'.

<sup>96</sup> *Nikkei Weekly*, 24 June 2002.

<sup>97</sup> 'The Political Conditions', p. 579.

<sup>98</sup> *Mainichi Shinbun*, 24 July 2002.

<sup>99</sup> Kan Naoto refers to the "tribe" Diet member-tribe bureaucrat complex (*zoku giin ya zoku kanryô no fukugôtai*) that obstructs reform'. 'Kono Kaikaku wa Watashi ga Taosu', pp. 335-6.

<sup>100</sup> *The Japan Times Online*, <<http://www.japantimes.co.jp/cgi-bin/geted.p15?eo20020520mh.htm>>.

<sup>101</sup> *Ibid.*

<sup>102</sup> Kobayashi, 'The Koizumi Administration', <[http://www.glocom.org/opinions/essays/200206\\_kobayashi\\_one\\_year/index.html](http://www.glocom.org/opinions/essays/200206_kobayashi_one_year/index.html)>.

<sup>103</sup> 'Koizumi Junichirô', p. 113.

<sup>104</sup> See also Chapter 5 on 'Party-Bureaucratic Government' and Chapter 7 on 'Team Weaknesses, Tactical Flaws and Policy Defects'.

<sup>105</sup> See the author's forthcoming article entitled 'Japan's Un-Westminister System' in *Government and Opposition*, Winter 2003.

<sup>106</sup> Kawakita and Onoue, *Naikakufu*, p. 104.

<sup>107</sup> A detailed analysis of the bureaucracy's role in pushing this interpretation can be found in Okada Akira, *Gendai Nihon Kanryôsei no Seiritsu* [*The Formation of Japan's Contemporary Bureaucracy System*] cited in Tanaka and Okada, *Chûô Shôchô Kaikaku*, p. 78.

<sup>108</sup> Kan, 'Kono Kaikaku wa Watashi ga Taosu', p. 340.

<sup>109</sup> *Daily Yomiuri On-Line*, <<http://www.yomiuri.co.jp/newse/20020106wo02.htm>>.

<sup>110</sup> *Ibid.*

<sup>111</sup> That is, to the MOF, the Foreign Ministry, the Policy Agency and METI respectively. These secretaries are so-called office secretaries (*jimu hishokan*).

<sup>112</sup> Okamoto, 'Mandarins: Who's the Boss?', *AERA*, <<http://www.asahi.com/english/feature/k2002071200261.html>>.

<sup>113</sup> *Ibid.*

<sup>114</sup> *Ibid.*

<sup>115</sup> *Sankei Shinbun*, 7 June 2002.

<sup>116</sup> *Ibid.*

<sup>117</sup> Okamoto, 'Mandarins: Who's the Boss?', *AERA*, <<http://www.asahi.com/english/feature/k2002071200261.html>>.

<sup>118</sup> Quoted in Okamoto, 'Mandarins'.

- <sup>119</sup> Eda's comments at the 'Benkyōkai' held in Tokyo in June 2002, as reported to the author by Llewelyn Hughes. Morita Minoru has made a similar observation: 'although Koizumi has stressed that the Cabinet should take a lead in policymaking, the reality is that Finance Ministry bureaucrats seeking belt tightening hold him in their grip'. Quoted in *The Japan Times*, 16 August 2002.
- <sup>120</sup> Eda, "Koizumi Shushō", p. 128.
- <sup>121</sup> Editorial Department, "Koizumi wa 41 ten", p. 96.
- <sup>122</sup> Ibid., p. 97.
- <sup>123</sup> Ibid., pp. 96–7.
- <sup>124</sup> Quoted in Okamoto, 'Mandarins: Who's the Boss?', *AERA*, <<http://www.asahi.com/english/feature/k2002071200261.html>>.
- <sup>125</sup> Eda Kenji, Luncheon speech, Tokyo, 11 June 2002. Observations kindly provided to the author by Llewelyn Hughes. See also Eda's website at <<http://www.eda-k.net/chokugen/index18.html>>.
- <sup>126</sup> Ibid.
- <sup>127</sup> Professor of Economics at Meiji University, Takagi Masaru, quoted in *The Japan Times*, 27 July 2002.
- <sup>128</sup> asahi.com, <<http://www.asahi.com/english/national/K2002061800343.html>>.
- <sup>129</sup> Tawara et al., 'Koizumi ga Taoreru mae ni', p. 121.
- <sup>130</sup> Editorial, asahi.com, <<http://www.asahi.com/english/op-ed/K2002072500264.html>>.
- <sup>131</sup> This commission is established under a Cabinet Office ordinance with its office located in the Tax Bureau of the MOF. It is charged with investigating and deliberating on basic matters of the tax system. Kawakita and Onoue, *Naikakufu*, p. 197.
- <sup>132</sup> *Nikkei Weekly*, 1 April 2002.
- <sup>133</sup> *Daily Yomiuri On-Line*, <<http://www.yomiuri.co.jp/newse/20020405wo13.htm>>.
- <sup>134</sup> *Daily Yomiuri On-Line*, <<http://www.yomiuri.co.jp/newse/20020425wo01.htm>>.
- <sup>135</sup> In fact the MOF encompasses both the Tax Bureau and the Budget Bureau. As Shibata Yasuhiko puts it, 'bureaucrats of the...Tax Bureau...manipulate the government's Tax Commission from behind the scenes and pressed ahead with the postwar socialist tax system. The Tax Bureau bureaucrats were joined in their task by officials from the ministry's budget Bureau, whose concern is purely fiscal. Tax Bureau officials embarked on a mission to "save the weak" and imposed so-called equal taxation throughout the country'. *Daily Yomiuri On-Line*, <<http://www.yomiuri.co.jp/newse/20020405wo13.htm>>.
- <sup>136</sup> *Nikkei Weekly*, 1 April 2002.
- <sup>137</sup> *Nikkei Weekly*, 24 June 2002.
- <sup>138</sup> *Daily Yomiuri On-Line*, <<http://www.yomiuri.co.jp/newse/20020405wo13.htm>>. As Shibata comments, '[t]he next problem camp is the LDP's Commission on the Tax System. Run by elderly zokugūin...who work for special interests or industries, the commission adjusts the tax

