



Japan Report

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Sustainable Governance Indicators 2017

Executive Summary

After years of short-lived cabinets, the 2012 general election led to a stable coalition of the Liberal Democratic Party (LDP) and the Komeito. The Lower House snap election in December 2014 confirmed the governing coalition, which holds a two-thirds majority in the first chamber. The governing coalition has also enjoyed a majority in the second chamber since 2013 and a supermajority since the July 2016 Upper House election, giving it a strong basis to pursue its ambitious economic, foreign affairs and constitutional agendas.

Important policy initiatives of the government, led by Prime Minister Shinzo Abe, focus on a major economic stimulus program (“three arrows”), which includes aggressive monetary easing and additional deficit spending, pursued in conjunction with the Bank of Japan. While the short-term effects of this unprecedented policy gamble (dubbed Abenomics) were positive, consumption and investment has remained weak, preventing a sustained upswing.

Perspectives in the longer term depend on serious structural reforms, the third arrow of Abenomics, which are still lacking despite a number of noteworthy initiatives, including a new Corporate Governance Code in 2015. A second round consisting of three “new arrows” in 2015 - a strong economy, better child care, and improved social security - deflected some attention from institutional reforms. A multi-year stimulus program, with JPY 4.6 trillion (about €40 billion) extra spending for 2016, cannot address this structural deficit either. Moreover, unconventional monetary easing seems to have reached its limits, with negative interest rates unable to trigger the desired expansion.

The conclusion of the Trans-Pacific Partnership (TPP) negotiations in October 2015 was supposed to herald a further round of economic liberalization. However, with the decision of U.S. President Donald Trump to not ratify TPP, the entire deal has fallen apart.

With regard to the pressing issues of labor market flexibility and labor shortages due to an aging population, no genuine solution can be discerned, despite some progress in terms of child care support and higher labor force

participation of women (many of whom are not in regular employment).

With the Abe-led coalition entering its fifth year, time is running out to initiate a strong economic upturn. This raises the potential for destabilizing junctures, as trust in institutions remains very low and the population is among the most pessimistic in the OECD world.

Constitutional reform, the government's second major stated policy priority, has been met with considerable resistance. In 2015, despite considerable public protest, the government successfully pushed new security legislation through parliament, providing a basis for a more proactive security strategy. Despite the necessary super majorities in both houses, the LDP-led coalition is still hesitant to initiate the formal process of constitutional change, presumably because of widespread unpopularity for this move, which includes the junior coalition partner, the Komeito.

As for global environmental concerns, the government formally fully supports the 2015 Paris Agreement but current plans for limiting CO2 emissions, as confirmed in 2016, are still inadequate. The 2016 policy switch to allow the operation of new coal-fired power plants will aggravate environmental problems.

With respect to the quality of democracy, the courts and the major media remain of only limited effectiveness in terms of providing checks on the government. However, high-level courts have become somewhat more restless. Additionally, social media and civil society organizations have become more active following the catastrophes of 3/11 and the controversy over the introduction of the new security laws, but so far they have had only very limited impact on public policy. The recent law on state secrets and attempts to sideline progressive voices within the established media are worrying, and concerns about press freedom and civil liberties have been mounting. The parliamentary opposition effectively lacks the ability to launch initiatives vis-à-vis the government. The governing coalition's supermajority in the Lower House severely impedes the opposition's capacity to assume an effective oversight function within parliament.

The LDP-led government has quite successfully sought to steer from the center, for instance by strengthening the Cabinet Office and its secretariat, and centralizing discussion fora for cross-cutting strategic issues. However, tensions between the core executive and line ministries (and their constituencies) remain and have contributed to delayed reforms in several sectors.

Key Challenges

During the postwar period, Japan developed into one of the strongest economies in the world. As a result, Japan has achieved a high standard of living and safe living conditions for almost 130 million people. Despite major problems such as a rapidly aging population and an inadequate integration of women into its workforce, it has remained one of the leading economies in the world and its per capita-growth is in line with the U.S. or the EU. In this sense, referring to the period since the 1990s as “lost decades” undervalues the achievements of Japan’s political and economic system in sustaining a competitive, safe and vibrant nation.

Notably, however, disposable incomes have risen little in recent years. In addition, a new precariat, with 40% of labor working in non-regular occupations, has emerged in a country that was once hailed as the epitome of equitable growth.

It is essential that the short-term expansionary measures of the Abenomics program are followed by serious structural reforms. Major work in this regard still needs to be done, with critical policy objectives including a sweeping reduction of agriculture-sector protections, the creation of a more liberal labor market regime (in part to make layoffs easier), the provision of effective support for well-educated women (a policy which despite new measures still seems to lack the firm support of the establishment), the passage of more liberal immigration policy, the development of a convincing energy policy in line with the 2015 Paris Agreement and the passage of social policy reforms that focus on combating hardships. The intention to prepare bills for 2017 on equal pay for equal work, and related issues, points in this direction, but seems too reductionist with its priority on distributional outcomes.

The time for genuine progress is running out, as the time bought through macroeconomic stimulation comes to an end. With optimistic expectations not met, the danger of destabilizing crises increases. Pushing the central bank further toward irresponsible measures and promising higher fiscal expenses do not work and is actually counterproductive.

In the field of foreign and security policy, it will be very tricky for the LDP to balance its assertive reformulation of security laws and possible further moves toward constitutional change with these policies' possible negative effects on (regional) foreign relations, particularly in conjunction with limited popular support for the policy direction.

The ruling coalition's comfortable majorities in both chambers of parliament provide the government with both opportunity and challenges. They seem to give the government the necessary leverage to push through reforms, but also strengthen the position of vested interests represented in parliament that oppose a disruption of the comfortable status quo.

It will be risky for the government to pursue its two major priorities, economic and constitutional reform, at the same time, since the recent past indicates that the coalition's remaining political capital may not suffice to accomplish both. Without the return to a strong economy, constitutional change will not create a more self-assured Japanese state. Thus, socioeconomic reform should take precedence.

It will thus be critically important for the government to adhere to its socioeconomic reform agenda. The government will need to strengthen alliances with interest groups that support the reform movement. This may include Japan's globally-oriented business sector, which has little interest in seeing its home market further weakened.

Courts and the media (including social media) as well as civil society movements should strengthen their monitoring and oversight capacities of the government. The government should not view critical media as an obstacle to fulfilling its ambitions, but as a corrective in an open and democratic society to improve the fit between government plans and popular aspirations and concerns.

To date, the parliament has not provided effective governmental checks and balances. Parliamentarians need to make better use of their resources to develop alternative legislative initiatives.

The difficult search for universal country-level solutions should be combined with policy experiments at various levels. The introduction of new special economic zones since 2014 is a welcome step, but this strategy should be bolder and more encompassing.

Policy Performance

I. Economic Policies

Economy

Economic Policy
Score: 4

The LDP-led government, which took office in December 2012, embarked on a so-called “three arrows” strategy, consisting of aggressive monetary easing, a highly ambitious deficit-financed spending program (despite record levels of public debt), and a program of structural reforms. In the short term, the first two arrows led to a surge of optimism in the economy, although their unorthodoxy entails grave hazards that would have been deemed irresponsible even a year before. A strong devaluation of the yen in response to the monetary easing played a considerable role in creating some positive momentum for the economy.

Progress on promised structural reforms (the “third arrow”) such as liberalizing labor markets and the agricultural sector has been much slower. In September 2015, Abe announced three new arrows, including a strong economy with a nominal economic output of JPY 600 trillion (about € trillion) by 2020. However, this vision lacked reference to specific instruments, thus diminishing its credibility. Many observers see it as an attempt to deflect attention from the earlier third-arrow agenda and its apparent underachievement.

Recent macroeconomic developments have strengthened disenchantment with Abenomics. Economic growth has not picked up significantly. In October 2016, the IMF predicted economic growth in 2016 to be 0.5%, the same as in 2015. The goals of a 2% annual inflation rate and concomitant increases in inflation expectations have not been achieved. The Governor of the Bank of Japan has signaled that the 2% inflation goal may be postponed even further to 2018, although it had been rescheduled several times before. Monetary policy has tried to create a positive stimulus by introducing negative interest rates in February 2016. However, the exchange rate surprisingly deteriorated in

response, dimming positive expectations. In September, the central bank made another major move by switching from a numerical target for annual asset purchases of JPY 80 trillion annually – mainly government bonds – to influencing the yield curve to avoid an excessive flattening, thus supporting banks. Many observers doubt the functionality of this mechanism. Moreover, it could point to the fact that the Bank of Japan has developed doubts about the role of unconventional monetary policy in supporting the economy. In August 2016, the government announced a new multi-year JPY 28.1 trillion (€245 billion) stimulus program, of which only a small part will become effective in the 2016-2017 fiscal year. Despite government and central bank activity, consumption has declined recently and optimism seems to be waning further.

Citation:

Robert Harding, Japan launches \$45bn stimulus package, *Financial Times*, 2 August 2016, <https://www.ft.com/content/857bd6ee-588a-11e6-8d05-4eaa66292c32>

Tomo Uetake, Bank of Japan playing 'kabuki' by saying it can control yield curve: ex-policy maker, *Reuters*, 4 October 2016, <http://www.reuters.com/article/us-japan-economy-boj-idUSKCN1230I3>

Labor Markets

Labor Market
Policy
Score: 7

In recent years, Japan's unemployment rate remained below 6%, reaching a low of 3.5% in 2015 (although this figure would likely be somewhat higher if measured in the same manner as in other advanced economies).

However, as in many other countries, the Japanese labor market has witnessed a significant deterioration in the quality of jobs. Retiring well-paid baby boomers have, more often than not, been replaced by part-timers, contractors and other lower-wage workers. Non-regular employment has risen strongly; while only 20% of jobs were non-regular in the mid-1980s, this percentage has risen to about 40%. A major concern is that young people have difficulty finding permanent employment positions, and are not covered by employment insurance. Moreover, because of the nonpermanent nature of such jobs, they lack appropriate training to advance into higher-quality jobs. Most economists argue that the conditions for paying and dismissing regular employees have to be liberalized to diminish the gap between both types of employment.

Unemployment insurance payments are available only for short periods. In combination with the social stigma of unemployment, this has kept registered unemployment rates low. There is a mandatory minimum-wage regulation in Japan, with rates depending on region and industry. The minimum wage is low enough that it has not seriously affected employment opportunities, although some evidence shows it may be beginning to affect employment rates among low-paid groups such as middle-aged low-skilled female workers.

