

SGI Sustainable Governance
Indicators 2009

Japan report



Executive summary

Japan is still recovering from its “lost decade,” the difficult ten years beginning in the early 1990s. However, the country is now doing remarkably well in various socioeconomic spheres. Japan has overcome its economic doldrums, and since 2003 has experienced its longest business upturn of the postwar period, combined with remarkably low unemployment. Nor, while handling the short-term problems of recent years, has the Japanese government forgotten issues of strategic future importance. It has continued working to improve its science and technology policy, and has reformed the education and the university systems. It has made a new effort to reform antidiscrimination policy, a critical step toward utilizing valuable human resources more effectively as the population ages and ultimately shrinks.

The period under review in this report (January 1, 2005 – March 31, 2007) saw two prime ministers in office in Japan. The first, Junichiro Koizumi, stepped down in September 2006 after five years in office, when his second term in office as Liberal Democratic Party (LDP) president expired. His successor as LDP president, Shinzo Abe, subsequently also became prime minister (as, with one exception, all LDP presidents have done since 1955). Koizumi was one of the rare individual politicians able to overcome, or at least make the most of, the institutional and other constraints facing them. With few notable exceptions, most Japanese prime ministers have acted more as coordinators than as leaders. In contrast, Koizumi used the newly established Cabinet Secretariat, with its significant institutional and personnel resources, to pursue far-reaching political and economic reforms of a neoliberal bent. While intended to reinvigorate the Japanese economy, these reforms also aimed at undercutting the clientelistic power bases of individual groups within the LDP. Rather than basing his power on a given intraparty faction or alliance, as did many of his predecessors, Koizumi appealed directly to voters to obtain and continuously renew his mandate for change.

In the face of deep-seated resistance to his structural reforms in parts of the LDP, Koizumi ended his five years in office with a mixed balance sheet. He managed to reduce spending on infrastructure projects with dubious value. He began the transformation of the bloated semigovernmental sector, with its many

public corporations and publicly authorized organizations, although bureaucratic and intraparty resistance slowed the process of abolishing, privatizing or merging these entities. In his final year in office, Koizumi also put the controversial privatization of Japan Post on track, which will have economy-wide repercussions due to the enormous sums parked at low interest rates in postal saving accounts. Moreover, under Koizumi the consolidation of the banking sector progressed, with most of the unrecoverable loans being sold or written off. Koizumi also started a major managerial and fiscal decentralization initiative, aimed at increasing the transparency of the division of labor between the national and the local levels of government. Local governments were given more funding sources of their own, but the subsidies available to prefectures and municipalities were reduced even further. Local government will increasingly have to find individual answers to their pressing funding challenges, which in many cases include substantial debts and declining fiscal revenues.

Koizumi was widely hailed as a reformer. Nevertheless, a number of areas in which Japan's aging population necessitate substantial reforms – in particular, social security, health and integration – were given short shrift under Koizumi. Too often, the government merely tinkered with existing approaches or, as with integration policy, showed no inclination to change the status quo. Koizumi's selective approach to reform would perhaps have been less of a problem if his successors had continued his reform efforts and expanded them into these untouched areas. Unfortunately, Abe had an altogether different agenda. Apart from promoting patriotism and school discipline, his domestic reform agenda remained curiously blank. It didn't help that Abe's cabinet was repeatedly undermined by scandals, that Abe's decision to readmit LDP party rebels kicked out by Koizumi proved unpopular, or that his administration reacted slowly to a large-scale pension scandal, in which the National Social Security Agency "lost" information on up to fifty million pension premium payments. Growing discontent with the Abe government gave the opposition parties a victory in the House of Councilors election of July 2007. Citing poor health, Abe stepped down as prime minister shortly thereafter, after only one year in office.

Strategic Outlook

While the Japanese government has made progress in some policy areas, no coherent policy mix has been achieved. Successfully conquering the prolonged recession, for instance, helped lead to rising inequality. Governmental capacity proved unable to handle all major issues. The reasons are manifold, and one cannot reduce them to inefficiencies of the democratic institutions and organizations in Japan. For instance, lack of progress with respect to integration policy is closely related to the Japanese population's sticky behavioral patterns. Policy measures on the institutional level will have to tap the network characteristics of Japan's social relations, while avoiding the collusive behavior that can easily be its negative side effect. Given the need for structural reforms, recent governments' attempt to strengthen central strategic policy planning over departmental self-interest is reasonable. Such an approach should be accompanied by regional decentralization, allowing for jurisdictional competition in as many policy fields as possible and suitable. On the central level, checks and balances should be strengthened, even if the counter-influence of persistent personal networks cannot fully be excluded.

Specifically, central policy planning can be strengthened by giving more power to central policy units like the Cabinet Secretariat, the Cabinet Office or the Council for Economic and Fiscal Policy. In foreign policy, strengthening the role of the Security Council to capture the interrelatedness of foreign policy, defense, international economy and development aid would be sensible. For some issues, agenda-setting power could shift even more decisively to such agencies. This has to be accompanied by capacity-building measures, with efforts to bring dedicated and highly professional administrators into central policy planning. Early-career recruiting should target a wider range of universities, including those abroad. For mid-career civil servants, a clearly separated career track to induce capable administrators from the ministries to switch over would help.

Regional decentralization, in the sense of creating capable regional governments above the level of the 47 prefectures, should be supported and accelerated. To capture the merits of fiscal and jurisdictional competition, and to avoid a race to the bottom, appropriate boundary conditions are essential. These might include effective minimum standards for public policy provision, regulation on the maximum level of indebtedness, authority to tap major sources of tax revenue, a capable civil service and a courageous effort to give

regions discretion over many sensitive regulation and policy issues like immigration.

Checks and balances on the central level should include a strengthening of the authority and the responsibilities of agencies including the Board of Audit, the court system, public prosecutors and the Fair Trade Commission. Reinterpreting the constitution to widen the scope for judicial review could become a powerful force. It will be essential to balance independence from the executive and from personal ties with responsibility and accountability in the public interest. Creating an appropriate esprit de corps in such supervisory agencies will be very important. It would be helpful to strengthen the Diet's role as an open forum for policy discussion. However, it is difficult to conceive appropriate formal rules to ensure such a development. Possibly, a change in party control will give parliamentary discussion more weight. The media as "fourth power branch" deserve a better reputation in Japan than is usually perceived. Still, the current closed-shop system of the ministerial press clubs supports insider-oriented, possibly collusive network ties and should be reformed.

Successfully tackling Japan's pressing structural challenges will require strong political will. Major challenges include the reduction of public debt, the management of demographic change and the establishment of a sustainable social security system, the acceleration of structural changes in the economy, and the deepening of Japan's integration into the international division of labor. Reduction of public debt and a general consolidation of public finance are urgently called for, and will become more difficult in the future. Japan's rapidly aging population will mean rising pension and health-related expenditures, along with decreased revenue from income tax. In theory, the problem could be addressed by raising indirect taxes and levies and by increasing the retirement age in Japan. However, such a course is likely to meet popular resistance. Japan's governing coalition knows from experience that raising taxes can result in electoral defeat. Still, there is no way around increasing Japan's value-added tax, which at 5 percent is currently the lowest among OECD countries. With the opposition in control of the upper house, and lower house elections having to take place at the latest in early 2009, the government is currently in no mood to address this vote-losing issue seriously.

A possible alternative approach to debt reduction and financial consolidation could entail cutting state expenditures, in part through privatization and reduction of government personnel. However, as Japan already has one of the leanest states of any OECD country, the potential for such reform seems limited. Against this background, only a substantial reform of the tax system will help

to address the twin problems of massive public debt and demographic change. Such a reform would also need to broaden the bases for income and corporate taxes. In view of Japan's comparatively moderate overall tax level of 26 percent there is still room for fiscal expansion, ideally leading to a more just distribution of the tax burden. Whether a comprehensive reform of the tax system should also be linked to more fiscal decentralization in Japan depends on political feasibility. In any case, a sustainable equilibrium with respect to funding tasks at the central and local level of government has yet to be achieved.

Japan's rapidly aging population in conjunction with high life expectancy (currently 85.5 years for women, and 79 years for men) poses a multitude of economic problems, including a reduction of consumption-related expenditures, a negative contribution of labor to economic growth, and a higher share of GDP devoted to age- and health-related expenditures. Addressing these problems should also include increased efforts to integrate women of all age cohorts into the labor force, an attempt to give women better access to senior management positions, and a more proactive attitude to immigration and the integration of migrants. While such demands remain anathema to many conservative Japanese, the government has the obligation to stir discussion in order to prepare the ground for a more pragmatic attitude to these vital issues.

