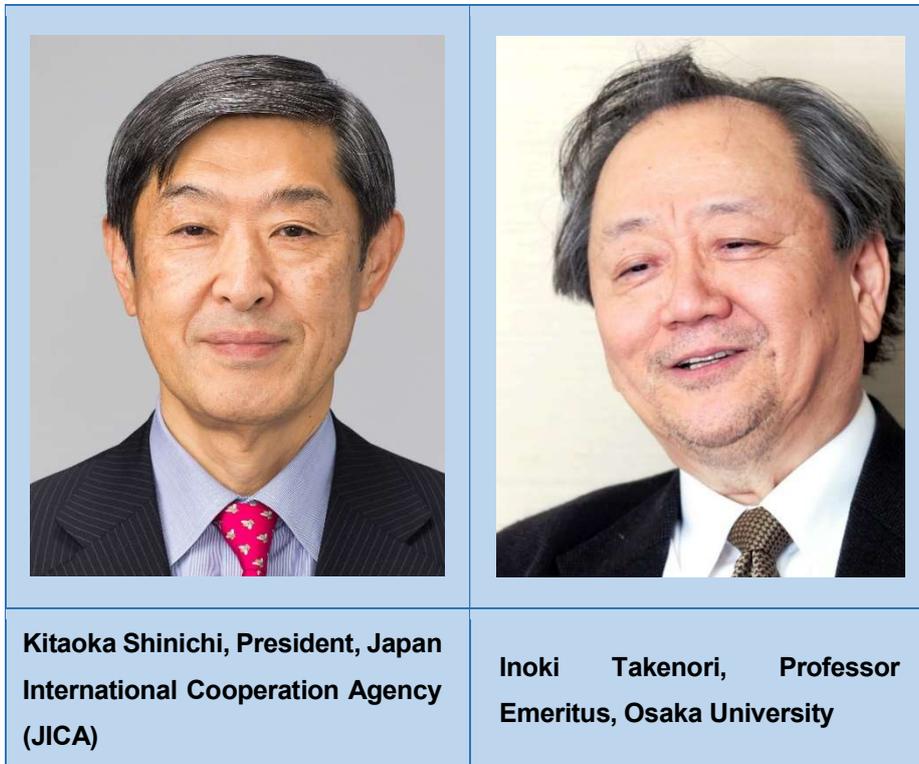




## Thirty years of clambering up and slipping back down— A comprehensive look back at the Heisei period



**Kitaoka Shinichi**, President, Japan International Cooperation Agency (JICA) vs **Inoki Takenori**, Professor Emeritus, Osaka University

### What kind of period was Heisei (1989–2019)?

**Kitaoka Shinichi:** My image of the Heisei period is of a crab at the bottom of a washbowl trying to climb up but then slipping and falling right back down. Heisei began with the bubble bursting in 1991 (Heisei 3) and Japan tried to respond to it in various ways. Although there was political reform and administrative reform, the Asian currency crisis came in '97, before these trials showed any effect, and it looked like it was all over for Japan. But in 2001, Koizumi Junichiro appeared as Prime Minister, promised to “destroy the Liberal Democratic Party (LDP),” and became hugely popular. Yet the LDP wasn’t particularly destroyed, and it’s hard to say that anything has moved forward. Then in 2008 there was the global financial crisis, and in 2011 the Great East Japan Earthquake and Fukushima Daiichi nuclear disaster happened. Japan tried hard but slipped back – over and over.

**Inoki Takenori:** You could probably also describe it as a time of repeated unification and separation. The EU was born in 1993, then in 2016 the UK decided to leave; which is one example of a global trend. And in its own way, Japan has also probably been doing the same thing. Politically, we have had two changes of regime where the LDP went into opposition: the 1993 Hosokawa administration and the 2009 Democratic Party of Japan (DJP) administration. Economically, we hit rock bottom three times with the bursting of the bubble, the Asian currency crisis and the global financial crisis. Now we are wondering what the two-party system was all about, and the DJP administration's attempt to shift power "from the civil service to the government" only weakened the civil service, so was some way off being a success. In the end, they only exposed the limits of what they could do, so it was probably just a traumatic experience instead.