The LDP-led government has promised sweeping reforms. However, earlier measures have proved rather disappointing to the business world. In 2016, the Abe-led government announced a significant reform by March 2017, with “equal pay for equal work” a major slogan, based both on employment and distributional concerns. The newly created Council for the Realization of Work Style Reform held a first meeting in September 2016. It is open to what extent the government can truly prepare workable measures by next year. Simply raising wages of the irregular workforce by regulation seems hardly feasible. The government also intends to raise the minimum wage by 3% annually, so in 2020 it could reach 1000 JPY per hour (about €8.80).

The government’s visions of increasing the role played by women in the economy and of boosting the national birth rate have provide difficult to achieve at the same time. However, increasing the number of child care facilities is a noteworthy element of the 2016 fiscal stimulus program.

Citation:

Kyodo News, Gov’t report urges more labor reform, childrearing support, 28 October 2015, <http://www.japantoday.com/category/national/view/govt-report-urges-more-labor-reform-childrearing-support>

Robin Harding, Shinzo Abe fears wrath of the salaryman on labor reform, Financial Times, 12 October 2016, <https://www.ft.com/content/5e3114be-902a-11e6-8df8-d3778b55a923>

Taxes

Tax Policy
Score: 6

Generally speaking, Japan has a reasonably fair tax system that in the past allowed its corporate sector to thrive.

In terms of competitiveness, the previous 35% corporate-tax rate has been clearly too high in international comparison. According to the tax reform law of spring 2016, the combined national and local corporate effective income tax rate will decline from 32.11% to 29.97% in April 2016, with a further reduction to 29.74% in April 2018.

That authorities are following up on their initial promise to lower corporate-tax rates despite the fiscal tension is a positive signal. It should be noted, however, that only around 30% of Japanese firms actually pay corporate tax, with the rest exempted due to poor performance.

Raising the comparatively low consumption tax is important for easing budgetary stress, particularly given the huge public debt and the challenges of an aging population. The government raised the consumption tax rate from 5%

to 8% in April 2014, while plans to increase it to 10% in April 2017 were shelved in spring 2016. The decision is thought to have played a considerable role in the election success of the ruling coalition in the July Upper House elections. While such political motives, along with concerns that a tax hike during weak economic conditions could undermine domestic demand further, are understandable, the decision undermines government reliability.

The country's tax system achieves a reasonable amount of redistribution. However, compared to self-employed professionals, farmers and small businessmen, salaried employees can take advantage of far fewer tax deductions.

Citation:

Nikkei, Japan to cut effective corporate-tax rate below 30% in FY17, Nikkei Asian Review, 11 October 2015, <http://asia.nikkei.com/Politics-Economy/Policy-Politics/Japan-to-cut-effective-corporate-tax-rate-below-30-in-FY17>

N. N. (Editorial), Abe's consumption tax decision, The Japan Times, 2 June 2016, <http://www.japantimes.co.jp/opinion/2016/06/02/editorials/abes-consumption-tax-decision/>

Budgets

Budgetary Policy
Score: 2

Gross public indebtedness in Japan amounted to 248% of GDP in 2015, the highest such level among advanced economies. The budget deficit, while currently declining, also remains high at 4.9% in 2015, making it the highest among Japan's peer group. In its August 2016 Article IV staff report, the IMF (like others) urged the government to more seriously address the deficit problem and present a determined and realistic medium-term consolidation strategy. The Abe government has reiterated its intention to achieve primary budget balance by 2020, despite the postponement of the consumption tax hike. This is based on very optimistic and, as the IMF argues, unrealistic assumptions. It has even been suggested to create an Independent Fiscal Institution for Japan to create more reasonable outlooks.

Nominal interest rates have been and remain low. A major factor producing these rates is the fact that more than 90% of public debt is held by Japanese, mainly institutional investors. The government and institutional investors obviously have no interest in lower bond prices, and this oligopoly of players can thus sustain the current price level of Japanese government bonds for the time being. However, should national savings fall short of domestic needs – a foreseeable development given the aging Japanese population – future government deficits may be difficult to absorb domestically. In this case, government bond prices could fall and interest rates could rise quickly, which would create extremely serious problems for the Japanese government budget

and the country's financial sector.

In addition to such structural longer-term concerns, the unprecedented presence of the central bank in the financial market, which absorbs more than the new issuance of government bonds, can lead to short-term liquidity shortages in the availability of Japanese Government Bonds (JGBs). This can lead to considerable short-term swings in JGB prices and may thus cause significant concerns regarding the stability of the financial system.

Citation:

International Monetary Fund, Japan 2016 Article IV Consultation - Staff Report; and Press Release, IMF Country Report No. 16/267, August 2016

Research and Innovation

R&I Policy
Score: 7

In the second half of the 20th century, Japan developed into one of the world's leading nations in terms of research and development (R&D). Science, technology and innovation (STI) has continued to receive considerable government attention and funding. Current policies are based on the new Fifth Science and Technology Basic Plan (2016-2020), approved in December 2015. The government has determined to spend one percent of GDP on science and technology. A major focus is on creating a "super-smart" society, also dubbed society 5.0. Concrete measures include a reform of the career system for young researchers, an increase in (international) mobility, measures supporting the development of a cyber society, and – as before – the promotion of critical technologies, including defense-related projects considered indispensable for Japan's independence and autonomy.

The government and outside observers realize that the strong position of Japan among the world's top five technology nations is slowly declining (by 12% since 2012 according to the Nature Index 2016). One major issue is the unstable position of young researchers, with tenured positions often held by older staff. This is one of the problems that the current Basic Plan takes seriously and tries to address. The relative position of Japan and other established top STI nations is being challenged by rising contenders like China.

In institutional terms, basic research and innovation policy is overseen by the Council for Science and Technology Policy (CSTP). This body is headed by the prime minister, signaling the high status accorded to STI issues. In previous times, the council lacked concrete authorities and clout. The LDP-led government has changed that by installing the CSTP as a think tank above the ministries, and providing it with budgetary power and increased personnel. For

instance, program directors are appointed to oversee various measures. While the recent, somewhat bewildering, variety of measures introduced has made this move plausible, it's unclear whether the addition of a new bureaucratic layer above the ministries will ultimately increase efficiency.

Citation:

Council for Science, Technology and Innovation/Cabinet Office, Report on the 5th Science and Technology Basic Plan, 18 December 2015

Nicky Phillips, Nature Index 2016 Japan, Nature, Vol. 531, Issue 7594. March 2016, p. S97, http://www.nature.com/nature/journal/v531/n7594_suppl/531S97a.html

Global Financial System

Stabilizing
Global Financial
Markets
Score: 6

Japan played a largely positive role in responding to the global financial crisis of 2008/09. For instance, apart from domestic stimulus measures, it provided a large loan to the IMF and also played an active role at the regional level, as for instance with its involvement in the Chiang Mai Initiative Multilateralization. Japan has engaged in multilateral discussions on improving the global financial architecture, but has not been particularly proactive or effective in this regard.

As host of the 2016 G-7 meeting, Japan had an opportunity to set the agenda. However, the global financial architecture has not been a high-priority issue for Japan. Rather, the prime minister used the meeting to push his domestic political agenda by drawing an alarmist picture of the global economy, in attempts to legitimize the decision taken a few days later to postpone the increase of the consumption tax.

On the regional and plurilateral level, Japan's influence was somewhat eclipsed by China, as China is heavily involved in creating a number of new international financial institutions such as the (BRICS) New Development Bank and the BRICS Reserve Contingency Arrangement. Unlike dozens of other nations, Japan also chose not to join the new Asian Infrastructure Investment Bank (AIIB) initiated by China, and will thus be unable to play a role in the bank's governance, which will also make it more difficult to wield influence on the emerging new system for infrastructure investment in Eurasia.

Citation:

Ayako Mie, AIIB holdout Japan risks missing out on the infrastructure contracts it seeks, The Japan Times, 22 September 2016, <http://www.japantimes.co.jp/news/2016/09/22/national/politics-diplomacy/aiib-holdout-japan-risks-missing-infrastructure-contracts-seeks/>

II. Social Policies

Education

Education Policy
Score: 6

Education has always been considered one of Japan's particular strengths. Nonetheless, the Japanese education system faces a number of challenges. One of these is to deliver adequate quality. Under the LDP-led coalition, renewed emphasis has been placed on reaching the top international tier as well as improving the use of English. While the number of students going abroad for study has been declining for a number of years, this trend seems to have halted recently.

The government is actively promoting reforms. From 2016, so-called compulsory education schools can be more easily designated. These schools have more freedom in dividing the first nine school years, which have traditionally been divided into primary and junior high school, which involved some friction at the transition point. Authorities are also actively working on curriculum reform, scheduled to be introduced in 2020.

A separate issue is the problem of growing income inequality at a time of economic stagnation. Many citizens send their children to expensive cram schools, believing the quality of the public school system is lacking. Given economic hardship, poor households may miss educational opportunities, future income and improved social status.

In terms of efficiency, the ubiquity of private cram schools is evidence that the ordinary education system is failing to deliver desired results given the funds used. The general willingness to spend money for educational purposes reduces the pressure to economize and seek efficiencies.

There is growing concern that frequently reform measures do not turn out as desired. This holds for the postgraduate education system and for legal education reform, under which new law schools were established, yet there is very little demand for their graduates. Despite major university reforms and the government's well publicized intention to place ten universities among the world's top 100, the ranking of leading Japanese universities has disappointed in recent years.

Citation:

Suzuki Kan (Hiroshi), Higher Education Reform: A Tale of Unintended Consequences, Nippon.com, 26 January 2016, <http://www.nippon.com/en/in-depth/a05101/>

Social Inclusion

Social Inclusion
Policy
Score: 6

Japan, once a model of social inclusion, has developed considerable problems with respect to income inequality and poverty during the course of the past decade. Gender equality also remains a serious issue. In terms of the poverty rate, the distribution of income, measured through the Gini coefficient, and in terms of life satisfaction Japan now ranks in the lower half of its OECD peers, according to the SGI database. In a shame culture like Japan, official statistics for poverty may actually hide even more serious “invisible” hardships, e.g., child poverty.