Status Index

I. Status of democracy

Electoral process

Fair electoral process

Score: 9

Legal regulations provide for a fair electoral registration procedure in Japan. Political candidates and parties are not discriminated against. Candidates for office must be at least 25 years old, or 30 in the House of Councilors, Japan's upper legislative house.

Elections are based on the Election Law for Public Office. In 1994, the system for the House of Representatives, Japan's lower legislative house and the more important in the country's bicameral system, was significantly changed. Once based on multiple-member constituencies, today 300 seats are allocated through single-member constituencies, with 180 additional seats (200 before 2000) based on party lists in 11 regional blocks. While the overall effect on smaller parties and on the dominant Liberal Democratic Party (LDP) has been heatedly discussed, prima facie it can be argued that this election system attempts a reasonable compromise between proportional representation and personal accountability. Electoral organization has not been a disputed issue.

Fair electoral campaign

Score: 7

In principle, all candidates and parties are to be treated fairly. However, due to the legacy of LDP domination in politics since the 1950s, major media have developed links to the world of politics, including personal links between elite party, bureaucracy and media members. This is particular true for the leading daily newspapers and for leading TV organizations like the quasi-governmental NHK. Media coverage is also influenced by press clubs and the necessity to respect them if one does not want to lose membership. Journalists often "personally" cover certain politicians, often from leading government parties rather than the opposition.

On the other hand, there are ample media in Japan. While the leading dailies can be considered tame, weeklies often present interesting and challenging investigative content. Media commercials preceding elections are regulated by electoral law passed in the early 1990s. In the 2005 general election, the LDP achieved its first “American-style” presentation of well-prepared TV commercials with simple, effective contents. Other parties were still not as advanced.

Campaigning is naturally influenced by the financial means available. The 1994 electoral reform tightened rules on campaign contributions. In the mid 1990s, a system of public funding was introduced, based on a small but stable sum per head and year, with eligibility requirements restricted. While irregularities cannot be entirely excluded, the general tendency has been toward the enforcement of stricter rules.

*Inclusive
electoral
process
Score: 9*

All adult citizens can participate in national elections, with all eligible voters registered if they wish to be. There is no observable discrimination in exercising the right to vote. Nonetheless, there is a question with respect to material openness, or to whether each citizen has a chance of being chosen as a candidate and a nonzero chance of being elected. In fact, well-connected citizens are more likely than others to be elected and – by extension – to be chosen as candidates. For instance, politicians’ sons and daughters frequently take over from their parents (usually fathers), forming political dynasties.

Another serious issue is the disproportionate weight of votes in urban and provincial areas, given the different size of constituencies. Provincial areas still carry much more weight than urban ones, despite changes in the past decade. In a mid-2005 judgment, the Supreme Court ruled that the 2004 upper house election was constitutional despite the fact that the weights of single votes had varied by a factor of more than 5 to 1, depending on the region.

Access to information

*Media freedom
Score: 7*

All media except the semi-public NHK are basically independent from the government. However, the editorials of the leading daily newspapers are usually not very critical. A major reason is that membership in press clubs and the fear of endangering access to exclusive private information keeps the leading dailies’ reporting rather tame. Thus, exposure of scandals or personal attacks on government personnel are extremely rare. Relationships between the political, bureaucratic and media elites also mute critical coverage.

The television market boasts many broadcasters. The most politically relevant is the semi-public NHK, which enjoys considerable formal freedom, but is

also subject to considerable informal influence, based on mechanisms similar to those noted above. In late 2006, controversy rose over a government attempt to order NHK's international program to focus on abductees in North Korea. Such orders are formally allowed under special circumstances, but this law has rarely, if ever, been invoked before. Usually, influence is achieved under the informal and nontransparent "administrative guidance" framework. After considerable opposition, the government changed its "order" into a "request." Still, the issue was seen as a trial balloon for exerting more political influence over broadcasters, and a new law was contemplated for 2007. This said, Japanese citizens are very heavy media users, and have substantial choice. While private TV channels do not concentrate on politics, there are alternatives to NHK's tame political analysis. Online news sources have further expanded these options.

Media pluralism

Score: 7

The Japanese media can be characterized as an oligopoly with a fairly large number of less popular alternatives at the fringes. In the print press, the leading dailies are Yomiuri, Asahi and Mainichi, followed by the business-oriented Nikkei and Sankei, all distributing several million copies per day. Regionally, there are contenders like Chunichi in Nagoya, the country's third-largest region. Among weeklies, some are associated with dailies, like Weekly Yomiuri, while others are independent. While basically oligopolistic, this structure offers enough diversity to give citizens considerable choice.

The leading television networks are Nippon TV, TV Asahi, Tokyo Broadcasting, TV Tokyo and Fuji TV. They are associated with the leading daily newspapers listed above, in the same order. Apart from these, the quasi-governmental service NHK broadcasts various channels. Media laws block ownership of more than 20 percent of a region's broadcast assets, restricting the dominance of any single network company. In 2006, policymakers began discussing a loosening of these restrictions, and an acceptance of holding companies, however. Newspapers and TV channels have launched online services rather reluctantly. The Internet also offers "citizen journalist" services such as JanJan, which can be critical of the government, but their success remains limited.

Access to government information

Score: 7

A freedom of information act was passed by Japan's Diet in 1999 and has been in effect since 2001. Public bodies (now including quasi-public corporations) must respond to requests for information within 30 days. The number of requests has climbed considerably since the law's passage, reaching nearly 100,000 in 2004. However, various areas of exemptions remain, including information on national security, confidential business matters, and information on specific individuals. Some 70 percent of requests

for information on individual persons are said to have been denied, and this holds for public officials in particular. The head of each specific agency has considerable discretion in such cases, without the possibility of an internal appeal. Citizens can appeal denials to an Information Disclosure Review Board, headed by a retired Tokyo High Court presiding judge, or to district court.

Another problem is high fees, although these were halved in April 2006. Costs depend on the number and size of files supplied, with single pages costing 10 to 20 yen, so costs in complex cases can easily escalate. The whole process is subject to administrative review, with yearly evaluations of the law's enforcement status performed.

Civil rights

Civil rights protection

Score: 7

Basic civil rights are guaranteed by the constitution, and civil rights are well protected in principle. However, judicial processes are sometimes very slow, and the criminal arrest rate is declining. The court system, and its ability to protect citizen rights through legal or administrative action, does not function well. In addition, courts have often been found unwilling to question government or parliamentary actions (or negligence) in order to protect citizens' rights through legal or administrative action.

The Supreme Court has been very reluctant to apply judicial review to actions by the government or Diet, doing so only under a model of concrete judicial review, although it is questionable whether the court is in fact limited in this way. Due to lower courts' dependency on the Supreme Court, this careful attitude characterizes the whole system. In 2007, for instance, the Supreme Court dismissed a case in which a daughter alleged incestuous abuse, without questioning the rather lax provisions of the Civil Procedure Law in such cases. As for the motivation behind court rulings, several observers have noted the incentives for judges to avoid reprisals from the government by avoiding conflict with the executive. The appointment system for judges seems to be a key factor in this respect. It should be noted that Japan has not abolished the death penalty and applies it in a rather cruel manner.

Non-discrimination

Score: 6

Some minority groups face discrimination. Such issues have surfaced with respect to descendants of former colonial subjects, citizens in Okinawa, citizens of Ainu origin, citizens with so-called burakumin background (descendants of people in "impure" professions) and illegal immigrants. A 2006 UN Report argued that more should be done to recognize these groups' special needs, but did not cite unfair treatment by legal institutions or

executive agencies as a major problem.

While religious and ethnic discrimination are not very important due to Japan's ethnic homogeneity and religious pluralism, gender discrimination is much discussed, and inequitable treatment of regular and nonregular workers is a widespread and very serious issue. In the past, working women were expected to leave employment in their mid-20s. Today, more women are able to pursue a business life. However, work patterns and social expectations about the role of women in society have not changed as quickly. This implies that many women still have to choose between a successful career or marrying and founding a family.

The treatment of foreign minorities such as ethnic Koreans or international refugees, legal or illegal, remains problematic. While illegal workers in Japan are informally accepted by enterprises, due to a severe labor shortage for dirty and low-paid jobs, such people do not receive adequate humanitarian protection if problems occur. There is a Basic Law for Persons with Disabilities that was revised and strengthened in 2004. However, the general attitude in the Japanese public towards those with disabilities seems to be rather passive and disinterested, so it is difficult to achieve de facto non-discrimination.

Rule of law

Legal certainty

Score: 7

While in everyday life citizens can in general rely on the rule of law, sometimes even in what appears an overly bureaucratized way, the government still has considerable leeway to apply the law as it considers fit. This has two consequences. One is that government authorities have frequently been able to go beyond the law to achieve strategic purposes. The most well-known example is that of "administrative guidance," in which the bureaucracy tries to influence non-state actors, particularly businesses, when no law or formal regulation applies. Second, when applying the law, government authorities are frequently given liberty to consider the general circumstances of a case. This is particularly noticeable in the fact that even courts take these wider points into consideration.