**Kitaoka:** The most critical thing during these thirty years is Japan's gradual loss of its standing.

**Inoki:** That's true in all different ways, isn't it?

**Kitaoka:** We have relatively affluent and comfortable lives, but our national debt has piled up to 230% of GDP. This is a dangerous situation, and in addition, it should be noted that the government hardly has any accessible funds for policies. Once it has paid back debt, paid costs related to social welfare, and transferred tax revenues allocated to local governments, and paid for defense, there is nothing else it can do.

**Inoki:** Even though we need to invest in education in order to nurture the next generation of human resources, funds for universities are cut each year. The government talks about regional revitalization, but the regional national universities have been hit extremely hard.

**Kitaoka:** We really ought to allocate substantial funds to innovation and other areas, but we are not. We can already picture what the results of that will be, and the kind of damage it will inflict on Japan's science and technology.

Strangely, there are several areas where we know what will happen, yet are unable to do anything about it. The low birthrate is the same. It was predicted decades beforehand, but nothing was done about it. We have not been moving forward with regard to accepting foreigners, and little progress has been seen in agricultural reform. We are behind other Asian countries in our use of IT. We are behind Africa on E-payment systems. We tinker with the details without instituting real reform. I feel like Japan has moved from the first to the second rank of nations in the international community.

**1989**

**Inoki:** Personally, I feel a little resistance to looking back and treating this like a discrete period simply due to a new era name. I believe that having the emperor system was lucky for Japan in the sense that it gave some dignity to democracy. But imperial periods are not a convenient way to divide up time and look back at the past or anticipate the future. Even in other countries, various Muslim states use the Islamic calendar, but who except Japan and Taiwan has to keep recalculating the year into the Western calendar? Having said that, the first year of Heisei (1989) really was a year to mark a new period.

**Kitaoka:** For Germany, I think that the epoch-making year was the next year, 1990, when the country reunified.

Even so, the current Emperor and Empress have done far more than we could have imagined when they took up their thrones. In 1992 they visited China, and when there have been natural disasters in Japan they have always traveled to affected areas. I think that the emperor system has played a significant role as a social stabilizer. It would have been inconceivable for Emperor Hirohito, for example, to go to disaster areas, and kneel to listen to victim's stories.

**Inoki:** At the time of the Great Hanshin Earthquake Empress Michiko visited the disaster area. When she left, she leant out of the car window, gave a small fist pump, signifying "Let's keep fighting." I remember that extremely well.

Although most things in Japan progress according to majority rule, part happens according to the Confucian rule of virtue. We don't need to go as far as Aristotle, but if it wasn't for that part people would start to argue that democracy is bad and that rule by the aristocracy is better.

**Kitaoka:** People overseas are very surprised to hear that Japan is politically stable despite such a series of disasters, and such a desperate economic situation.

Both globally and domestically, lots of different things happened in 1989, the first year of Heisei. Both the international order and the structure of the LDP suddenly changed. But looking back at that time, I didn't think that the end of the cold war would improve Japan's position in the world. Japan was a country that had somehow succeeded in the cold war structure. In the rivalry between the then USSR and the United States, the superiority of the US was quite clear, and from the second half of the 1980s people were saying that the enemy of the United States was Japan rather than the USSR. In other words, this was the argument of "revisionism" on Japan. I thought that Japan bashing would get worse and worse since the discourse in the United States at the time was incoherent.

**Inoki:** The Trump administration today is engaged in the same absurd protectionist trade policies as during the time of Reagan, although now the target is China not Japan. The academic consensus is that protectionism did not revive the United States' key industries, but I guess that economics doesn't have much power after all [laughs].

**Kitaoka:** I think that the Plaza Accord in 1985 was quite strange in the first place. From a global historical perspective, it was incredible for a certain currency to double in two years. I would say that the Plaza Accord was the cause of the bubble that followed in Japan.

In any case, the reason that Japan has to listen to what the United States says is that Japan is completely dependent for its security on the United States. China isn't like that so it can say "no." I would have liked to change that, even just a little, and to make Japan more independent and normal, but that didn't really materialize.