The LDP-led government, in power since late 2012, at first opted to focus its attention on its growth agenda. Only social inclusion measures fitting this agenda (for example, increasing child care options for working mothers) played a somewhat prominent role. More recently, the government is taking social inclusion concerns more seriously. The Plan for Dynamic Engagement of All Citizens, adopted by the cabinet in June 2016, shortly before the Upper House elections of July 2016, includes more wide-ranging target groups including people with disabilities or the elderly. Labor market measures like the concept of “equal pay for equal work” have been mentioned elsewhere in this report.

Citation:

Abe, Aya, Child Poverty, the Grim Legacy of Denial, Nippon.com Portal, 12 February 2016, <http://www.nippon.com/en/column/g00341/>

Cabinet (Japan), The Japan’s Plan for Dynamic Engagement of All Citizens, 2 June 2016

Health

Health Policy
Score: 7

Japan has a universal health care system. It also has one of the world’s highest life expectancies – 80 years for men and almost 87 for women (at birth). Infant mortality rates are among the world’s lowest (2.0 deaths per 1,000 live births). A prevailing shortage of doctors represents one serious remaining bottleneck. The number of doctors per capita is some 40% lower than in Germany or France. However, judging on the basis of fundamental indicators, Japan’s health care system, in combination with traditionally healthy eating and behavioral habits, delivers good quality.

Nonetheless, the health care system faces a number of challenges. These include the needs to contain costs, enhance quality and address imbalances.

Some progress with respect to cost containment has been made in recent years, but open questions remain. In early 2016, a medical council approved cost-saving and efficiency-enhancing revisions to the fees that hospitals and pharmacies can charge. It is still unclear whether and how to set limits on covering the extremely expensive new drugs in the public healthcare system.

Although spending levels are relatively low in international comparison, Japan's population has reasonably good health care access due to the comprehensive National Health Care Insurance program. In the 2016 White Paper of the Ministry of Health, Labor and Welfare, the so-called double care problem is singled out for future action, as many middle-aged households care for both their children and the older generation.

Citation:

Kyodo News, Burden of "double care" of young and old grows in Japan: survey, 4 October 2016, <http://kyodonews.net/news/2016/10/04/82421>

Tomoko Otake, How Japan is tweaking the cost of health care, The Japan Times, 17 February 2016, <http://www.japantimes.co.jp/news/2016/02/17/national/social-issues/japan-tweaking-cost-health-care/>

Families

Family Policy
Score: 5

According to OECD statistics, Japan has one of the group's highest gender gaps in terms of median incomes earned by full-time employees. Japanese government figures show that only slightly more than 6% of women working in the private sector have made it to the level of section manager or above. While the female labor participation rate has increased to 66% in early 2016, surpassing the United States, the majority of them work in part-time, irregular jobs. Although several policy measures aimed at addressing these issues have been implemented since the 1990s, many challenges remain.

The LDP-led government claims to support women in the labor force, promoting the slogan "womenomics". It has made some effort to improve child care provision in order to improve the conditions of working mothers. It has introduced several measures in this area. In 2016, child care and nursing care were made an important pillar of the cabinet's Plan for Dynamic Engagement of All Citizens discussed earlier. Since April 2016, the Female Employment Promotion Legislation stipulates that larger enterprises have to disclose gender diversity targets and specific action plans.

The birth rate has stabilized at a low level of around 1.4 births per woman. There is doubt whether the government can achieve the level of 1.8, which it considers desirable.

Questions remain as to whether the government is conscious of and willing to overcome the tension between having more women at work and in managerial positions on the one hand, and its intention to raise the country's birth rate on the other. In terms of experimenting with new ideas more generally, it is a positive sign that under the deregulation zone scheme, two prefectures are now able to invite more housekeepers from abroad to support working Japanese mothers. However, this policy too is associated with numerous unanswered questions.

Citation:

Kathy Matsui, 'Womenomics' continues as a work in progress, The Japan Times, 25 May 2016, <http://www.japantimes.co.jp/news/2016/05/25/business/economy-business/womenomics-continues-work-progress/>

Pensions

Pension Policy
Score: 6

Given the rapid aging of the population, Japan's pension system faces critical challenges. The last major overhaul became effective in 2006. Under its provisions, future pension disbursements will rise less than inflation, payments (after an intermediate period) will commence at age 65 instead of age 60, contributions will top out at 18.3% of income, and a payout ratio of 50% is promised. However, the program's assumed relationship between future payment levels, contributions and the starting age for receiving benefits is based on optimistic macroeconomic forecasts. In the wake of the global financial crisis, these assumptions have become increasingly unrealistic, and further reforms are needed.

Based on its 2014 Revitalization Program, the Government Pension Investment Fund has shifted its asset portfolio somewhat away from bonds (and from Japanese government bonds/JGBs in particular) toward other assets such as stocks. The fund held about 23% of its funds each in international and in domestic equities as of the end of 2015, close to its target. Many observers are concerned about the higher levels of risk associated with stocks. However, JGBs are also risky due to the Japanese state's extraordinary level of indebtedness.

Japan has a higher-than-average old-age poverty rate, although the previous pension reform contributed to reducing this gap. Since October 2016, more irregular workers have been enrolled in the earning-related national pension scheme (kōsei nenkin instead of the more basic kokumin nenkin) as the necessary income ceiling has been lowered. This measure has, however, an unintended negative impact on housewives whose incentives to work are lowered. Other new legislation from 2016 has expanded the voluntary

participation in defined contribution pension schemes to all citizens, which is expected to have a sizable impact on this market.

Citation:

WillisTowersWatson, Japan: New legislation a game changer for the defined contribution market, 9 June 2016, <https://www.towerswatson.com/en/Insights/Newsletters/Global/global-news-briefs/2016/06/japan-new-legislation-changes-defined-contribution-market>

Philip Brasor and Masako Tsubuku, New pension ceiling meant to help low-paid workers may hit housewives, The Japan Times, 8 October 2016, <http://www.japantimes.co.jp/news/2016/10/08/business/new-pension-ceiling-meant-help-low-paid-workers-may-hit-housewives/>

Integration

Integration Policy
Score: 3

In spite of its aging and shrinking population (which is forecast to fall by more than half to 52 million by 2100 if the current low birth rate persists and immigration remains heavily restricted), Japan still maintains a very restrictive immigration policy. Still, the number of legal foreign residents has hit a record high of 2.31 million in mid-2016, up 3.4% from six months earlier.

One of the few recent exceptions are bilateral economic-partnership pacts that, since 2008, have allowed Filipino and Indonesian nurses and caregivers to enter Japan on a temporary basis. The LDP-led government has already relaxed some restrictions with the aim of attracting highly skilled foreign professionals based on its Revitalization Program. Among the changes has been an amendment to the Immigration Control and Refugee Recognition Act that provides for an indefinite period of stay for such professionals.

During 2016, more voices within the LDP have stressed the need to reconsider Japan's approach to foreign labor in view of Japan's labor shortages. Some ideas were even incorporated in the platform for the Upper House elections. Nevertheless, the Japanese government is still reluctant to embrace the idea of an immigration policy, proceeding quietly on the issue. The nationalistic viewpoints held by many LDP lawmakers pose particular challenges.

Given Japan's restrictive approach to immigration, there is little integration policy as such. Local governments and NGOs offer language courses and other assistance to foreign residents, but such support remains often rudimentary, especially outside the metropolitan centers.

Japan's offers of asylum in response to the intensifying global refugee crisis have been beyond minimal. Out of 7,586 applications in 2015, the Immigration Bureau recognized only 27 asylum-seekers as refugees. There are plans to tighten the review process further.

Citation:

Kazuyoshi Harada, Japan's Closed-Door Refugee Policy, Nippon.com feature, 19 May 2015, <http://www.nippon.com/en/features/h00107/>

Peter Landers and Yuka Yoshino, Japan Moves to Lure More Foreign Workers, The Wall Street Journal, 8 June 2016, www.wsj.com/articles/japan-moves-to-lure-more-foreign-workers-1465371106

Safe Living

Safe Living
Conditions
Score: 9

Japan enjoys a very low crime rate, although it is unclear just how much the effectiveness of internal security policies contributes to this. Other social and economic factors are also at work. For major crimes such as homicide or hard-drug abuse in particular, Japan's good reputation is well deserved. Terrorism also poses no major discernible threat today. The number of confirmed criminal cases has significantly declined in recent years. Another issue is the existence of organized gangs, so-called yakuza. These groups have recently moved into fraud and white-collar crimes. 2016 changes in the criminal justice legislation now allow for plea bargains with prosecutors, which could make it easier for low-ranking gang members to confess about orders from syndicate leaders.

Global Inequalities

Global Social
Policy
Score: 6

Compared to the OECD average, Japan has typically underperformed in terms of official development assistance (ODA) due to many years of sluggish economic growth. The quality of the aid provided has been improved in recent years. Assistance has been better aligned with Japan's broader external-security concerns, a trend which may also be seen somewhat critically from the perspective of potential recipients. The 2015 Development Cooperation Charter stresses the principle of cooperation for nonmilitary purposes, the important role of partnerships with the private sector and local governments, NGOs, civil society organizations and other country-specific organizations and stakeholders, an emphasis on self-help and inclusiveness, and a focus on gender issues. These ODA guidelines also enable Japan to support ODA recipients with regard to security matters, for instance by providing coast-guard equipment.

In 2015, the government started a Partnership for Quality Infrastructure. In the context of the 2016 G-7 Summit, it was announced that Japan will contribute \$200 billion over the next five years to projects all over the world. Many observers see the plan as a reaction to China's One Belt, One Road initiative, with the advantage that Japan can contribute its world-class technological competence.

Tariffs for agricultural products remain high, as are those for other light industry products such as footwear or headgear, in which developing economies might otherwise enjoy competitive advantages. On the non-tariff side, questions about the appropriateness of many food-safety and animal- and plant-health measures (sanitary and phytosanitary measures) remain.

Citation:

Ken Okaniwa, Changes to ODA Charter reflect new realities, *The Japan Times*, 29 May 2015, <http://www.japantimes.co.jp/opinion/2015/05/29/commentary/japan-commentary/changes-oda-charter-reflect-new-realities/>

Tridivesh Singh Maini, Japan's Effort to Counter China's Silk Road, *The Globalist*, 6 April 2016, <http://www.theglobalist.com/japan-effort-to-counter-china-silk-road-india/>

III. Environmental Policies

Environment

Environmental
Policy
Score: 6

Japan was a global leader in terms of antipollution policy and energy conservation in the 1970s and 1980s. More recently, Japan has been faced with the major concern of how to improve its domestic energy mix.