However, in recent years there have been efforts to make rules more transparent and to enforce them more consistently. In 2006, the Anti-Monopoly Law was revised to give more powers to the Fair Trade Commission, increasing the penalties against bid-rigging, for instance. Public opinion has hardened against such practices, and major companies have become concerned about the negative publicity that follows exposure of their

activity. In the more provincial areas, so-called dumping (“dango”) bid-rigging still seems to be fairly wide-spread, however.

These problems with the predictability of the rule of law should not imply that the general predictability of government behavior is low. Rather, enterprises and individuals have a fairly good impression of what to expect. In a sense, recent scandals are an indication that such “collusive predictability” is declining in a positive sense.

Judicial review

Score: 7

Courts are generally understood to act independently of public interference. The Supreme Court, which traditionally is in charge of supervising the judicial system and making appointments, carefully safeguards its independence. However, the Supreme Court has in general been very reluctant to apply judicial review. Through the dependency of lower courts on the Supreme Court – the Supreme Court has been in charge of personnel decisions affecting the lower courts – this cautious attitude characterizes the whole system. The role of the courts in dealing with situations of administrative guidance has also been problematic. In recent decades, judges taking a strict line toward government policy have found themselves sent to obscure provincial areas, derailing their career prospects.

However, the Law System Reform of 2002 shifted the judiciary’s traditional role. Lay judges were introduced in some cases, the appointment of judges was given to regional committees, and different types of legal education were introduced. It is too early to determine whether judicial independence has been significantly affected as a result. In some recent cases, courts have taken issue with the state, although in others they have defended government positions. In a 2007 decision, the Kumamoto District Court ordered the state to pay compensation to sufferers of black lung disease, because the government had neglected to set up workable laws against construction work that might lead to that disease.

Corruption prevention

Score: 6

Japanese politics has seen a decades-long string of corruption scandals, perhaps climaxing in late 2006, when governors of three of Japan’s prefectures (Fukushima, Wakayama, Miyazaki) all were arrested within a space of weeks. However, some of these recent problems can be understood as an improvement, indicating that regional public prosecutors have become more active. This is due to a revision of the Anti-Monopoly Act in early 2006, which increased penalties and gave regional prosecutors more power. Since mid-2006, revised legal provisions have also allowed prefectural audit committees to have more than four members, improving supervision. All these measures are part of a government effort at administrative decentralization, which will however be unmanageable unless bid-rigging

practices in the provinces can be limited further.

Campaign finance has long been provided both by government and by civil society, including businesses, a system that has proven susceptible to abuse. The electoral reform of 1993 – 1994 attempted to address some of the problems. For instance, politicians were barred from receiving funds earmarked to them individually. However, the ability to form “financial administration organizations” provided persistent loopholes. In recent years, the public has reacted much more strongly to politicians’ financial misbehavior, a trend which may have a benign effect. Companies too have begun to realize that unethical practices can be detrimental to their public standing, and have begun including anticorruption components in their corporate social responsibility policies.

II. Economic and policy-specific performance

<i>Basic socioeconomic parameters</i>	<i>score</i>	<i>value</i>	<i>year</i>
GDP p.c.	4.33	30842 \$	2005
Potential growth	1.57	1.5 %	2008
Unemployment rate	9.08	4.1 %	2006
Labor force growth	2.37	-0.4 %	2007-2008
Gini coefficient	6.99	0.314	2000
Foreign trade	2.11	-26.6	2005
Inflation rate	10	0 %	2007
Real interest rates	8.15	1.7 %	2007

A Economy and employment

Labor market policy

Score: 8

Despite long-term economic sluggishness, unemployment rates have been kept at tolerable levels, although young persons and older individuals seeking

new jobs do face higher jobless rates. This can be attributed to relatively flexible labor market institutions, such as companies' abilities to reduce overtime and hire non-regular workers, rather than to any specific measures within the reporting period. Indeed, employment regulations in Japan are relatively flexible. The non-salary costs of employing a worker are moderate, and layoff costs are not high. While regulations on the number of allowable work hours remain rigid, they often tend to be ignored for managerial positions. In late 2006, Shinzo Abe's government promised a round of labor reforms that would give a "second chance" to suffering workers, for instance by raising minimum wage levels and thus reducing fringe workers' hardship. However, by early 2007, Abe's labor reform proposals had drawn considerable opposition from employers and labor unions, and faced uncertain prospects for passage. Some have argued that companies should be given more power to lay off regular workers, but there is little political will to do so.

Enterprise policy

Score: 7

After years of sluggish growth, Japan has returned to economic competitiveness. However, this success is due more to private-sector adjustment than to government policy. There are few advanced countries in which the difference between successful private business performance and a problematic economic framework is as large as in Japan.

However, governments have been willing to support the determinants of long-term competitiveness, with particular focus on research and development. In 2006, the government announced its third basic plan for improving science and technology, a "comprehensive strategy" aimed at transforming a catching-up innovation system into an advanced, frontier one. However, many economists complain that government policy is still too interventionist. Prime Minister Abe, for instance, declared his intention to promote "strategic" industries such as medicine, engineering and information technology. Critics said it would more important to raise incentives for R&D across the board, as governments have rarely been successful at identifying the most successful future industries.

Japan's policy toward fostering start-up companies, an important facet of new business opportunity, remains undeveloped. Venture capital is scarce in Japan, and the government's approach to capital markets has not changed this. Moreover, inward direct foreign investment that might support change and heighten competitiveness is still low, although the government, particularly through the Japan External Trade Organization (JETRO), has attempted to

make inward investment more attractive. Recent reforms have liberalized merger and acquisitions policies, along with other domestic regulations; but while offering more transparency, these remain insufficient.

Tax policy

Score: 6

In 2006, 38 percent of Japan's central government expenditures were financed by new government bonds, demonstrating that revenues are not sufficient. Moreover, there are persistent criticisms that the country's personal, consumption and corporate tax systems are unfair. Indeed, the system does have equity issues, with indirect taxation levels, particularly consumption taxes, set too low. This disadvantages workers who cannot avoid direct taxation of their income. While the government's Tax Council has suggested raising the value-added tax, first introduced in 1989 (and currently set at 5 percent, the lowest rate among OECD countries), governments have hesitated, wary of political fallout. By the end of this reporting period, Prime Minister Abe had not yet set a specific date for an increase. Obviously, policymakers are concerned that a consumption tax increase could jeopardize the unstable business upturn.

Japan's corporate tax burden is in the middle range of OECD economies. However, this may underestimate tax offices' laxity in accepting small and medium enterprises' (SMEs) declarations of business losses, which allow them to avoid paying taxes in exchange for expected political support. While this may let SMEs stay competitive in the short term, it hinders the long-term development of a healthy business sector. In 2006, a medium-term fiscal plan was drawn up for the first time, based on the 1997 Fiscal Structure Reform Law. This is a potentially positive step toward giving companies and other actors a reliable framework; however, it is short on specifics.

Annotation: OECD, "OECD Economic Survey of Japan," Volume 2006/13, July 2006

Budgetary policy

Score: 5

Weak nominal GDP growth and a series of large-scale fiscal stimulation packages in the 1990s propelled Japan's ratio of public debt to GDP to the highest level in the OECD area. According to OECD estimates, gross public debt reached nearly 180 percent of GDP in 2007. While there is some debate about the height of net public debt (sometimes estimated to be closer to 65

percent of GDP) and the structure of debt (mostly owed to domestic creditors (Pascha 2007)), the fact remains that the situation requires urgent action by the government, especially as the government still benefits from extremely low interest rates which cannot be taken for granted in the long term. A reduction of overall debt, not just of annual budgetary deficits, is called for. The government's aim of bringing the primary balance (public revenues once net borrowing, public expenditures and debt redemption have been subtracted) to at least zero by 2011 constitutes a step in the right direction. However, new demands, such as an aging population and the specter of nominal interest rates that are higher than nominal growth, indicate the extent of the challenges facing the Japanese state. As a consequence, it is likely that the financial burden to be placed on future generations is set to increase.

Annotation: Werner Pascha, "Gesamtwirtschaftliche Megatrends und die Aussicht auf dynamische Zukunftsindustrien in Japan," in *Japans Zukunftsindustrien*, edited by Andreas Moerke and Anja Walke, (Berlin: Springer, 2007), 26-28.