**Inoki:** Japan is restricted by the security guarantee issue and it has made Japanese people insensitive to the strategy needed to maintain peace. Awareness of the geopolitical environment is the reverse of before the war, but in terms of a mentality of being divorced from reality, nothing has changed.

**Kitaoka:** Germany's territory was divided after World War Two. Japan avoided division of its territory, but it experienced a psychological division via the constitution's peace clause [Article 9], and that division has not been resolved.

**Inoki:** In Europe, the cold war ended. Although people spoke of "The End of History," the ideological conflict made the division between friend and foe, and other issues, easy to understand. So, in some respects, Europe's international relations have actually become more complex. Regarding Asia, when we look at the situation on the Korean peninsula, we might say that the cold war has become more severe.

To date, economics has contrasted the autocratic socialist planned economies with liberal democracy and viewed them as being in competition. But even when the socialist structure collapses, the deep down and instinctive dissatisfaction that people feel isn't resolved. The economy is important, but the economy alone doesn't solve things. It's obvious, but one really feels that.

## **On the right to collective self-defense and UN Security Council Reform**

**Kitaoka:** The first challenge that Japan faced in the Heisei period was the Gulf crisis in 1990. That year, I wrote in *Chuokoron* that Japan should leave behind utopian pacifism, dispatch the Self-Defense Forces to the Middle East and, even if it could not participate in the fighting, engage in

tasks such as transport, logistics and medical support. I didn't think it was such a difficult thing: just change the self-defense law slightly. But it wasn't realized. There was a deeply-rooted interpretation that we cannot exercise the right of collective self-defense.

Everyone said there was a need to make an international contribution in some form. But in fact, it was decided not to send Self-Defense Forces even for non-military activities. There was the argument to send volunteer doctors, but there were no hotels or canteens on the ground. Only Self-Defense Force teams with the capacity to work by themselves would really have been of use. The situation hasn't changed that much today.

**Inoki:** I think that this is particularly true since the bursting of the bubble, but the will of the Japanese people to maintain and accumulate through socio-economic activities has become weaker, and we have lost the approach of seeing things from a long-term perspective. Even when it comes to issues of political economy, which require long periods of time to achieve resolution, we have come to look for quick-acting remedies, and favor the solution strategies of those without experience of actual situations.

**Kitaoka:** These past thirty years, Japan has made only one bold international effort, namely, the reform movement of the United Nations Security Council from 2004 to 2006 when Japan pushed for a permanent seat on the Security Council. It wasn't just Japan acting alone, but together with Germany, Brazil and India (the G4). In other words, it was a challenge to the post World War Two international order. The United States is an important country, but sometimes it makes mistakes. The concept we had for the Security Council was to rebuke the United States and tell it to stop when it makes a mistake, and to give more support when it does something good. But support from the Japanese government was weak. It was the North American Affairs Bureau of the Ministry of Foreign Affairs that told us not to do things that the United States opposes.

At that time if Prime Minister Koizumi had persuaded President Bush during face-to-face negotiations and told China he might refrain from visiting Yasukuni Shrine, the situation would have changed. The approval of two thirds of member states (or 128 votes) was needed to pass the resolution. Even though we fought without the approval or acquiescence of China or the United States (in other words, at a significant disadvantage) we still secured about 105 votes. So, even if the resolution wouldn't pass, it was our opinion that we should take it to the vote. If we could get 105 or 110 votes in favor, the votes against would be 30 to 40, and the rest abstentions.

If there was a vote, the record would have shown that the argument in favor had heavily defeated the argument against, and we could have continued our effort next year based on this result. But we were told by Tokyo, "We won't go to the vote." We had been instructed to persuade African nations and try to bring them onto our side. But we failed, so the movement towards reform of the Security Council ended.

After I returned to the University of Tokyo I was visited by the Pakistan ambassador. "Why

didn't you take it to the vote that time?" he asked. "You probably could have got 105 votes." He had calculated the same number of votes as us. At the end, just as he left, he said, "Japan is a country that doesn't take risks, isn't it?" He hit the nail on the head, and annoyed me [laughs].