The triple 3/11 disaster led to some policy rethinking with respect to nuclear energy. The LDP-led government has, however, reiterated that nuclear power will remain important for a considerable time. In August 2015, the first nuclear reactor was restarted after the Fukushima incident, with new safety rules created under the new Nuclear Regulation Authority in place. As nuclear power remains fairly unpopular, only two reactors have been recommissioned so far. While Japan has introduced various measures to support renewable energy use, the goal of 22 to 24% for 2030 will not be easy to reach. Renewables made up just 14% of energy production in March 2016, compared to 10% before 3/11. The imminent deregulation of the power industry leads companies to seek low-cost solutions, including coal-fired plants.

Japan has made great progress in terms of waste-water management in recent decades. Today the country has one of the world's highest-quality tap-water systems, for example. Usage of water for energy production is limited for geographical reasons.

The country has a proactive forestry policy, and in 2011 passed both the Fundamental Plan of Forest and Forestry and a National Forest Plan. The

devastation caused by 3/11 in northeastern Japan has led to further emphasis on forest-support measures.

Japan's biodiversity is not particularly rich compared with other Asian countries. While the country has in recent years taken a proactive stance under its National Biodiversity Strategy, the 2016 Annual Report finds that the long-term decline of biodiversity continues.

Citation:

Ministry of the Environment, Annual Report on the Environment in Japan 2016 (White Paper)

Mayumi Negishi, Japan's Shift to Renewable Energy Loses Power, The Wall Street Journal, 14 September 2016, <http://www.wsj.com/articles/japans-shift-to-renewable-energy-loses-power-1473818581>

Global Environmental Protection

Global
Environmental
Policy
Score: 6

For many years, international climate policy profited considerably from Japanese commitment to the process. The Kyoto Protocol of 1997 was perhaps the most visible evidence of this fact. After Kyoto, however, Japan assumed a much more passive role. The Fukushima disaster in 2011, after which Japan had to find substitutes for its greenhouse-gas-free nuclear-power generation, rendered implausible a 2009 pledge to decrease greenhouse-gas (GHG) emissions by a quarter by 2020 (as compared to 1990). In the 2015 energy outlook for 2030, Japan announced that it would slash its emissions by 26% in 2030 as compared to 2013 levels.

Japan formally fully supports the December 2015 Paris Agreement on Climate Change and has adopted relevant measures, including the May 2016 Plan for Global Warming Countermeasures. The plan reconfirms the 26% reduction goal for 2030, which is at the lower end for OECD countries, and sets out strategic action for the longer-term goal of 80% by 2050. Concrete decisions are controversial. In February 2016, the Environment Ministry reversed its earlier policy stance and agreed to building more cheap-to-fuel coal power plants. In return, the power companies are expected to follow stricter numerical targets for fuel efficiency; however, the legal basis for such oversight is weak and compliance, at least formally, voluntary.

Despite lingering political friction in Northeast Asia, Japan reached an agreement with China and South Korea in 2015 to tackle regional environmental issues jointly, based on a five-year action plan.

With respect to multilaterally organized protection of nature, Japan is particularly known for its resistance to giving up whaling. This is a high-profile, emotional issue, though perhaps not the most important one

worldwide. Notably, Japan supports many international schemes to protect the environment by contributing funds and by making advanced technologies available.

Citation:

N. N. (Editorial): CO2 targets in doubt as Environment Ministry OKs new coal-fired power plants, The Mainichi, 12 February 2016, <http://mainichi.jp/english/articles/20160212/p2a/00m/0na/011000c>

Quality of Democracy

Electoral Processes

Candidacy
Procedures
Score: 9

Japan has a fair and open election system with transparent conditions for the registration of candidates. The registration process is efficiently administered. Candidates running for the Lower House have to pay a deposit of JPY 3 million (about €25,200), which is returned if the candidate receives at least one-tenth of the valid votes cast in the electoral district (12.5% in the case of the Upper House). The deposit is meant to deter candidatures that are not serious, but in effect presents a hurdle for independent candidates. The minimum age for candidates is 25 for the Lower House and 30 for the Upper House.

Media Access
Score: 8

Access to the media for electioneering purposes is regulated by the Public Offices Election Law, and basically ensures a well-defined rule set for all candidates. In recent years, the law has been strongly criticized for being overly restrictive, for instance by preventing broader use of the Internet and other advanced electronic-data services. In April 2013, a revision of the Public Offices Election Law was enacted, based on bipartisan support from the governing and opposition parties; the new version allows the use of online networking sites such as Twitter in electoral campaigning, as well as more liberal use of banner advertisements. Regulations are in place to prevent abuses such as the use of a false identity to engage in political speech online.

Citation:

Nikkei.com: Diet OKs Bill To Allow Online Election Campaign, 19 April 2013

Matthew J. Wilson: E-Elections: Time for Japan to Embrace Online Campaigning, Stanford Technology Law Review, Vol. 4, 2011

Voting and
Registrations
Rights
Score: 8

The Japanese constitution grants universal adult suffrage to all Japanese citizens. No fundamental problems with discrimination or the exercise of this right exist. Since 2006, Japanese citizens living abroad have also been able to participate in elections.

The National Referendum Law was revised in 2014 to lower the minimum age for voting on constitutional amendments from 20 to 18, taking effect in 2018. In June 2015, the general voting age was also lowered from 20 to 18. This

change arguably benefits the ruling LDP as the party's approval rate among younger Japanese tends to be higher than among the populace at large.

One long-standing and controversial issue concerns the relative size of electoral districts. Rural districts still contain far fewer voters than more heavily populated urban areas. In late 2015, the Supreme Court ruled that the 2014 general election – with a maximum disparity of 2.13 to 1 in the value of votes – took place in a “state of unconstitutionality,” one step short of outright unconstitutionality. The court thus did not invalidate the election, despite its criticism.

Vote disparities have been more pronounced in the case of the Upper House. In July 2015, parliament rezoned electoral districts to lower the maximum disparity to 2.97:1. Many observers even within the ruling coalition considered the changes to be too feeble, charging that the changes served the vested interests of the LDP.

A new 2016 law allows for voting in shopping malls and similar places in order to raise election participation. For similar reasons, electoral registration procedures have been somewhat eased.

Citation:

Mizuho Aoki, House of Representatives passes bill to lower voting age, 4 June 2015, <http://www.japantimes.co.jp/news/2015/06/04/national/politics-diplomacy/house-representatives-passes-bill-lower-voting-age/#.VjoaJiuNzfc>

Fukuko Takahashi, Diet passes seat-redistribution for Upper House elections, Asahi Shimbun Asia & Japan Watch, 29 July 2015, http://ajw.asahi.com/article/behind_news/politics/AJ201507290044

Tomohiro Osaki, Supreme Court says December election ‘in state of unconstitutionality,’ but won’t nullify results, 25 November 2015, <http://www.japantimes.co.jp/news/2015/11/25/national/crime-legal/supreme-court-says-december-election-state-unconstitutionality-wont-nullify-results/>

Party Financing
Score: 7

While infringements of the law governing political-party financing have been common in Japan, the magnitude of this type of scandal has somewhat declined in recent years, although a number of cases have come up again since the LDP regained power in 2012. To some extent, the problems underlying political funding in Japan are structural. The multi-member constituency system that existed until 1993 meant that candidates from parties filing more than one candidate per electoral district found it difficult to distinguish themselves on the basis of party profiles and programs alone. They thus tried to elicit support by building individual and organizational links with local voters and constituent groups, which was often a costly undertaking. Over time, these candidate-centered vote-mobilizing machines (koenkai) became a deeply entrenched fixture of party politics in Japan. Even under the present electoral system, many politicians still find such machines useful. The

personal networking involved in building local support offers considerable opportunity for illicit financial and other transactions. While the Political Funds Control Law requires parties and individual politicians to disclose revenues and expenditures, financial statements are not very detailed.

A number of new issues arose during the period under review. As for prominent cases, economics minister Akira Amari resigned in early 2016 over his office's receipt of money from a construction company while Tokyo governor Yoichi Masuzoe resigned over an expenses scandal. The Political Funds Control Law does not specify which kind of expenses are acceptable for public purposes but Masuzoe's usage was considered clearly irregular and thus "inappropriate but not illegal". A scandal erupted over the regular practice of blank receipts for political donations during fundraising parties. After some foot-dragging, the LDP told its Diet members that such behavior was "unacceptable in principle". While individual cases were dealt with, no action to revise the laws was taken.

Popular Decision-Making
Score: 2

Politically binding popular decision-making does not exist in Japan, at least in a strict sense. At the local and prefectural levels, referendums are regulated by the Local Autonomy Law. They can be called if 2% of the voting population demands them. However, the local or prefectural assembly can refuse referendum demands and if the referendum does take place, the local or prefectural government is not bound by it.

At the national level, a so-called National Referendum Law took effect in 2010. This was initiated by the LDP-led government with the aim of establishing a process for amending the constitution. According to the new law, any constitutional change has to be initiated by a significant number of parliamentarians (100 Lower House members or 50 Upper House members) and has to be approved by two-thirds of the Diet members in both chambers. If this happens, voters are given the opportunity to vote on the proposal.

The minimum legal age for voting in referendums will be lowered from 20 to 18 years in 2018.

Despite the legal straightjacket, nonbinding referendums have played an increasingly important role in Japan's regional politics in recent years, particularly with respect to the debate over nuclear energy.

Citation:

Gabriele Vogt, *Alle Macht dem Volk? Das direktdemokratische Instrument als Chance für das politische System Japans*, in: *Japanstudien* 13, Munich: Iudicium 2001, pp. 319-342

Media Freedom
Score: 4

Access to Information

Japanese media are largely free to report the news without significant official interference. While the courts have ruled on a few cases dealing with perceived censorship, there is no formal government mechanism infringing on the independence of the media. The NHK, as the major public broadcasting service, has long enjoyed substantial freedom. Since 2013, however, the Abe-led government has pursued a more heavy-handed approach, highlighted by a number of controversial appointments of right-wingers to senior management and supervisory positions.

In practice, many media actors are hesitant to take a strong stance against the government or to expose political scandals. Membership in government-associated journalist clubs has offered exclusive contacts. Fearful of losing this advantage, established media members have frequently avoided adversarial positions as a result.

There has also been concern regarding the State Secrets Act, which came into force in December 2014. Journalists and others instigating the leakage of relevant information now face jail sentences of up to five years. Exactly what constitutes “state secrets” is left very much up to the discretion of the government agencies in question. Critics see the law as an assault on press freedom.