B Social affairs

Health policy

Score: 7

Introduced in 1961, Japan's system of universal health coverage provides acceptable health care for everyone, thanks to the nearly universal insurance scheme. For instance, annual health checks are provided free to just about everyone in Japan, including foreigners. Still, the system faces a number of problems. Costs have outpaced income from premiums for many years. Policymakers have attempted to fix this problem, and in 2002 expenses were for the first time less than the year before. However, cost containment is not very effective, and the goal of safeguarding quality has persistently clashed with cost reduction proposals. For instance, treatment of cancer, the largest cause of death in Japan, has frequently been found to be inadequate. Observers complain about falling standards of training and lower pay, limiting incentives for doctors. The conservative, top-down way of taking care of patients – frequently, they are not even informed about the seriousness of their possibly fatal disease – is also a persistent problem.

Traditionally, Japanese policy has focused on curing rather than preventing health problems. As life and eating patterns change, critics have argued that

health care policy should be more preventive. Companies are taking the lead in this regard, as policy has adjusted slowly. Nevertheless, the revised medical service system will require health insurance to cover regular checkups for people 40 years of age and above, beginning in 2008.

The health care system's efficiency has also been questioned. Hospitals do not provide good information on service quality. Progress in this area is slow, although measures to improve governance have been proposed. In 2004, the government agency supervising health insurance was beset by scandals; as a partial result, a 2006 law will transform the agency into an association by late 2008.

Social cohesion

Score: 7

Japan, once considered a model case of growth with equity, has in recent years experienced increasing social disparities (Tachibanaki 2006). According to the OECD, Japan's Gini coefficient measure has risen significantly since the mid-1980s from well below to slightly above the OECD average, and the at-risk-of-poverty rate in Japan is now one of the highest in the OECD area (EU Social Report 2007). The relative poverty rate – defined as income that is less than 50 percent of the median – rose to 15.3 percent of the total population in Japan and was thus nearly 5 percent higher than the OECD average in that year. Population aging is partly responsible for boosting inequality, as it raises the proportion of the labor force in the 50- to 65-year-old age group, which is characterized by greater wage variation. However, the key factor appears to be increasing dualism in the labor market. The proportion of non-regular workers in the labor force has risen from 19 percent of employees a decade ago to more than 30 percent today. Part-time workers earn on average only 40 percent as much per hour as full-time workers do (OECD 2006). Social spending in Japan, which is lower in relative terms than the OECD average, is moreover also less devoted to the poorest quintile of the population than in the average OECD nation, and has thus contributed less to reigning in growing social disparities.

Annotation: OECD, "OECD Economic Survey Japan," Volume 2006/13, July 2006. European Commission, "EU Joint Report on Social Protection and Social Inclusion 2007," Annex 1C, p. 139.

Toshiaki Tachibanaki, "Inequality and Poverty in Japan," Japanese Economic Review, 57, no.1 (March 2006): 1-27.

Family policy

Score: 5

In recent years, Japanese family policy has shifted from policies that reinforce traditional gender roles to policies enabling women to balance work and family. However, the labor force participation rate among Japanese woman is low compared with other developed countries. Many women in full-time employment quit working after having a child, because of the difficulty in making working life compatible with child rearing. Japan has no regulations providing for paternal leave, and recent OECD data shows that Japan ranked only 23rd in 2005 – 2006 among all OECD nations in terms of child-related leave periods, measured by duration of unpaid leave (OECD 2007). When women re-enter the labor market, they usually take part-time jobs, with full-time jobs seldom available to them. This situation will become particularly damaging in the future as societal aging results in a lack of highly qualified middle-aged employees. Given that Japan has one of the lowest fertility rates in the world, it is clear that the government has been unable either to support the participation of well-qualified women in the labor market, or to encourage them to have children.

The government has tried to improve this situation, although measures have been too weak to make a major impact, with family-related program spending well below 1 percent of GDP in the early 2000s. Among Prime Minister Abe's "second-chance measures" in late 2006 were policies supporting the employment of women. The government also planned to make workloads for female government employees more flexible in the future. Nevertheless, for financial and career reasons, Japanese women and their families have been reluctant to make use of existing family support programs. For example, Japanese companies were mandated more than 10 years ago to provide workers with a child-care leave system. According to a survey conducted in 2005, more than 60 percent of companies have actually introduced such a system. Yet, while the percentage of female workers who take child care leave is increasing, it still remains only around 10 percent (Takeishi 2007).

Annotation: OECD, "OECD Family Database," (2007a)

<http://www.oecd.org/dataoecd/45/26/37864482.pdf> (accessed January 21, 2008)

Emiko Takeishi, "Support of Work-Family Balance and Women's Careers," *Japan Labor Review* 4, no 4 (2007): 79-96.

Pension policy

Score: 5

Japan has a two-tiered pension system. The first tier is the National Pension, which in 1999 covered 96 percent of all Japanese citizens above the age of 65. About 60 percent of elderly individuals' households depended completely on public pension in 2003. The secondary tier of the system is comprised of two other pension programs, the Employees' Pension or Welfare Pension, and the Mutual Aid Associated Pension. The system divides people into three groups: (1) the self-employed and university students, (2) regularly salaried employees, and (3) housewives and dependents whose annual income falls below a certain level. The law requires the pension system to be examined in terms of sustainability every five years; the next such evaluation will take place in 2009.

Japan's fast-aging society threatens the pension system with serious problems, which governments have not yet been able to contain. Legislation passed in 2004 (but taking effect only in 2006) mandated that future payments will grow at 0.9 percent less than the inflation rate until 2023. In addition, after a short transition period, payments will commence at age 65 instead of 60. However, annual contributions to the system, shared between employers and employees, are capped at 18.3 percent of income, with benefit levels of 50 percent of a worker's average salary promised by the government. Given the current economic growth and birth rates, this promise cannot be kept, so further reform of the pension system is unavoidable.

Another problem concerns the efficiency of the system. Millions of data files have been lost, a major topic of public concern in early 2007. Moreover, only some 67 percent of the people are making contributions, not the expected 80 percent. Rich self-employed citizens seem to stay out of the system, raising issues of equity. By the end of this period of analysis, Prime Minister Abe's reform proposals remained vague, and inadequate for the severe challenges ahead.

C Security and integration policy

Security policy

External

Japan's economy depends heavily on international trade, making the defense of sea lanes a big concern, for example. In part due to a strong alliance with the

*security**Score: 7*

United States, Japan spends only about 2.5 percent of its central government budget on defense, one of the lowest rates among OECD countries. In recent years, Japan has attempted to pursue its own national interests as well as participate in the war on terror. The government's flexibility has been limited by the so-called Peace Constitution, with Article IX forbidding the country to maintain military forces. Nevertheless, Japan has closely followed the course of the Bush administration in the United States, sometimes to the point of stretching constitutional limits, changing legal possibilities and deploying military support services. The government is frequently asked in public debate whether it has followed the U.S. lead too unquestioningly.

Regional relations with neighboring countries, particularly China, South Korea and North Korea, have presented another problem. Junichiro Koizumi's government was unable to improve relations with China or South Korea significantly, due to a political necessity to please the right-conservative voters on which his Liberal Democratic Party (LDP) relies. Koizumi's successor, Shinzo Abe, maintained his strong stance against North Korea after taking premiership in 2006, even as other countries, including the United States, took a more flexible approach to engagement. Although invited to high-level visits in China and South Korea, Abe was not able to reach substantial political agreements with either country, disappointing many.

On the institutional side, the Defense Agency was upgraded to ministry status in early 2007, a move possibly symbolizing government will to rewrite the constitution and normalize its external security activities. While this idea provokes opposition from those afraid of a swing to right-wing conservatism, it is reasonable that the constitution should be in line with the security necessities of the 21st century.

*Internal security**Score: 9*

Japan has a very low crime rate, with the police and other security measures proving quite effective. Since the 1990s, public debate has focused on rising crime rates, but recent data appears to show a more positive trend. The existence of crime syndicates ("Yakuza") is well known, but ordinary citizens are usually not molested. Indeed, some observers presume that an informal understanding between the police and the syndicates exists in some cases, which may even help to improve public security, for instance by keeping hard drugs out of the country.

Recent measures include new steps to fight major crimes. Legislation passed in 2006 will require visiting foreigners to provide biometric information, although permanent residents such as ethnic Koreans are excluded. This measure may make sense in the fight against terrorism. Japan still has the advantage of a rather homogeneous population, making it difficult for foreign

criminals to move easily. However, the new measure reflects a general distrust of foreigners that is not borne out by statistical facts about the “true” crime rate among this population. This is an issue of human rights rather than of security.