system to suit the interest of individual industries. It also endorses bureaucrats' socialist taxation to increase their supporters by pretending they are friends of the weak. In fact, they are indifferent to taxation reform for the sake of the future of the nation'. *Daily Yomiuri On-Line*, <<http://www.yomiuri.co.jp/newse/20020405wo13.htm>>.

<sup>139</sup> *Nikkei Weekly*, 1 April 2002.

<sup>140</sup> *The Japan Times*, 16 April 2002.

<sup>141</sup> *Nikkei Weekly*, 10 June 2002.

<sup>142</sup> *Daily Yomiuri On-Line*, <<http://www.yomiuri.co.jp/newse/20020425wo01.htm>>.

<sup>143</sup> Nakatani Iwao, President of Tama University and Director of Research at the UFJ Institute, quoted in *The Japan Times*, 16 April 2002.

<sup>144</sup> *Nikkei Weekly*, 25 February 2002. See also the comments by Eda Kenji.

<sup>145</sup> This body, like a number of other LDP policy headquarters, is under the direct supervision of the president (that is, Koizumi).

<sup>146</sup> *Yomiuri Shinbun*, 24 February 2002.

<sup>147</sup> Quoted in Okamoto, "Sutemi", p. 10.

<sup>148</sup> This was in response to a series of scandals involving Suzuki Muneo, criticised for interfering in government aid projects in the northern territories off the northeast coast of Hokkaido, which are currently under Russian sovereignty.

<sup>149</sup> *Asahi Shinbun*, 14 March 2002.

<sup>150</sup> Ibid. This particular proposal met with a barrage of opposition from LDP members, with one politician claiming: 'In the case that everything is entrusted to government agencies, they tend to act arbitrarily without consultation'. *Asahi Shinbun*, 6 June 2002.

<sup>151</sup> *Asahi Shinbun*, 14 March 2002.

<sup>152</sup> Quoted in Tawara et al., 'Koizumi ga Taoreru mae ni', p. 119.

<sup>153</sup> Prime Minister of Japan and his Cabinet, 'Prime Minister Gives Instructions to the Administrative Vice-Minister Level Meeting', <[http://www.kantei.go.jp/foreign/koizumiphoto/2002/02/04jikan\\_e.html](http://www.kantei.go.jp/foreign/koizumiphoto/2002/02/04jikan_e.html)>.

<sup>154</sup> *Sankei Shinbun*, <<http://www.sankei.co.jp/news/020521/0521sei161.htm>>.

<sup>155</sup> *Asahi Shinbun*, 6 June 2002.

<sup>156</sup> *Sankei Shinbun*, <<http://www.sankei.co.jp/news/020521/0521sei161.htm>>.

<sup>157</sup> *asahi.com*, <<http://www.asahi.com/english/politics/K2002060600539.html>>. Aoki is head of the LDP Upper House caucus. See Chapter 7 on 'Team Weaknesses, Tactical Flaws and Policy Defects'.

<sup>158</sup> Editorial, *asahi.com*, <<http://www.asahi.com/english/op-ed/K2002070900264.html>>.

<sup>159</sup> *asahi.com*, <<http://www.asahi.com/english/politics/K2002060600539.html>>.

<sup>160</sup> *Nihon Keizai Shinbun*, 30 July 2002.