During 2016, concerns about the state of press freedom did not subside. Three critical anchors from various channels including NHK and Asahi TV were dismissed and the communications minister noted publicly that broadcasters can be shut down if considered biased.

The 2016 World Press Freedom Index saw Japan plummet further to 72nd place (2015: 61, 2013: 22). A United Nations Special Rapporteur called upon the Japanese government to take urgent steps to protect the independence of the media and promote the public’s right of access to information.

Citation:

Reporters Without Borders, 2016 World Press Freedom Index Japan, <https://rsf.org/en/japan>

Griseldis Kirsch, Controlling the Media in Japan, 11 July 2016, Ballots & Bullets, School of Politics & IR, University of Nottingham, <http://nottspolitics.org/2016/07/11/controlling-the-media-in-japan/>

United Nations, 19 April 2016, Japan: UN rights expert warns of serious threats to the independence of the press, <http://www.ohchr.org/en/NewsEvents/Pages/DisplayNews.aspx?NewsID=19843&LangID=E>

Media Pluralism
Score: 6

Japan has an oligopolistic media structure, with five conglomerates controlling the leading national newspapers and the major TV networks. These include Asahi, Fuji Sankei, Mainichi, Yomiuri, and the Nihon Keizai Group. Another major force is NHK, the public broadcasting service. It has rarely criticized the status quo to any significant degree. The director-general installed by the LDP-led government in 2013 stated in his first press conference that he intends to follow the government's viewpoint. The main media groups also tend to avoid anything beyond a mildly critical coverage of issues, although a variety of stances from left-center (Asahi) to conservative-nationalistic (Sankei) can be observed. Asahi's reputation was damaged in 2014 by a scandal concerning sourcing errors in earlier reporting on wartime forced prostitution.

Generally speaking, the small group of conglomerates and major organizations dominating the media does not capture the pluralism of opinions in Japan. Also, regional newspapers and TV stations are not serious competitors.

New competition has however emerged from interactive digital-media sources such as blogs, bulletin boards, e-magazines and social networks. Their use is spreading rapidly. The loss of public trust in the government and major media organizations may have intensified the move toward greater use of independent media channels. Such channels tend to cater to their respective audiences, however. So while there is more pluralism, there is also a tendency toward more one-sided interpretation. Among Japanese youths, right-wing internet channels have gained a considerable following.

The use of and reader share held by international media organizations is noteworthy; for instance, Huffington Post Japan, published on the Internet and 49% owned by the Asahi Shimbun, has become increasingly popular.

Citation:

Richard Smart, How Huffington Post is changing Japan's media landscape, Japan Today online newspaper, 14 May 2015, <http://www.japantoday.com/category/opinions/view/how-huffington-post-is-changing-japans-media-landscape>

Access to
Government
Information
Score: 5

Japan's Act on Access to Information Held by Administrative Organs came into effect in 2001, followed one year later by the Act on Access to Information Held by Independent Administrative Agencies. Basic rights to access government information are thus in place but a number of issues remain. Various exemptions apply, as for instance with respect to information regarding specific individuals, national security issues or confidential business matters. Claims can be denied and the head of the agency involved has considerable discretion. Appeals are possible, but only in court, which involves a very burdensome process.

Since 2014, a controversial State Secrets Law is in operation under which ministries and major agencies have the power to designate government information as secret for up to 60 years. There are no independent oversight bodies controlling such designations. Whistleblowing can be punished by up to ten years in prison, and up to five years for those trying to obtain secrets. Critics argue that governments may be tempted to misuse the new law. Moreover, the rights and powers of two Diet committees tasked with overseeing the law's implementation have been criticized as being too weak. Recent evidence suggests that the concerns are valid. In 2015, 272,020 documents were classified as secret, 80,000 more than in the year before. In the annual report to parliament, the cases are only mentioned very vaguely, and the two committees have asked for changes. The UN Special Rapporteur on the promotion and protection of the right to freedom of opinion and expression has also strongly criticized the law.

Japan has no electronic freedom-of-information act, but in 2012 the government started an Open Government Data Strategy.

Citation:

N. N. (Editorial), State secrets law needs strict monitoring, *The Mainichi*, 9 May 2016, <http://mainichi.jp/english/articles/20160509/p2a/00m/0na/013000c>

Global Network of Freedom of Information Advocates, UN Rapporteur Scores Japan on Designated Secrets Act, 21 April 2016, <http://www.freedominfo.org/2016/04/un-rapporteur-scores-japan-on-designated-secrets-act/>

Civil Rights and Political Liberties

Civil Rights
Score: 6

Civil and human rights are guaranteed under the Japanese constitution. However, courts are often considered to be overly tolerant of alleged maltreatment by police, prosecutors or prison officials. LDP governments have made little effort to implement institutional reform on this issue. Critics have demanded – so far unsuccessfully – that independent agencies able to investigate claims of human rights abuse should be created. There is no national or Diet-level ombudsperson or committee tasked with reviewing complaints. Citizens have no legal ability to take their complaints to a supra- or international level. Unlike 35 other UN member states, Japan has not signed the so-called Optional Protocols to the International Covenant on Civil and Political Rights.

Japan has been widely criticized for its harsh prison conditions, and for being one of the few advanced countries still to apply the death penalty. Under the current government led by Prime Minister Shinzo Abe, 16 executions were carried out until March 2016.

Observers are concerned at current government plans to introduce anti-conspiracy/anti-terror legislation in preparation for the Tokyo Olympics in 2020, which could be so vague as to endanger civil liberties.

Citation:
United Nations Human Rights, Japan Webpage,
<http://www.ohchr.org/EN/countries/AsiaRegion/Pages/JPIndex.aspx>

Linda Sieg, Japan's proposed anti-conspiracy law stirs civil rights concerns, Reuters, 8 September 2016, <http://www.reuters.com/article/us-japan-conspiracy-idUSKCN11E0F8>

Shusuke Murai, Japan sends two more inmates to the gallows, Japan Times, 25 March 2016, <http://www.japantimes.co.jp/news/2016/03/25/national/crime-legal/japan-sends-two-inmates-gallows/>

Political Liberties
Score: 9

Freedoms of speech and of the press, of assembly and association are guaranteed under Article 21 of the constitution. Reported abuses have been quite rare, though it has often been claimed that the police and prosecutors are more lenient toward vocal right-wing groups than toward left-wing activists.

There is a growing concern that right-wing activism is increasing and that this might actually be supported by ruling politicians. Several senior LDP politicians have been linked to ultra-right-wing groups. Right-wing campaigns involving so-called hate speech, for instance against ethnic Korean inhabitants of Japan, remain an issue. A 2016 Anti-Discriminatory Speech Act requires the government to take action, but falls short of providing specific punishments.

At the same time, public opposition to the LDP-led government's assertive foreign-security policy has led to the foundation of outspoken protest groups, particularly the Student Emergency Action for Liberal Democracy (SEALDs). This group has organized several high-profile mass rallies before disbanding temporarily after the 2016 Upper House elections. While the success of such movements is as yet limited, they offer testimony to the high de facto level of political liberties.

Citation:
Justin McCurry, Japan's ruling party under fire over links to far-right extremists, The Guardian, 13 October 2014, <http://www.theguardian.com/world/2014/oct/13/japan-ruling-party-far-right-extremists-liberal-democratic>

Tomohiro Osaki, SEALDs leaves door open for future activities, 16 August 2016, <http://www.japantimes.co.jp/news/2016/08/16/national/politics-diplomacy/sealds-leaves-door-open-future-activities/>

Sayuri Umeda, Japan: New Act Targets Hate Speech Against Persons from Outside Japan, Library of Congress, Global Legal Monitor, 31 August 2016, <http://www.loc.gov/law/foreign-news/article/japan-new-act-targets-hate-speech-against-persons-from-outside-japan/>

Non-discrimination
Score: 5

Women still face some discrimination, particularly in the labor market. Women on average earn 27 percent less than their male colleagues - the third highest gap among OECD countries (most recent data from 2014). The country's share of female parliamentarians – 9.5% in 2015 – is still low by the standards of other advanced countries (only Turkey scores lower among OECD countries). Prime Minister Abe has called women “Japan's most underused resource,” and the government has designated “womenomics” as a key pillar of its three arrow reform program, reiterated in the “new three arrows” of 2015. Child care support and similar measures are a major part of the 2016 fiscal stimulus program. A 2015 law asks large companies to set numerical targets for the employment and promotion of women. However, the measure's sanctioning mechanisms are weak and no minimum targets are prescribed. Given the persistent undercurrent of sexism in Japanese society, de facto workplace-culture discrimination will be hard to overcome.

The three million descendants of the so-called burakumin, an outcast group during the feudal period, still face social discrimination, though it is difficult for the government to counter this. Korean and Chinese minorities with permanent resident status also face some social discrimination. Naturalization rules have been eased somewhat in recent years. Menial workers with foreign passports from the Philippines, the Middle East and elsewhere frequently complain of mistreatment and abuses.

In 2016, a law against discrimination of people with disabilities was introduced. It requires “reasonable” accommodation of special needs, leaving room for various interpretations.

Japan continues to have a rather serious human-trafficking problem with respect to menial labor and the sex trade, in some cases affecting underage individuals. In late 2015, a UN special rapporteur asked Japan to increase efforts to tackle child sexual exploitation.

The treatment of refugees and asylum-seekers is frequently the subject of criticism. Grants of asylum status have remained extremely low, despite rising global problems.

Citation:

UN data, Seats held by women in national parliament, percentage, <http://data.un.org/Data.aspx?q=japan&d=MDG&f=seriesRowID%3A557%3BcountryID%3A392;> for gender wage gap: <http://www.oecd.org/gender/data/genderwagegap.htm>

Japan Times, 12 May 2016, Getting more women in the Diet, <http://www.japantimes.co.jp/opinion/2016/05/12/editorials/getting-women-diet/>

Akiko Fujita and Afifah Darke, As Abe injects fresh fiscal stimulus, how is Japan's 'womenomics' faring?, CNBC News, 3 August 2016, <http://www.cnbc.com/2016/08/03/as-abe-injects-fresh-fiscal-stimulus-how-is->

japans-womenomics-faring.html

Mizuho Aoki, Diet passes bill aimed at boosting women in the workplace, *The Japan Times*, 28 August 2015, <http://www.japantimes.co.jp/news/2015/08/28/national/politics-diplomacy/diet-passes-bill-aimed-boosting-women-workplace/>

United Nations Human Rights Office of the High Commissioner, UN human rights expert urges Japan to step up efforts to combat child sexual exploitation, 28 October 2015, <http://www.ohchr.org/en/NewsEvents/Pages/DisplayNews.aspx?NewsID=16669&LangID=E>

Rule of Law

Legal Certainty
Score: 6

In their daily lives, citizens enjoy considerable predictability with respect to the workings of the law and regulations. Bureaucratic formalities can sometimes be burdensome but also offer relative certainty. Nevertheless, regulations are often formulated in a way that gives considerable latitude to bureaucrats. For instance, needy citizens have often found it difficult to obtain welfare aid from local-government authorities. Such discretionary scope is deeply entrenched in the Japanese administrative system, and offers both advantages and disadvantages associated with pragmatism. The judiciary has usually upheld discretionary decisions by the executive. However, the events of 3/11 exposed the judicial system's inability to protect the public from irresponsible regulation related to nuclear-power generation. Some observers fear that similar problems may emerge in other areas as well.