*New security
policy*

Score: 7

Among new security issues for Japan, ensuring a future supply of raw materials, energy and food imports ranks high, while global warming and regional instability are perceived to be additional security threats. Due to the country’s geographic location and specific characteristics of Japanese society, transnational terrorism is not regarded as a major security concern. The country has had brushes with domestic terrorism, including the Japanese Red Army in the 1970s and 1980s and the notorious Aum Shinrikyo cult in the mid-1990s. However, Japanese citizens are typically less worried about Islamist fundamentalism than about the role of North Korea or regional leadership competition between China and Japan. The government’s primary response to these new security threats has been to continue reliance on the U.S. alliance. In mid-2006, leaders from both countries signed “The Japan-U.S. Alliance of the New Century,” updating a 2001 agreement.

In its relations with neighboring countries, Japan has been less successful than hoped in recent years. The government frequently stresses the need for better regional relations, but has implemented few substantive measures. Regional cooperation is actively promoted in various forums, but true success stories are hard to find. Japan has hesitated in making clear concessions, for instance in distancing itself from its war and imperial history, or with respect to agricultural imports. Separately, Japan has long used official development assistance (ODA) to pursue its own narrowly defined economic interest. Nowadays, it closely follows a “good governance” agenda as promoted by the United States and multilateral organizations such as the World Bank. However, it is doubtful whether Japan has earned itself a reputation as an autonomous, benign actor through these ODA policies. It thus has little with which counter China’s current approach of lending money to developing countries, making itself appear particularly attractive as a partner.

Integration policy

Score: 4

According to government statistics, the number of registered foreign residents in Japan has risen by 50 percent in the past decade, reaching 2.08 million in 2006, or 1.63 percent of the population (Japan Times 2008). Foreign residents in Japan can apply for permanent resident status after 10 years of legal stay, or after five years for spouses of Japanese citizens. Nearly 40,000 foreigners

acquire permanent resident status every year. The government instituted a basic policy on foreign workers only in 1989, stating that migrants with valuable skills, knowledge or experience with technology should be actively accepted, while the acceptance of so-called unskilled workers should be “carefully examined.” In reality, many low-skilled workers have been allowed into the country on the basis of “internship” plans and special programs aimed at foreigners of Japanese descent (“Nikkeijin”). Many of these who work in small subcontracting companies or on construction sites are poorly paid and are not covered by public pension and health insurance plans. Moreover, absentee rates among the school-age children of migrants are high. Local administrative bodies do not effectively exchange information on the situation of immigrants, and various ministries and bureaucratic agencies tend to pursue individual agendas vis-à-vis migrants. Language learning programs aimed at foreign-born residents remain rare.

Since the second half of the 1990s, economic stagnation and declining fertility have sparked debate on whether the country should allow “mass immigration.” However, the government has shown no inclination to change its basic policy, and has even strengthened judicial and enforcement measures aimed at foreigners in “irregular situations.” Japan’s fundamental problem is reliance on an immigration control policy, with no corresponding integration policy. The Ministry of Justice was able to manage international migration when temporary migration to Japan was dominant. Now that more migrants are staying as long-term or permanent residents and a second generation of migrants is growing up, it has become increasingly urgent to develop a consistent integration policy.

Annotation: “Inevitably, newcomers play growing role,” Japan Times, January 1, 2008, pp. 1-2.

D Sustainability

Environmental policy

Score: 7

Japan’s environmental policy has been most effective in minimizing industrial pollution, especially through technological measures. Decreasing levels of atmospheric pollution have accompanied economic development in recent years, largely as a result of preventive technologies and lifecycle analysis

models. The country's record with regard to preserving nature, including wildlife, rivers and coastlines, is less impressive because of the government's longstanding emphasis on public works spending, especially on roads, which serves to stimulate local economies, support construction companies, create jobs and win votes for the ruling Liberal Democratic Party (Imura/Schreurs 2005).

Environmental policy-making is no longer the sole domain of the traditional bureaucracy, which historically assumed an industry-friendly posture. In response to a number of environmental dangers, such as threatened animal species, an "environmental bureaucracy" has developed inside and outside the Japanese government. An impressive alliance of research institutes, nongovernmental organizations and advisory groups nowadays supports the Ministry of the Environment. A number of local governments in Japan have also become quite flexible with respect to pluralizing decision-making regarding environmental affairs (Barrett 2005).

Annotation: Hidefumi Imura and Miranda A. Schreurs, *Environmental Policy in Japan*. (Cheltenham: Edward Elgar, 2005).

Brendan F. Barrett, *Ecological Modernization in Japan*. (London: Routledge, 2005).

Research and innovation policy

Score: 7

In terms of research and development input, Japan has been one of the leading countries of the world. Most of the R&D spending has been done by private industry, and was more concentrated in applied research than in basic research. It is particularly noteworthy that high and rising R&D spending has been maintained during the years of the economic slowdown. Since about a decade ago, the government has made it a top priority to reform its R&D system through a new so-called Basic Law, and through plans under this law, the third of which went into effect in 2006. Accordingly, growth in public R&D spending over the past decade has been considerable. However, the efficiency of these efforts has been unconvincing. The plans have boosted government funding for basic research; promoted cooperation among universities, industry and other research establishments; aimed at making these institutions' work more effective; and have tried to internationalize the research landscape. Considerable funding has been allocated, but convincing

reform has proved difficult to achieve.

In contrast to international perceptions, Japan's performance in educating scientists and science graduates has been mediocre by international comparison. Although Japan's performance in terms of triad patents (patents filed in Japan, the United States and Europe) is strong, the country will need to improve the education of a new generation of researchers who should be more open to novel ideas and methods, different from predecessors who followed careers characterized by seniority-based pay and path-oriented progress.

Education policy

Score: 7

OECD data indicates that Japan's educational system has made strong progress in recent decades. In the 1960s, Japan's proportion of people with university-level or vocational tertiary qualifications ranked 14th among OECD countries. Today it ranks 2nd, just after Canada (OECD 2007). Japan ranked 3rd in the OECD's 2006 Program for International Student Assessment (PISA) test, which evaluates students' ability to apply science, mathematics and reading lessons to new situations. Japan's above-average student performance in these tests coincided with below-average impact of socioeconomic background on that performance, indicating relatively equitable access to education in Japan. However, this analysis is marred by the fact that a substantial percentage of women in tertiary education attend two-year women's colleges rather than universities.

Some problems also remain in terms of providing a skilled labor force. The share of science graduates in Japan remains below the OECD average. For every 100,000 employees aged 25 to 34, 1596 people hold a tertiary science degree, compared with an OECD average of 1675. This gap is attributable mainly to the low participation of women in the sciences. Just 573 women per 100,000 employed 25- to 34-year-olds hold tertiary science degrees, compared to 2302 men. This is the lowest rate of any OECD country (OECD 2007).

Annotation: OECD, "Education at a Glance," OECD: Paris, 2007.

Management Index

I. Executive Capacity

<i>Cabinet composition</i>	<i>Prime minister</i>	<i>Parties in government</i>	<i>Type</i>	<i>Mode of termination *</i>	<i>Duration</i>
	Junichiro Koizumi	Liberal Democratic Party (LDP), New Komeito (Kt)	minimal winning coalition	1	04/01-09/05
	Junichiro Koizumi	Liberal Democratic Party (LDP), New Komeito (Kt)	surplus coalition	2	09/05-09/06
	Shinzo Abe	Liberal Democratic Party (LDP), New Komeito (Kt)	surplus coalition	2 (3)	09/06-09/07
	Yasuo Fukuda	Liberal Democratic Party (LDP), New Komeito (Kt)	surplus coalition in the Lower House (with a minority position in the Upper House)	-	09/07-

* The following modes of termination should be distinguished: elections = 1; voluntary resignation of the prime minister = 2; resignation of prime minister due to health reasons = 3; dissension within cabinet (coalition breaks up) = 4; lack of parliamentary support = 5; intervention by head of state = 6; broadening of the coalition = 7.

A Steering capability: preparing and formulating policies

Strategic capacity

Strategic planning
Score: 5

All ministries in Japan have policy-planning units whose task is to engage in strategic and long-term policy planning. There are also around 90 advisory councils (“shingikai”) attached to the ministries. Composed of business

people, bureaucrats, scholars, journalists, union representatives, and others, these councils deliberate various aspects of public policy. Some of these councils, especially the ones reporting to the prime minister, also generate long-range policy proposals. Some of the larger ministries also have affiliated think tanks.

The prime minister's office, or Cabinet Office, acquired substantial policy-generating capacity in the course of administrative reforms implemented in 2001. The newly established Cabinet Secretariat does not only coordinate ministries, but also develops political guidelines and more concrete legislation. Since 2001, the prime minister has also been able to independently appoint up to five personal advisors with individually tailored responsibility. Moreover, prime ministers also have appointed high-level advisory councils, most notably the Council on Economic and Fiscal Policy (CEFP), which is staffed by major ministers plus outside members (drawn from industry and academia) and headed by the prime minister himself. These councils have taken a prominent role in guiding policy-making in some areas.