### **The changes brought by electoral system reform**

**Inoki:** I can give several examples of things done in the name of reform these thirty years that didn't necessarily have good results. Behind these is the somewhat simplistic idea that if we only change the system things will get better. Although there are lots of things we don't know until we try, one of these is probably electoral system reform, such as change to single-seat electoral districts and government subsidies to political parties.

**Kitaoka:** There have certainly been good things and bad things. There is no doubt that electoral system reform changed Japan's political system enormously. The reform itself wasn't realized under LDP administrations and could only happen under the Hosokawa/Ozawa administration of 1993 to 1994. Later, starting around 1996 there were also administrative reforms under the leadership of Prime Minister Hashimoto, but I believe that simply rearranged ministries and government offices, and that nothing changed.

**Inoki:** For example, how do you interpret the LDP faction's loss of power due to the introduction of single-seat electoral districts? Looking back now it seems that the negative aspects are actually greater.

**Kitaoka:** The negatives are visible now. But when the factionalism was active, long-lasting administrations were difficult. There are a minimum five factions in the LDP, and when three link up an administration can be formed. Assuming that three factions take turns forming an administration, and since each prime minister's term is two years, the third faction wouldn't get its turn for four, six, or eight years. So, at the end of the day administrations tend to last for two years. But an administration can't do significant work in two years.

Meanwhile, one positive effect of single-seat electoral districts is that elections do not cost as much to contest as medium-sized constituencies.

**Inoki:** Is it really that different?

**Kitaoka:** Now, even a normal businessman with some modest savings can stand for election if they are officially recognized by a political party. Originally, the impetus for electoral system reform was the Recruit scandal that surfaced in 1988 at the end of the Showa period. Since politicians needed so much money, almost the entire political world was tainted by insider trading.

Usually, electoral systems consist of either single-part seats or proportional representation. But in a proportional representation system, it is necessary to rank candidates and, as we saw in the recent Kibō no Tō (Party of Hope) problems, this is extremely difficult for Japanese political parties. Right now, I am wondering whether we should shift to medium-sized electoral districts with three members. With three members, minor factions could also get candidates elected, and we could have combinations such as LDP/LDP/DJP or LDP/Komeito/DJP, even though the DJP has now disappeared. With five-member medium-sized constituencies, I think that minor parties might be represented and factionalism would become stronger in the LDP and consequently politics would become more centrifugal and fragmented.

**Inoki:** During the Koizumi cabinet the people found out exactly what happens when the factions lose power. At the same time, I think that the significance of the long Koizumi cabinet is very important to a consideration of the Heisei period.

**Kitaoka:** But with the exception of postal reform, the Koizumi cabinet didn't do much; and even the postal system is returning to the past.

**Inoki:** I think that the problem was how he used the people at his disposal. To bring a new "theatrical" flavor to politics Koizumi made as many crowd-pleasing appointments as he wanted. He ignored factors such as years of experience and practical skills and, even if not in every case, fell into performance politics.

**Kitaoka:** One does wonder why it was necessary to make Tanaka Makiko foreign minister [laughs].

**Inoki:** You are quite right [laughs]. It is said that democracy trivializes the speech of politicians. To become popular, they say extreme things and catch the attention of the public. Although that is a general tendency in democracies, I feel that those negative effects have got stronger since the change to single-seat electoral districts.

**Kitaoka:** Some politicians think the same way. But why don't some of those politicians argue seriously for another reform of the electoral system, I wonder? But they have achieved electoral success under the current system, so maybe it isn't so strange.

The first notable election under the system of single-seat electoral districts was in 1996: Hashimoto Ryutaro of the LDP against Ozawa Ichiro of the New Frontier Party. In his 1993 "Blueprint for a New Japan," Ozawa argued that the consumption tax should be 10%. Even the Hosokawa cabinet failed when it set out plans for a national welfare tax. Right before the election, however, Ozawa started to talk about reducing taxes. In the end the New Frontier Party was

defeated, but this kind of thing tends to happen in a single-seat electoral district system.