The idea of rule of law does not itself play a major role in Japan. Following strict principles without regard to changing circumstances and conditions would rather be seen as naïve and nonsensical. Rather, a balancing of societal interests is seen as demanding a pragmatic interpretation of law and regulation. Laws, in this generally held view, are supposed to serve the common good and are not meant as immovable norms to which one blindly adheres.

Citation:

Carl F. Goodman: *The Rule of Law in Japan: A Comparative Analysis*, The Hague: Kluwer Law International, 2003

Judicial Review
Score: 6

Courts are formally independent of governmental, administrative or legislative interference in their day-to-day business. The organization of the judicial system and the appointment of judges are responsibilities of the Supreme Court, so the appointment and the behavior of Supreme Court justices are of ultimate importance. While some have lamented a lack of transparency in Supreme Court actions, the court has an incentive to avoid conflicts with the government, as these might endanger its independence in the long term. This implies that it tends to lean somewhat toward government positions so as to avoid unwanted political attention. Perhaps supporting this reasoning, the

Supreme Court engages only in concrete judicial review of specific cases, and does not perform a general review of laws or regulations. Some scholars say that a general judicial-review process could be justified by the constitution.

The conventional view is that courts tend to treat government decisions quite leniently, although recent evidence is more mixed. In 2015, the Supreme Court ruled that atomic-bomb victims, including affected Korean workers, cannot be excluded from medical subsidies under the Atomic Bomb Survivors' Assistance Act simply because the victims now live abroad. On the other hand, in 2016 the Supreme Court did not overturn a lower court judgment according to which Muslims can be surveilled because of their religion.

Citation:

Tomohiro Osaki, Supreme Court rules hibakusha overseas are entitled to full medical expenses, *The Japan Times*, 8 September 2015, <http://www.japantimes.co.jp/news/2015/09/08/national/crime-legal/supreme-court-rules-hibakusha-overseas-entitled-full-medical-expenses/>

Matt Payton, Japan's top court has approved blanket surveillance of the country's Muslims, *The Independent*, 29 June 2016, <http://www.independent.co.uk/news/world/asia/muslims-japan-government-surveillance-top-court-green-lit-islamaphobia-a7109761.html>

Appointment of
Justices
Score: 2

According to the constitution, Supreme Court justices are appointed by the cabinet, or in the case of the chief justice, named by the cabinet and appointed by the emperor. However, the actual process lacks transparency. Supreme Court justices are subject to a public vote in lower-house elections following their appointment, and to a second review after the passage of 10 years if they have not retired in the meantime. These votes are of questionable value as voters have little information enabling them to decide whether or not to approve a given justice's performance. In 2016, there was a minor procedural change about pre-poll voting rule alignment. In response to the call for more transparency, the Supreme Court has put more information on justices and their track record of decisions on its website.

Citation:

Kyodo News, Japanese gov't to extend early voting period for top court judges, 5 September 2016, <http://kyodonews.net/news/2016/09/05/78209>

Corruption
Prevention
Score: 5

Corruption and bribery scandals have for decades frequently emerged in Japanese politics. These problems are deeply entrenched and are related to prevailing practices of representation and voter mobilization. Japanese politicians rely on local support networks to raise campaign funds and are expected to "deliver" to their constituencies and supporters in return. Scandals have involved politicians from most parties except for the few parties with genuine membership-based organizations (i.e., the Japanese Communist Party and the Komeito).

Financial or office-abuse scandals involving bureaucrats have, however, been quite rare in recent years. This may be a consequence of stricter accountability rules devised after a string of ethics-related scandals came to light in the late 1990s and early 2000s.

With respect to anti-bribery enforcement abroad, relevant for Japan's multinational companies, the country in the past had a reputation for weak enforcement. However, the government has used the 2016 G-7 Summit and the London 2016 Anti-Corruption Summit to formulate a stiffer line, with the industry ministry (METI) also warning companies. Results still need to be evaluated.

Following the 3/11 disasters, the public debate on regulatory failures with respect to the planning and execution of nuclear power projects supported a widely held view that, at least at the regional level, collusive networks between authorities and companies still prevail and can involve corruption and bribery.

Citation:

Ananda Martin and Jianxiong Wu, Japanese Companies Face Growing Anti-Corruption Enforcement Risk The FCPA Report, Vol. 5, No. 2, 27 January 2016, Download from <http://www.fcpareport.com/archive>

Governance

I. Executive Capacity

Strategic Capacity

Strategic
Planning
Score: 6

Under the central-government reform implemented by the Koizumi government in 2001, the role of lead institutions was considerably strengthened. The unit officially in charge of ‘policy planning and comprehensive policy coordination on crucial and specific issues in the cabinet’ is the Cabinet Office (Naikaku-fu), which assists the prime minister and his cabinet. It is supported by a well-staffed Cabinet Secretariat (Naikaku-kanbō). The Cabinet Office also coordinates a number of policy councils including the Council on Economic and Fiscal Policy. While there is certain overlap between councils concerning strategic issues and thus the danger of fuzzy demarcations of responsibility, the councils have at least contributed to informing governmental and public discourses in a constructive manner. While individual line ministries have strategic planning units staffed with medium-ranking officials, their actual influence on long-term planning seems to be limited compared to the clout of bureau chiefs and more senior officials such as administrative vice-ministers. Policy planning units tend have very few staff members.

Citation:

Kotaro Tsuru, Where Has the Growth Strategy Gone? Working style reform is the way to go, Article translated by RIEI from Nihon Keizai Shimbun of November 10, 2015, 10 February 2016, <http://www.rieti.go.jp/en/papers/contribution/tsuru/30.html>

N. N., Abe seeks to undermine tripartite system in labor policymaking process, Japan Press Weekly, 8 August 2016, <http://www.japan-press.co.jp/modules/news/index.php?id=9838>

Scholarly Advice
Score: 6

The Japanese government is assisted by a large number of advisory councils, traditionally associated with particular ministries and agencies, with new cross-cutting mechanisms, thus strengthening the role of the prime minister. These are usually composed of private-sector representatives, academics, journalists, former civil servants and trade unionists. The question is whether advisory boards do truly impact policymaking or whether the executive simply uses them

to legitimize preconceived policy plans. The answer may well vary from case to case. The recent hand-picked, high-level “Advisory Panel on Reconstruction of the Legal Basis for Security,” whose final report in May 2014 helped to legitimize a reinterpretation of the constitution allowing for collective self-defense, serves as an example for the latter. In other areas the current LDP-led government has to some degree relied on outside expertise in order to overcome opposition to policy changes and reform. However, think tanks, most of which operate on a for-profit basis in Japan, do not play a major role in terms of informing or influencing national policymaking.

Citation:

Pascal Abb and Patrick Koellner, Foreign Policy Think Tanks in China and Japan: Characteristics, Current Profile, and the Case of Collective Self-Defense, *International Journal* 70 (2015), 4: 593-612

Interministerial Coordination

GO Expertise
Score: 7

The Cabinet Secretariat has more than 800 employees with expertise in all major policy fields. These employees are usually temporarily seconded by their ministries. While these staffers possess considerable expertise in their respective fields, it is doubtful whether they can function in an unbiased manner on issues where the institutional interests of their home organizations are concerned. Moreover, the system lacks adequate infrastructure for broader coordination (including public relations or contemporary methods of policy evaluation).

Citation:

Izuru Makihara, The Role of the Kantei in Making Policy, *nippon.com*, 27.06.2013, <http://www.nippon.com/en/features/c00408/>

Markus Winter, Abe and the Bureaucracy: Tightening the Reins, *The Diplomat*, 16 June 2016, <http://thediplomat.com/2016/06/abe-and-the-bureacracy-tightening-the-reins/>

GO Gatekeeping
Score: 7

Present guidelines for policy coordination make the Cabinet Office the highest and final organ for policy coordination below the cabinet itself. This has de jure enabled prime ministers to return items envisaged for cabinet meetings on policy grounds. In reality this rarely happens, as items to reach the Cabinet stage are typically those on which consensus has previously been established. However, contentious policy issues can produce inter-coalition conflicts, even at the Cabinet level.

Formal input into law-making processes is provided by the Cabinet Legislation Bureau. This body’s official mandate is to make sure that bills conform to existing legislation and the constitution, rather than to provide material evaluation. Ministry representatives are seconded to the Bureau to provide sectoral competences, creating influences difficult to counter in the absence of

independent expertise at the central level. In 2016, the lack of minutes for some key 2015 meetings led some to question whether the Cabinet Legislation Bureau had become politicised and thus less independent under its former and its current top official, both installed by Prime Minister Abe.

Citation:

N. N., Cabinet Legislation Bureau chief defends self over process of reinterpreting Article 9, *The Mainichi*, 17 March 2016

Richard Samuels, Politics, Security Policy, and Japan's Cabinet Legislation Bureau: Who Elected These Guys, Anyway?, *JPRI Working Paper No. 99* (March 2004), <http://www.jpri.org/publications/workingpapers/wp99.html>

Line Ministries
Score: 8

In Japan, the role of line ministries vis-à-vis the government office is complicated by the influence of a third set of actors: entities within the governing parties. During the decades of the LDP's postwar rule, the party's own policymaking organ, the Policy (Affairs) Research Council (PARC) developed considerable influence, ultimately gaining the power to vet and approve policy proposals in all areas of government policy.