While the institutional apparatus for substantial strategic planning is thus in place, strong ruling party intervention and competition among ministries have interfered with its performance. Ministers are torn between what the LDP or their party faction expects from them and what the well-informed career bureaucrats within the ministries want them to do. Ministries compete between one another, on issues such as the promotion of advanced industries. Since 2001, all ministries have had to propose their budget plans to the CEFP, which increases the ability to enforce strategic priorities. However, the CEFP's importance depends largely on the will and personal standing of the prime minister. During Junichiro Koizumi's

market-oriented reforms, such as the privatization of Japan Post, the CEFP played a significant role. But during his government's last year and afterwards, the CEFP became less prominent, and the influence of the Ministry of Finance seems to have risen again.

Scientific advice

Score: 5

Academic experts routinely participate in the roughly 90 advisory councils that exist at the ministerial level in Japan. However, academics constitute just one group within these councils which, depending on the task area, might also be composed of civil servants, journalists, trade unionists and representatives from economic associations or other lobbying organizations, including NGOs. As a rule of thumb, a council with 15 members is likely to have two academics as members. Moreover, the influence of advisory councils varies enormously – some exist to assess the implementation of

given programs, other are de facto used to legitimize decisions taken elsewhere, and some actually develop policy proposals which may be taken up by the relevant ministries or government. Overall, the influence of academics on government decision-making must be judged as modest. However, every now and then academics gain prominence because they possess expertise that does not exist elsewhere and is needed at a certain moment in time or because they play a leading role in one of the more influential advisory councils. Although their overall number is limited, academics sometimes become ministers, as did Heizo Takenaka in the Koizumi government. In late 2006, Prime Minister Abe appointed Hiroko Ota, an academic and Takenaka ally, to a ministerial position. However, it is doubtful whether Ota truly has strong influence.

Inter-ministerial coordination

GO expertise

Score: 8

Cabinet resources include the Cabinet Secretariat, the Cabinet Office, and the Cabinet Legislation Bureau (CLB), which reviews every bill before submission to the Diet. The Cabinet Secretariat has been considerably strengthened in recent years, with changes designed to improve strategic decision-making by the prime minister and to sidestep tensions between politicians and the bureaucrats of traditional line ministries.

The 2001 central government reform ushered in a number of major changes, both formal and informal. The chief cabinet secretary has become an important post, and is now the de facto deputy prime minister of Japan. This position oversees several important deputy chief cabinet secretaries. Shinzo Abe was a parliamentary deputy cabinet secretary between 2000 and 2003. The number of possible private secretaries and special advisors to the prime minister has also been increased. The Cabinet Secretariat was reorganized to make it more efficient, as well as more powerful. As of early 2006, this body had 665 staff members, about three times its pre-2001 level. While rarely initiating policies before 2001, the secretariat has been important in more than a dozen cases of important lawmaking since. As a consequence, ministries have begun sending top officials to this body, further increasing its policy-making capacity.

GO gatekeeping

Score: 7

Koizumi and his successor Abe each worked to strengthen cabinet's role. Since 2001, the Cabinet Secretariat has been able to take responsibility for policy areas and set material limits for ministries. Nevertheless, it still must work with leading politicians and ruling political parties in a cooperative manner. Realistically speaking, the secretariat would not normally be in a

position to restrain a ministry at the stage of proposing or withdrawing an agenda item for a cabinet meeting. However, new policies are discussed among working staff well beforehand, providing ample time to influence the ministry's actions. Moreover, before cabinet meetings, there is a meeting of administrative vice ministers headed by the Cabinet Secretariat in which such matters can also be raised.

However, it should also be clear that the secretariat, even headed by the powerful chief cabinet secretary, is not totally free to formulate policies. Rather, it must cooperate with leading politicians, particularly from the LDP, which has its own policy research council. Under Prime Minister Abe, the power of the leading LDP politicians appeared to rebound, implying that LDP-supported policies may once again be developed in party circles, with fewer chances for Cabinet Secretariat staff to intervene. Moreover, the chief cabinet secretary under Abe, Kaoru Yosano, is known to be close to bureaucrats, making him less likely to risk open power struggles with the ministries.

Line ministries

Score: 7

Line ministries and the Cabinet Secretariat communicate regularly on major policy areas, particularly in the case of new proposals. This interchange is eased by the fact that ministry staffers are often assigned to serve as policy specialists at the secretariat. Under Japanese custom, contacts between former and even potential future colleagues are very tight, ensuring a good flow of information between the secretariat and the ministries. However, Prime Minister Abe announced plans to appoint more outsiders to secretariat positions and upgrade staff positions, which would leave staff members less tied to ministry relationships. Such a policy would widen the gap between ministries and the cabinet somewhat, but it is too early to judge to what extent this new policy can be executed and what its results will be.

Cabinet committees

Score: 2

In a strict sense, committees composed exclusively of ministers do not play a role in Japan. One exception is the National Security Council (NSC), presided over by the prime minister and advising him, rather than the cabinet as a whole. However, the Cabinet Secretariat seems to have played a larger role in preparing new laws on security, for instance in response to the new terrorist threats. As of early 2007, the NSC had only 10 to 20 staff members in its secretariat.

Other ministerial committees, typically composed of several ministers and individual non-cabinet members, are more relevant. One important example has traditionally been the Administrative Vice-Ministerial Council, held before cabinet sessions to decide its topics of discussion. However, since 2001, this agenda-setting power has shifted to the prime minister. Moreover,

some observers contend that the Vice-Ministerial Council merely deals with procedural and legal issues, rather than preparing and deciding on matters of substance. Given the tension between politicians and ministerial bureaucrats since the 1990s, the meeting is unlikely to have truly substantial meaning these days. The Council on Economic and Fiscal Policy (CEFP), a more important “committee,” also incorporates non-cabinet members.

*Senior ministry
officials*

Score: 7

At least in a formal sense, the Administrative Vice-Ministerial Council is in a strong position to influence cabinet decisions. It is composed of the highest-ranking ministry bureaucrats, and prepares cabinet meetings. However, it is a matter of debate whether this is only an organ of coordination and legal clearing, or whether matters of substance are prearranged here. In recent years, politicians have consistently tried to reduce the power of bureaucrats. One important mechanism has been the appointment and dismissal of senior bureaucrats such as administrative vice-ministers. In mid-2003, Prime Minister Koizumi demoted two senior Interior Affairs and Communications Ministry officials who were in charge of postal reform, without consulting the minister in charge, because of their perceived lack of determination in forcing through postal reform. In August 2007, Defense Minister Yuriko Koike tried to put in place a new administrative vice-minister who lacked ministry experience. However, this plan was changed after intervention by the Cabinet Secretariat and strong criticism from within the ministries. Prime Minister Abe’s policy has rather been to strengthen the influence of the Cabinet Secretariat over that of the ministries.

*Line ministry
civil servants*

Score: 5

Until some 10 to 15 years ago, line ministry officials were considered to be of prime importance. Coordination was achieved through the budgetary process, led by the Ministry of Finance, with its bureaucrats wielding significant power. This mechanism has been weakened through several mechanisms, however. Politicians and bureaucrats blamed each other for the economic downturn of the 1990s; new procedures for appointing and dismissing bureaucrats were developed; and cross-ministry bodies such as the CEFP and the Cabinet Secretariat gained power. The Ministry of Finance’s reputation was tarnished by various scandals of the 1990s, and by its inability to handle the decade’s economic troubles. In recent years, both the main opposition party, the Democratic Party of Japan, and groups within the ruling LDP, have pursued a new approach which would further weaken civil servants’ influence over policy-making and coordination. Each party argues that this would improve the accountability and transparency of the policy-making process. Whether this would enhance the coordinative capacity of the ministerial apparatus or weaken it is debatable.

Regulatory impact assessments

RIA application

Score: 5

According to a 2004 OECD report (the most recent information available), the scope of regulatory impact assessment (RIA) in Japan is quite limited. It is typically performed in the context of environmental assessment, but has not spread into other policy fields. Although introduced in 1987, results are not typically disclosed to the public, and no recent case has gained public prominence. RIA has not played a major role in recent regulatory reform plans by the Council for the Promotion of Regulatory Reform, a group associated with the Cabinet Office.

Annotation: OECD, “Regulatory Impact Analysis (RIA) Inventory,” Note by the Secretariat, GOV/PGC/RD(2004)1, Paris 2004

<http://www.oecd.org/dataoecd/22/9/35258430.pdf> (accessed June 20, 2008).