**Inoki:** But compared to the past, the things Ozawa says today are surprisingly ordinary and lacking in impact. He was capable and powerful, but maybe he couldn't control that power.

**Kitaoka:** From the mid-1980s to the mid-1990s he was the standard bearer for reform. He was at the front of trade negotiations between Japan and the United States, and felt keenly that if Japan wasn't more independent it would keep being pushed around by the United States. At the time of the Gulf War, he was the secretary general of the LDP, and despite Japan's providing thirteen billion dollars, Japan received no gratitude. Regarding the security, Ozawa said that Japan needs to become a bit more of a normal country, at least by dispatching Self-Defense Forces overseas. He also talked about the need to raise the consumption tax. At that time, he was a serious guy, and lots of people were enthralled by him. I believe that Ishiba Shigeru was one of those. But as he lost fight after fight he started to say different things.

I think that the turning point was the resignation of the Hosokawa cabinet in 1994. Hosokawa quickly resigned during a political funds problem. He could have dissolved the Diet and fought another election, but he didn't. Next was Hata Tsutomu, who also quickly resigned under pressure among political parties. In June of that year there was a vote to appoint the new Prime Minister, choosing between Kaifu Toshiki and Murayama Tomiichi. We were both at a symposium at Dartmouth College in the United States then, weren't we?

**Inoki:** Yes, that's right. Honma Nagayo and Kosai Yutaka were there too.

**Kitaoka:** Everyone bet a dollar on who would win, and I was the only one who got it right. Well, it was only a matter of 10 dollars or so [laughs].

**Inoki:** You remember because you won, don't you [laughs]. I don't remember because I lost, but it's true that I didn't think a Murayama administration was possible.

**Kitaoka:** At that time Hashimoto Ryutaro had published a book called *Seiken dakkai-ron* (To return to power). He argued that since the LDP had problems, they should reform it in various ways then take back power – that they should not take back power due to the other side's mistakes. In fact, they did take power back due to the opposition's mistakes. But the LDP didn't change very much. Ozawa, on the losing side, then got impatient and started to say stranger and stranger things.

## **China: A country that doesn't have democracy as its goal**

**Inoki:** If we turn back to the world picture again, the biggest change over these thirty years is the

rise of China. In 2001, China joined the World Trade Organization (WTO). This was a historical turning point, marking China's return to the world economy after 200 years: the first time since the West's domination of the global economy began. For me, globalization was the incorporation of China into the world economy, allowing a huge country of over 1.3 billion people to walk tall on the world stage. Also, the global financial crisis of 2008 had a large political, as well as economic, significance. The enormous four trillion yuan worth of economic measures put in place by China also had a huge effect.

**Kitaoka:** China has been changing the world in many different aspects. Since 2008, which was also the year of the Beijing Olympics, Chinese leaders have stopped referring to democratization. Domestically, China has continued to unify itself by stoking nationalism, and now it has become a country that doesn't have democracy as its goal.

A country that does not aim toward democracy, and which arrests those who oppose the government, is exerting a considerable influence as a superpower on the world stage.

**Inoki:** For a long time, I believed strongly that political freedom and economic freedom are inseparable; in other words, that it would be impossible for a market economy to function well while speech and thought were suppressed. But when I look at China, I see ordinary people who have a stronger sense of economic markets than we do, and who act freely. It is a dictatorial political system in which decisions are made based on nepotism by Xi Jinping and other leaders. Yet, with the exception of free speech ["market of speech"], coexistence with a market economy is possible. Similar things have been said in the past about countries such as Singapore, but I now feel the need to rethink these issues, and that what I thought before was quite wrong.

**Kitaoka:** This is the time when we need to show that democracy can choose an outstanding leader. If we don't establish that kind of system, the value of democracy will be lost. To look at China, I really don't see how we can say that system is good. Please think about it. It would be inconceivable to revise the constitution, allowing the LDP to lead Japan, and putting Abe Shinzo's philosophy at the center of the state [laughs].