Under the LDP-led government since December 2012, Prime Minister Abe has tried successfully to make certain that he and his close confidants determine the direction of major policy proposals. The reform program does indeed show the influence of the Cabinet Office, with the ministries either following this course or trying to drag their feet. The main instrument of Abe is the Cabinet Bureau of Personnel Affairs, which grants control over more than 600 appointments, possibly half a dozen political appointees per ministry.

In the shadow of the strength of the Cabinet Office, ministries can try to regain former clout over their areas. For example, the industry ministry METI, has become somewhat more assertive again in trying to influence industry, guided by the priorities of Abenomics.

Citation:

Leo Lewis and Kana Inagaki, Japan Inc.: Heavy meddling, *The Financial Times*, 15 March 2016, <https://www.ft.com/content/0118e3a6-ea99-11e5-bb79-2303682345c8>

Cabinet
Committees
Score: 6

Following the government reform in 2001, government committees were established in a number of important fields in which coordination among ministries with de facto overlapping jurisdictions plays an important role. The most important is the Council for Economic and Fiscal Policy (CEFP), headed by the prime minister. However, in two respects, this was never a "ministerial committee" in a strict sense. First, it has only an advisory function. Second, individuals from the private sector – two academics and two business representatives in the current configuration – were included. This can increase

the impact of such a council, but it also means that it stands somewhat detached from concrete political processes.

Prime Minister Abe again strengthened the role of the CEF and set up the Headquarters for Japan's Economic Revitalization as a "quasi sub-committee" of the CEF that encompasses all state ministers. While the cabinet has to approve considerations developed in the CEF or in the Headquarters, there is indeed a shift toward first discussing policy redirections in the committees, including a discussion of basic budget guidelines.

There are currently four councils operating directly under the Cabinet Office, including CEF and the Council for Science, Technology and Innovation that have been given budgetary primacy over related ministries.

The creation of the National Security Council in 2013 was a similar case in which interministerial coordination was intensified in the interest of asserting the prime minister's policy priorities.

The structure is becoming ever more complex and could lead to confusion. For instance, under the Headquarters, mentioned above, the Japan Revitalization Strategy 2016 foresees a "Public-Private Council for the Fourth Industrial Revolution".

Citation:
Cabinet Office, Japan 2016 Revitalization Strategy, Provisional Translation,
www.kantei.go.jp/jp/singi/keizaisaisei/pdf/2016_hombun1_e.pdf

Ministerial
Bureaucracy
Score: 7

The LDP-led government has sent clear signals that it would like to work effectively with the bureaucracy, which marks a clear policy reversal from the governments led by the Democratic Party of Japan (2009-2012). The collaboration between politicians and bureaucrats has since become smoother. In 2014, the government introduced a Cabinet Bureau of Personnel Affairs, which is supposed to help the prime minister make appointment decisions regarding the 600 elite bureaucrats staffing the ministries and other major agencies. This significantly expanded the Cabinet Office's involvement in the process and its influence over the ministerial bureaucracy, including the personal influence of the Chief Cabinet Secretary Yoshihide Suga who has been in office since 2012. There are more political appointees in the ministries than before, and as Abe has been prime minister for four years already, the average stay of such appointees has become longer, giving them more expertise and clout within their ministries.

Informal
Coordination
Score: 9

Informal relations and related agreements are very common in Japan. Such interactions can facilitate coordination, but can also lead to collusion. In terms of institutionalized informal coordination mechanisms in the realm of policymaking, informal meetings and debates between the ministries and the

ruling party's policy-research departments have traditionally been very important.

With the LDP-led coalition government in power again since late 2012, informal, closed-door agreements on policy are again of considerable importance. The leadership has to skillfully navigate between the coalition partners, including the Komeito party and LDP (and its Policy Research Council), line ministries and their bureaucrats, and a more inquisitive public. The position of the Chief Cabinet Secretary has become a key component of this approach. There is some evidence that cabinet meetings are essentially formalities, with sensitive issues informally discussed and decided beforehand. Ministries collect and make public few, if any, records of meetings between politicians and bureaucrats as they are supposed to do under the 2008 Basic Act of Reform of the National Civil Servant System. The general trend toward more transparency may have even strengthened the role of informality in order to avoid awkward situations.

Citation:

Jiji News, Cabinet minutes show formality, no substance, The Japan Times, 5 October 2015, <http://www.japantimes.co.jp/news/2015/10/05/national/politics-diplomacy/cabinet-minutes-show-formality-no-substance/>

N. N., None of Japan's 11 ministries kept records of contact between bureaucrats, politicians, The Mainichi, 24 February 2016, <http://mainichi.jp/english/articles/20160224/p2a/00m/0na/007000c>

N. N. Cabinet staff kept records of contact between legislators, bureaucrats 'voluntarily', The Mainichi, 25 February 2016, <http://mainichi.jp/english/articles/20160225/p2a/00m/0na/014000c>

Evidence-based Instruments

RIA Application
Score: 8

The basic framework for policy evaluation in Japan is the Government Policy Evaluations Act of 2001. In 2005, the system was considered to have been implemented fully.

The process is administered by the Ministry of Internal Affairs and Communications (MIC, Administrative Evaluation Bureau), while the ministries are charged with doing their own analyses, which has led some to question the impartiality of the procedure. However, a number of evaluations in strategically important fields have been undertaken by the Ministry of the Interior itself. In 2010, the ministry took over responsibility for policy evaluations of special measures concerning taxation as well as impact analyses of regulations dealing with competition issues.

The Ministry of Finance also performs a Budget Execution Review of selected issues, and the Board of Audit engages in financial audits of government accounts.

The fragmented nature of such assessments seems to indicate a potentially low level of reliability and effectiveness. Indeed, it is difficult to point to a major policy arena in which these endeavors have led to major improvements.

Citation:

Miki Matsuura, Joanna Watkins, William Dorotinsky: Overview of Public Sector Performance Assessment Processes in Japan, GET Note: Japanese Public Sector Assessment Processes, August 2010, World Bank

Quality of RIA
Process
Score: 8

According to the Basic Guidelines for Implementing Policy Evaluation, revised in March 2007, the necessity, efficiency and effectiveness of measures are to be the central considerations in evaluations. However, issues of equity and priority are also to be included. The structure and content of assessments are further clarified in the Policy Evaluation Implementation Guidelines of 2005 and the Implementation Guidelines for Ex Ante Evaluation of Regulations of 2007; all of these specifications contain quite demanding tasks that must be performed as a part of the evaluations. Since 2010, for example, any ministry considering a tax measure has been required to present an ex ante evaluation. If the measure is in fact introduced, it must subsequently be followed by an ex post examination.

Critics have argued that many officials regard RIA as a bothersome disturbance, and lack strong incentives to take it seriously. Linking RIA to a line ministry, the MIC, instead of a powerful independent agency does not seem very effective.

Citation:

Andrei Greenawalt, The Regulatory Process in Japan in Comparison with the United States, RIETI Column 318, 2015, http://www.rieti.go.jp/en/columns/a01_0431.html

Naohiro Yashiro, Regulatory Coherence: The Case of Japan, ERIA Discussion Paper 2016-16, March 2016, http://www.eria.org/publications/discussion_papers/DP2016-16.html

Sustainability
Check
Score: 3

According to the 2001 Government Policy Evaluation Act, policy effects have to be evaluated in terms of the three criteria of necessity, efficiency, and effectiveness. These terms are somewhat flexible and do not necessarily encompass sustainability concerns. Indeed, actual evaluations apply the three guiding principles only in a somewhat loose way, with few rigorous quantitative assessments. Reviews cover both pre-project as well as post-project evaluations.

Citation:

MIC (Ministry of Internal Affairs and Communication, Japan), Website on evaluation results, http://www.soumu.go.jp/menu_seisakuhyouka/kekka.html (accessed in October 2015)

Societal Consultation

Negotiating
Public Support
Score: 6

LDP-led governments have traditionally engaged in societal consultation through the so-called iron triangle, which refers to the dense links between

parliamentarians, the ministerial bureaucracy, and large companies. However, these mechanisms tended to exclude other societal actors, including the trade-union movement and the small and medium-sized enterprise sector. With the onset of economic problems in the 1990s, tensions within this triangle increased, and relations over time became strained enough to indicate the effective demise of the iron triangle system, at least on the national level.

With respect to the current LDP-Komeito coalition, the Buddhist lay association Soka Gakkai provides the bulk of support for Komeito, and it gained some influence on policy matters that relate to the organization's interests. This became evident during an ongoing row over constitutional reform. The LDP is in favor of this reform, while Soka Gakkai and Komeito have a pacifist background and try to slow down any major initiative. Abe enjoys the support of the conservative lobby group Nippon Kaigi, but its influence is difficult to substantiate and possibly overrated in sensationalist media reports.

It is frequently argued that business has considerable influence on government decision-making in Japan. Substantiating such claims is difficult as there is a lack of transparent rules governing lobbying. Prime Minister Abe's expectation that companies would raise wages in the wake of higher profits following the first-round effects of Abenomics has thus far been disappointed. There seems to be little scope for business-state alignment, as major firms have become global players that are decreasingly interested in or bound to the home market.

Citation:

Grant Newsham, Japan's conservative Nippon Kaigi lobby: Worth worrying about?, Asia Times, 19 July 2016, <http://www.atimes.com/article/japans-conservative-nippon-kaigi-lobby-worth-worrying-about/>

William Pesek, Why Isn't Japan Inc. Helping Japan?, Bloomberg View, 13 January 2015, <http://www.bloombergvew.com/articles/2015-01-13/japan-inc-isnt-very-japanese-any-longer>

Policy Communication

Coherent
Communication
Score: 6

Policy communication has always been a priority for Japanese governments. Ministries and other governmental agencies have long taken pains to publish regular reports, often called white papers, as well as other materials on their work.

Recent discussion of Japanese government communication has been dominated by the triple disaster of March 2011, in particular by the lack of transparency and failure to deliver timely public information about the radiation risks of the nuclear accident. This experience may have seriously undermined citizen trust in the government, although according to the Edelman Trust Barometer, trust levels in Japan with respect to the government have recently recovered somewhat. Still,

according to Edelman 2016, distrust is higher in Japan than elsewhere.

The LDP-led coalition started in 2013 with a massive and initially highly successful public-relations campaign in support of its policy agenda. Already in 2013, however, the government started to lose touch with public opinion, particularly with respect to the heavily criticized State Secrets Act. Despite some unpopular policies, voters nevertheless returned the ruling coalition to power in the 2014 general election. It also won the Upper House elections of July 2016, establishing a two-thirds majority in both houses. The LDP-led coalition has pushed through its policy priorities more assertively than earlier governments, while giving less consideration to dissenting opinions.