Needs analysis

Score: 4

Only selected cases are analyzed in a concise, quantitative way, and only selected costs and benefits are evaluated.

Alternative options

Score: 1

In view of the incomplete criteria underlying RIAs, it seems unlikely that alternative options are properly analyzed.

Societal consultation

Mobilizing public support

Score: 7

The Japanese government has long sought to embrace major social groups, in order to make its policies more acceptable and sustainable. This mechanism has been referred to as an “iron triangle” linking politicians of the ruling LDP, the ministerial bureaucracy and leading business circles, through the establishment of advisory councils associated with ministries and agencies. This led to considerable interest entanglement, through mechanisms such as lobbying legislators or filling senior business positions with former bureaucrats, and a tendency to exclude other interest groups such as trade unions or environmentalists.

The breakdown of the iron triangle in the 1990s strained this kind of strategic, but also collusive cooperation to the point of demise. Nevertheless, the government still needs to seek the support of other societal forces, in what might be termed a horizontal-fragmentized model of policy-making. Since the late 1990s, the government has attempted to make administration

more transparent and involve more societal forces. Progress is difficult, as there is no established pattern of voluntarism in the social groups which the government might seek as partners. Yet on many issues, including environmental concerns, development support and refugee issues, the government does seek cooperation with social groups, often organized as NGOs or nonprofit organizations.

Policy communication

Coherent communication

Score: 6

The government has traditionally laid great stress on communicating its policies. The so-called White Papers, often released annually, are one important conduit through which ministries and other agencies publicize their achievements, policies and problems. Although increasingly common, these are criticized for providing only vague policy statements, along with a bewildering variety of data. Moreover, they have been used in the power struggles among ministries to stake out policy territory. In general, communication has suffered as issues have become more complex. For example, whereas former decades' economic plans could concentrate on the prospective growth rate, the growth rate as a policy variable has lost importance, and utterances on the economic prospects are now more vague. It is doubtful whether the government has spoken with one voice in recent years. The strengthening of the chief cabinet secretary's role in recent years has helped somewhat, as the officeholder doubles as government spokesman, handling press conferences and frequently speaking off the record to reporters. With an intimate involvement in policy-making, this official is well placed to give a valid, coordinated view on government priorities and actions.

B Resource efficiency: implementing policies

Legislative efficiency

Veto players

	<i>Total</i>	<i>Share</i>
Bills envisaged in the government's work program	216	
Government-sponsored bills adopted	199	92.13 %
Second chamber vetos	1	0.46 %
Head of state vetos	-	- %
Court vetos	1	0.46 %

Effective implementation

Government efficiency

Score: 6

The balance sheet of the Koizumi and Abe governments during the review period is certainly mixed. One could argue that more objectives have been achieved than not in these years. At least until the LDP's landslide win in the 2005 House of Representatives election, Koizumi faced substantial resistance to his far-reaching reform plans within his own party. The Abe government, on the other hand, had trouble implementing desired policies because it lacked a majority in the upper house, the House of Councilors. Koizumi's biggest second-term achievement was to push through postal reform, although the full process will continue until 2018, and several measures were watered down.

Other reform measures, such as to the public highway system, cannot be considered as sweeping. Concerning the budget, the government has been very hesitant since 2005 to improve the fiscal situation further through tax increases. Indeed, Koizumi promised not to increase value-added taxes during his term, thus making the situation for his successor more difficult. In education, major steps such as the transformation of national universities into independent agencies and changes to the university career system were achieved, but doubts remain as to whether these changes are more than superficial. In foreign policy, relations with neighbors China and South Korea were quite troublesome, whereas the alliance with the United States remained stable. On the international stage, Japan has become more eloquent, but did not gain a leadership role. Its policies to reduce global warming-related emissions have not been decisive enough.

Ministerial compliance

Score: 7

Traditionally, departmental self-interest has been strong and even dominant. However, post-1990s reforms strengthened the Cabinet Secretariat, while the CEFPP became a vehicle to show the prime minister's leadership. The ministerial bureaucracies have been weakened as outside forces gained influence over promotions to senior administrative level, particularly in the case of administrative vice-minister positions. Additionally, Koizumi shifted the center of power towards the prime minister and cabinet by giving some important ministerial portfolios to outsiders. This provided new incentives to cabinet ministers to follow the prime minister's course. Under Abe, however, factional balance and seniority considerations again became important criteria in the selection of ministers. It remains to be seen whether this will negatively affect ministers' willingness to toe the official line.

Monitoring line

Since 2001, the institutional and personnel resources of the Cabinet

*ministries**Score: 7*

Secretariat have been beefed up. This enables the prime minister's staff to oversee the activities of the main line ministries and, in areas of particular interest, to monitor the relevant activities in more depth. The secretariat does not have the resources to monitor the activities of all line ministries at all times, however.

*Monitoring agencies**Score: 8*

Ministries are usually in a strong situation to supervise activities of related agencies through budget allocation, personnel policy and personal networks. However, ministries use their power not only for strategic reasons of functionally integrating policies, but also to promote departmental self-interest or collusion. This influence is also noticeable in central-regional relations, applied not only for "proper" purposes, but also for self-interested motives such as raising votes for the incumbent party or to procure jobs for central government retirees.

Administrative reforms since the 1990s, introducing independent administrative agencies and regional decentralization, have tried to curb these practices. The Abe government continued the reform policy, but there has been no recent decisive action against opposition by the old system's vested interests.

*Task funding**Score: 5*

Local governments in Japan have traditionally been highly dependent on financial transfers from the central government. While the central government's tax revenue was, as a rule, double that of local governments taken together, the proportion was reversed in terms of public spending. In 2004, a quarter of the national budget flowed to local governments, via 2000 different types of subsidies. Central government determined not only the conditions under which local governments received the funds but also the way they could be spent. Cofinancing obligations made it difficult for local governments to refuse transfers from the central level.

In late 2004, comprehensive fiscal decentralization was introduced. A large amount of national subsidies to local governments were cut, while tax revenue sources worth three-quarters of these former subsidies were transferred from the national to the local level. Leaving the remaining quarter unfunded forced local governments to cut spending sharply, in order to make ends meet. The central government also charged local government with new spending responsibilities such as preschool child care, exacerbating the problem. Local government will continue to be hard pressed financially. With many local governments burdened by high levels of debt, their ability to fulfill many public tasks has increasingly become a daunting challenge.

Constitutional discretion

Japan is a unitary state. The constitution acknowledges the principle of local autonomy but is very short on specifics. De facto, local governments have

Score: 4

become the “extended arm” of central government. The comprehensive decentralization law of 2000 changed the situation substantively, however. Several municipalities merged, and authority was shifted to the regions in several administrative fields, while leaving them acting on behalf of the central state in others. Central and prefectural governments’ comprehensive supervision of municipalities (and the related interference) was restricted to “cases where it is provided in laws and in the ordinances based on such laws” (CLAIR 2006). While the rights and duties of local governments have become clearer as a consequence, local governments’ scope of discretion has remained limited due to the influence exerted by national legislators over budgetary items and, in particular, on infrastructure projects having a bearing on local development.

Annotation: CLAIR (Council of Local Authorities for International Relations), “Local Government in Japan 2006,” (Tokyo: CLAIR, 2006).

National standards

Score: 8

The Ministry of Internal Affairs and Communications, on behalf of the central government, attempts to ensure a uniform standard of administration. This has always been considered important, with the presumed lack of professionalism of local government serving as one argument to defend the predominant position of the central government. The principal means of control include direct supervision, personnel interchange (with the ministry’s younger career bureaucrats often sent to work in regional administrations for some years), and a Local Public Service Personnel System.

C International cooperation: incorporating reform impulses

Domestic adaptability

Domestic adaptability

Score: 7

Major overhauls of Japanese government structures, the last of which occurred in 2001, have been driven by domestic rather than external pressures.. Within existing ministries, including the recently strengthened Cabinet Office, reorganizations and personnel reshuffles have occasionally taken place in response to inter- and supranational developments, and the corresponding new tasks and challenges.

External adaptability

International coordination activities

Score: 8

Japan's government often participates in internationally coordinated activities. The country is an active member of the G8 and has been supportive of the war against terror. A major, but still unsuccessful diplomatic drive in recent years has been to win a permanent seat in the UN Security Council. In general, Japan is very interested in a functioning international community, in part due to security goals such as access to energy and resources, which are more responsive to international cooperation than to military means. Another motive is competition with China for international status. Finally, Japan usually follows the lead of the United States, as in the case of military participation in Iraq. Apart from multilateral activities, Japan has focused heavily on regional Asia-Pacific cooperation, although it has not always been easy to calibrate the country's own regional goals with U.S. interests. A persistent problem has been Japan's lack of conceptual leadership. While it has substantial resources, its capacity to inspire others and bring others together under one issue is quite limited.