**Inoki:** Of course, that would be inconceivable.

**Kitaoka:** But recently India has been growing very quickly. I think that India has seen some of the biggest changes of any country since the end of the rivalry between the United States and USSR. It is predicted that India's population and purchasing power parity will overtake China around 2050. Essentially, India is a democratic nation, albeit quite a wild one. So, I think it is too early to say that China will be the ultimate victor.

## What next for Japan?

**Inoki:** Even if there's a need to change the electoral system, the political system, or something else, at the end of the day, the issue is the consciousness of we Japanese people.

**Kitaoka:** Right now, what concerns me most is that compared to either Americans or Chinese, Japanese people don't seem to be acting with energy.

**Inoki:** Even most young people are obedient and gentle. There aren't any troublemakers. I hear that most young people now are LDP supporters, and I doubt that positive change will come in that kind of situation.

**Kitaoka:** There's a phrase that symbolizes the national sentiment of the Japanese people during the Heisei period: "a country that is small, but that shines brightly." It was coined by Takemura Masayoshi, a representative of the New Party Sakigake.

**Inoki:** Well, I can see that he was trying to appeal to something.

**Kitaoka:** The ridiculous thing is that Japan isn't actually a small country. We might have joined the second rank of nations, but Japan is still a global player with much influence on world events. If the people who say that feel small and brightly shining themselves, they may have their own way. But a global player has duties as a great power. Rather than being carried along by the United States in everything, Japan needs to make its own decisions and consider how to be more independent. Of course, international politics doesn't go the way you think, and the territorial issues are an example of that. We've no choice but to accept the impossibility of a solution.

**Inoki:** In that sense, Deng Xiaoping was clever.

**Kitaoka:** That's right. It is enough to shelve the issues. I think the most difficult problem in Japan now is the economy. Do you think Abenomics will keep on going as it has?

**Inoki:** It's already got stuck, hasn't it? The Abe administration's economics seems to be untraditional, but except for fiscal policy they are not really that different. In fact, the economy itself is changing in nature. The United States is also doing something similar, but the United States is thinking properly about where it will end. Even if, as it appears, Japan, the United States and Europe are competing to apply the most monetary easing, the United States probably will arrive at the exit the quickest.

The next governor of the Bank of Japan will have a nasty job dealing with the aftermath of an

unprecedented amount of monetary easing. I think it will be a thankless and very difficult task. If the country keeps on going like this, in terms of financing the fiscal deficits, Japan's government securities will enter danger territory.

These last thirty years, prices have hardly changed. The two percent inflation target is probably difficult to achieve. Although shares and exchange rate conditions have been made better, the actual economy is not moving. Even in a tight labor market, highly productive investment is not happening. Since wages aren't rising, consumption doesn't rebound, and the economy will struggle to take off.

What's more, even if the government tells companies to raise wages by three percent, Japan is not a capitalist dictatorship [laughs]. The situation is clearly not normal.

**Kitaoka:** It's a strange thing to say, but all sorts of things happened in the first year of the Heisei period. I wonder what the thirtieth year of Heisei will be like?

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### **KITAOKA Shinichi, Ph.D.**

Born in 1948 in Nara Prefecture. Obtained B.A. (1971) and Ph.D. (1976) from the University of Tokyo. President of the Japan International Cooperation Agency (JICA) since October 2015. Emeritus Professor of the University of Tokyo. Previous posts include a professorship at the Graduate School for Law and Politics, the University of Tokyo, Ambassador Extraordinary and Plenipotentiary, Deputy Permanent Representative of Japan to the United Nations (2004–2006), and President of the International University of Japan (2012–2015). His publications include "Kiyosawa Kiyoshi," "Political Dynamics of the United Nations," "Open-door Policy and Japan" and "A History of Japanese Politics: Diplomacy and Power (enlarged edition)."

### **INOKI Takenori, Ph.D.**

Born in 1945 in Shiga Prefecture. Received his Ph.D. from the Massachusetts Institute of Technology. Previous posts include a professorship at Osaka University and as Director of the International Research Center for Japanese Studies. His publications include "Economic Thought," "Freedom and Order," "A History of the Post-war Global Economy," "What Can Economics Do?" and "Conditions for Freedom,"