Exporting reforms

Score: 6

Japan is generally considered a follower in international relations. This is due to its heavy dependence on the United States for security, as well as its failure in overcoming its own war history. In recent years, Japan has sought a more proactive role. However, it is difficult to associate Japan's name with any major recent initiative. In 2005 and 2006, it became clear that Japan's goal of joining the UN Security Council would be difficult. In East Asia, Japan has lacked a clear vision, trying instead to carve a path between U.S. and Chinese influences. However, Japan contributes heavily to international initiatives, including to the UN budget.

D Institutional learning: structures of self-monitoring and -reform

Organizational reform capacity

Self-monitoring

Score: 5

The last decade has seen substantial criticism of Japan's institutional and organizational mechanisms. As a result, the government has sought to implement an institutional monitoring process, aiming at more efficient and transparent government workings. A Headquarters for Administrative Reform was created in the cabinet in January 2001, for example. A new Council for the Promotion of Regulatory Reform was established in January 2007 to advise the prime minister, consisting of political outsiders,

businessmen and academics.

Major organizational mechanisms such as the relationship between prime minister, cabinet and ministries are naturally monitored less often and more informally. Recently, the prime minister's personality and strength have determined this process. Abe, for example, considered strengthening the Cabinet Secretariat, giving unclear signals about his approach to reform-minded bodies like the CEFP.

Institutional reform

Score: 4

Although Koizumi acted to improve the government's strategic capacity during his early years in office, more recent moves have diluted this effect. The departure of Takanaka, the leading reformer within the cabinet, from the economic and fiscal policy portfolio to internal affairs in order to take over postal reform, showed how small the base of reformers was. His successor, Kaoru Yosano, was known to be much closer to bureaucrats, and this raised the threat of renewed ministry influence over the CEFP, reducing the prime minister's ability to use this body strategically. Abe's appointment of Yosano as chief cabinet secretary countered the tendency to make the Cabinet Secretariat more independent from ministries, in order to formulate overarching policies. Abe said he wanted to strengthen central policy-formulating mechanisms, in part by raising the number of outside experts, but his personnel policy seemed to run counter to these tendencies.

II. Executive accountability

E Citizens: evaluative and participatory competencies

Knowledge of government policy and political attitudes

Policy knowledge

Score: 7

Japan has a highly saturated media market in which daily newspapers and public television (NHK) still play a substantial role. The media infrastructure required for an informed citizenry thus exists in Japan. To what extent Japanese citizens use the information available or to what degree they actually feel informed are altogether different questions. According to the 2006 AsiaBarometer, 56 percent of respondents in Japan stated that they were very or somewhat satisfied with the scope of the right to be informed about the work and functions of government. Based on the very high level of media consumption, one can guess that, on average, Japanese citizens tend to

be better informed about current politics than are citizens in most other OECD nations.

F Parliament: information and control resources

Structures and resources of parliament, committees, parliamentary parties and deputies

Number of deputies	480
Number of parliamentary committees	17
Average number of committee members	36
Average number of subcommittee members	15
Pro-government committee chairs appointed	15
Deputy expert staff size	3
Total parliamentary group expert support staff	15
Total parliamentary expert support staff	170

Obtaining documents
Score: 9

Diet committees have the right to ask the government for access to documents. Such documents are usually delivered in full and in a timely manner. Whether a committee in fact asks for such documents depends on the leadership and composition of the committee in question.

Summoning ministers
Score: 9

Each legislative house may conduct investigations related to government and may demand the presence and testimony of witnesses and the production of records. Such investigations are usually conducted in committee meetings. Standing committees and special committees each may investigate governmental matters that fall under their jurisdiction. Until the 2001 administrative reform, ministry bureaucrats regularly attended committee meetings to answer questions and explain policy. Committees may ask ministers to attend.

Summoning experts
Score: 7

A committee may, if deemed necessary for an effective examination or investigation, summon a witness to appear before it to give evidence. In practice, experts are rarely summoned. The most important source of information is ministry officials.

<i>Task area coincidence</i> <i>Score: 9</i>	The task areas of the standing committees of both houses correspond fully with the ministries. Two separate committees cover financial affairs and budget issues, the first corresponding to the Ministry of Finance's responsibilities, with the second having more general coverage, including general cabinet issues. There are special committees as well, some of which correspond to the task areas of ministries.
<i>Audit office</i> <i>Score: 7</i>	According to its charter, the Board of Audit in Japan is a constitutionally independent organization whose task it is to audit final state accounts, public corporations, independent administrative agencies and public subsidies. Apart from its annual audit (usually filed in November for the preceding fiscal year), the board can undertake special audits at the Diet's request.
<i>Ombuds office</i> <i>Score: 5</i>	While there is no official ombuds office, the Diet's Audit Committee serves to some extent as a de facto surrogate. Each citizen has the right to make petitions to either legislative house. If accepted, these are passed to a Diet member to take appropriate action. Such petitions can also be referred to the cabinet. According to data from the House of Councilors, cases are not numerous. In the executive, the Cabinet Office's administrative consultation ("Gyôsei sôdan") branch also functions as an ombuds office. The Audit Office, independent from the three branches of government, should be mentioned in this context as well.

G Intermediary organizations: professional and advisory capacities

Media, parties and interest associations

<i>Media reporting</i> <i>Score: 8</i>	There is a clear distinction between the quasi-public television stations NHK and other private TV stations. The quality and frequency of NHK's information on governmental policies is usually very high. Some viewers complain of a dearth of critical comment, but there is no lack of information. The contents can be considered quite dry, and some people are even said to have difficulty understanding everything, but this is attributable to the high information content. Private stations' standards are not as high, but their information is more independent from government views. In a recent independent survey, 40 percent of respondents said they could not fully trust NHK, while only 29 percent said so for private TV.
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Fragmentation

Parliamentary election results as of 9/11/2005

<i>Name of party</i>	<i>Acronym</i>	<i>% of votes</i>	<i>% of mandates</i>
Liberal Democratic Party	LDP	38.2	61.67
Democratic Party of Japan	DPJ	31.0	23.54
New Komeito	Kt	13.3	6.46
Independents (18)			3.75
Japan Communist Party	JCP	7.3	1.87
Social Democratic Party	SDP	5.5	1.46
People's New Party	PNP	1.7	0.83
New Japan Party	NJP	2.4	0.21
New Party, Big Land	StD	0.6	0.21

*Party
competence
Score: 7*

Electoral programs or “party manifestos” were first used at the national level in Japan in the context of the lower house elections of 2003. Since then all national-level parties national level have issued such programs, outlining policy goals to be pursued upon becoming governing party. Party manifestos provide numerical benchmarks for the attainment of such goals, timelines and estimates of the financial resources necessary to reach the goals in question. Electoral programs are outlined and discussed in all major national daily newspapers. While the introduction of party programs is laudable per se, they risk degenerating into simple laundry lists of party pledges, rather than truly useful guides to voting decisions. Arguably, the manifestos used in the upper house election of 2007 were less coherent and plausible than those used in 2003, 2004 and 2005.

*Association
competence
Score: 4*

In Japan, the number of interest associations with reasonably sophisticated policy formulation capacity is quite low. This stems from the fact that rules allowing the easy establishment of nonprofit organizations were implemented only in the late 1990s. Moreover, interest organizations for environmental or other consumer or citizen concerns find it difficult to attract many members that would help them develop a strong organization. The two major interest organizations are arguably the Japan Business Association

(“Nippon Keidanren”) and the Trade Union Confederation (“Rengo”). The Business Association regularly promotes quite high-level proposals, based on its interests

*Association
relevance*

Score: 5

Only a few interest groups play a significant role in Japan, but the influence of those few can be quite considerable. Traditionally, business associations were an integral part of the “iron triangle” linking the LDP, the senior bureaucracy and businesses. However, this relationship has weakened since the 1990s, with business leaders growing unsatisfied with politics, and reducing financial contributions to campaigns. This has reduced business associations’ influence considerably. Labor organizations have never been strong in influencing the LDP-dominated governments.

During the last decade, the government has tried to reduce this influence further by shuffling memberships on relevant committees. Religious communities do not play a role, although New Komeito, one of the government parties, at least nominally represents a Buddhist constituency. Environmental and social groups are still quite weak. The LDP has been influenced by agricultural and regional interests, as well as by veterans’ associations. Under Koizumi’s government, party leadership tried to reduce this influence, however. To date, the LDP has not succeeded in finding other support groups, so it still depends on its former allies to some extent.

This country report is part of the Sustainable Governance Indicators 2009 project, which assesses and compares the reform capacities of the OECD member states.

More on the SGI 2009 at www.sgi-network.org

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