Citation:

Edelman, 2016 Edelman Trust Barometer - Japan, Slide presentation, 3 February 2016, <http://de.slideshare.net/EdelmanJapan/2016-edelman-trust-barometer-japan>

Werner Pascha, Overcoming Economic Weakness in Japan and the EU: The Role of Political Entrepreneurship and the Political Economy of Reforms, in: Jan van der Harst and Tjalling Halbertsma (eds.) *China, East Asia and the European Union. Strong Economics, Weak Politics?*, Leiden: Brill 2016, pp. 15-33

Implementation

Government
Efficiency
Score: 6

The LDP-led government elected in late 2012 achieved remarkable economic policy success during its first months in office through the initiation of an extremely loose monetary policy and expansionary fiscal policy. The “third arrow” of the government’s reform program – growth-oriented measures that were meant to include institutional reform – have proved far less successful. The major successes of economic policy include a rise in employment, including among women and the elderly, and a stabilization of the inflation rate in positive terrain, although still quite far from the 2% goal. However, the introduction of three new arrows in mid-2015 (a strong economy, better childcare and improved social security) take the focus away from the key concern for the future: decisive, innovative, structural reform. The Plan for Dynamic Engagement of All Citizens of mid-2016 confirms this serious concern. The central bank plans to push the inflationary goal further into the future (2018), and its governor has grown increasingly vocal about the lack of economic reform. While the government has earmarked labor for 2017 legislation, the focus on equal pay for equal work points to a social and distributional agenda rather than a growth and productivity agenda.

With respect to the second major objective, constitutional reform, important legislation to engage in collective self-defense (i.e., militarily support for allies under attack) was pushed through parliament in September 2015. Despite two-third majorities in both houses for the ruling coalition since July 2016, the Abe

government still hesitates to start the institutionalized process of constitutional reform. The population is very divided and the coalition partner Komeito is not in agreement. The opportunity costs of a more assertive security policy in terms of strained regional relations is noticeable, although there has been some relaxation of tensions during 2016, evidenced by high-level meetings.

Citation:

Mitsuru Obe, Japan Parliament Approves Overseas Military Expansion, The Wall Street Journal, 18 September 2015, <http://www.wsj.com/articles/japan-parliament-approves-abe-security-bills-1442596867>

Ministerial
Compliance
Score: 7

Japan's political framework formally provides the prime minister with powerful tools to control ministers. Prime ministers can appoint and fire ministers at will. Moreover, prime ministers can effectively veto specific sectoral policies. In practice, however, prime ministerial options have been more limited, as most have lacked full control over their own parties or over the powerful and entrenched bureaucracy.

Recent governments, including the current Abe government, have sought to centralize policymaking within the core executive. Some measures have been institutional, such as giving new weight to the Cabinet Secretariat attached to the Cabinet Office and to the Council for Economic and Fiscal Policy, a cabinet committee in which the prime minister has a stronger voice. Other measures include a stronger role in top-level personnel decisions, aided by the formal introduction of the Cabinet Bureau of Personnel Affairs in mid-2014. Such institutional measures have proved quite successful.

Monitoring
Ministries
Score: 6

Generally speaking, the Cabinet Secretariat, upgraded over a decade ago, offers a means of monitoring ministry activities. In recent years, its personnel has expanded, improving its monitoring capacity. However, effective use of the secretariat has been hindered in the past by the fact that the ministries send specialists from their own staffs to serve as secretariat employees. It de facto lacks the ability to survey all activities at all times, but the current chief cabinet secretary is considered a decisive power in the enforcement of government-office positions.

Monitoring
Agencies,
Bureaucracies
Score: 7

Japanese ministries are traditionally run by civil servants that work within that ministry for their whole career. Government agencies that belong to a specific ministry's sectoral area are thus also directed by civil servants delegated from that ministry, who may return to it after a number of years. From that perspective, control of executive agencies below the ministerial level can be quite effective. This mechanism is supported by budget allocations and peer networks.

In 2001, so-called independent administrative agencies were established, following new public management recommendations for improving the execution of well-defined policy goals by making them the responsibility of professionally

Task Funding
Score: 6

managed quasi-governmental organizations. Such independent agencies are overseen by evaluation mechanisms similar to those discussed in the section on regulatory impact assessment (RIA), based on modified legislation. In recent years, voices skeptical of this arrangement have gained ground, because the effectiveness of this independent-agency mechanism has been hindered to some extent by the network effects created by close agency-ministry staffing links. In addition, the administrators in charge have typically originated from the civil service, and thus have not always possessed a managerial mindset.

Local governments – prefectures and municipalities – strongly depend on the central government. Local taxes account for less than half of local revenues and the system of vertical fiscal transfers is fairly complicated. Expectations to reduce expenditures have increased, as local budgets are increasingly under pressure given the aging of the population and social-policy expenses related to growing income disparities and poverty rates. The deficit situation of local governments has somewhat eased in recent years.

Japanese authorities are well aware of these issues. Past countermeasures have included a merger of municipalities designed to create economies of scale, and a redefinition of burdensome local-agency functions. In addition, the LDP and others have contemplated a reorganization of Japan's prefectural system into larger regional entities (doshu). Such a reform is highly controversial, however. Since 2014-15, special economic zones (tokku) where national regulations are eased and regional vitalization special zones serve as field experiments for improved policymaking. Many observers doubt whether the approach being taken is bold enough.

Citation:

Takuji Okubo, The truth about Japan's tokku special zones, JBpress Website, 02.07.2014, <http://jbpress.ismedia.jp/articles/-/41109>

Ministry of Internal Affairs and Communications, White Paper on Local Public Finance 2016, www.soumu.go.jp/iken/zaisei/28data/chihouzaisei_2016_en.pdf

Constitutional
Discretion
Score: 4

The Japanese constitution guarantees local-government autonomy. However, articles 92 to 95 of Chapter VIII, which discuss local self-government, are very short and lack specifics. The central state makes its power felt through three mechanisms in particular: control over vertical fiscal transfers, the delegation of functions that local entities are required to execute, and personnel relations between local entities and the central ministry in charge of local autonomy. Moreover, co-financing schemes for public works provide incentives to follow central-government policies.

Over the course of the last decade, there have been a growing number of initiatives aimed at strengthening local autonomy. One major reform proposal envisions the establishment of regional blocks above the prefectural level, and

National
Standards
Score: 8

giving these bodies far-reaching autonomy on internal matters (doshu system). There are no indications that the current government will seek to turn this controversial idea into practice.

Japanese government authorities put great emphasis on the existence of reasonable unitary standards for the provision of public services. The move toward decentralization makes it particularly important to raise standards for the local provision of public services. Within the central government, the Ministry of Internal Affairs and Communications is in charge of this task, which involves direct supervision, personnel transfer between central and local entities, and training activities. While, as a result of a 2000 reform that abolished local entities' agency functions in a strict sense (direct administrative supervision has lost some importance compared to legal and judicial supervision) other channels remained important during the period under review. At the local and particularly the prefectural level, there is a rather elaborate training system that is linked in various ways with national-level standards. The "top runner" program will soon set standards for 16 public services based on advanced localities. Local government public services make up an important element of the Basic Plan for economic management.

A unified digital "My Number" system (the new social security and tax number system) was introduced for citizens in 2015 to help authorities with providing and enforcing uniform services. It faces some opposition and foot-dragging by citizens, however.

Citation:

Kyodo News, My Number law takes effect amid privacy fears, The Japan Times, 5 October 2015, <http://www.japantimes.co.jp/news/2015/10/05/national/number-law-now-effect-notifications-set-sent/>

Cabinet Office, Basic Policy on Economic and Fiscal Management and Reform 2016. Road Map to a 600 Trillion JPY Economy, Draft for cabinet decision, 2 June 2016

Adaptability

Domestic
Adaptability
Score: 6

Japan's reform processes are usually driven by domestic developments and interests, but international models or perceived best practices do play a role at times. Actors interested in reform have frequently appealed to international standards and trends to support their position. However, in many cases it is doubtful whether substantial reform is truly enacted or whether Japan follows international standards in a formal sense only, with underlying informal institutional mechanisms changing much more slowly.

International
Coordination
Score: 7

In recent years, Japan has been actively involved in the G-20 mechanism designed to meet the challenges of global financial turmoil. It held the 2016 G-7 meeting, giving it a chance to influence global agendas. However, concrete

results from the 2016 G-7 are scarce. A collective commitment to expansionary fiscal policy among the G-7, as desired by Japan, could not be achieved. Japan is less visible in international or global settings than might be expected in view of its substantial global economic role. Since Abe's election in late 2012, there is some more continuity and international visibility, though not in terms of spearheading multilateral initiatives.

The Japanese constitution makes it difficult for Japan to engage in international missions that include the use of force, although it can legally contribute funds. In 2015, despite considerable public opposition, new security laws were passed that allow military intervention overseas in defense of allies. Also in 2015, Japan and the United States overhauled their Mutual Defense Guidelines to allow for deeper cooperation and emphasize the global nature of the bilateral alliance.

Japan has actively supported and contributed to regional Asia-Pacific initiatives, for instance financial cooperation under the Chiang Mai Initiative (CMI). More recently, China has emerged as increasingly influential actor shaping regional initiatives such as the recently established Asian Infrastructure Investment Bank (AIIB), which Japan has not yet joined. In response to China's One Belt One Road initiative, Japan has started a Partnership for Quality Infrastructure, for which Prime Minister Abe in 2016 announced \$200 billion to be spent globally until 2020.

Japan has not played a leading role in global environmental-policy efforts, particularly in the post-Kyoto Protocol negotiations.

Citation:

Mitsuru Obe, Japan Parliament Approves Overseas Military Expansion, *The Wall Street Journal*, 18 September 2015, <http://www.wsj.com/articles/japan-parliament-approves-abe-security-bills-1442596867>

Tridivesh Singh Maini, Japan's Effort to Counter China's Silk Road, *The Globalist*, 6 April 2016, <http://www.theglobalist.com/japan-effort-to-counter-china-silk-road-india/>

Organizational Reform

Self-monitoring
Score: 7

Governmental institutional reform has been a major topic of consideration and debate in Japanese politics for more than a decade. The post-2012 LDP-led government under Prime Minister Abe has also tried to readjust institutional arrangements by establishing and/or reinvigorating a number of councils and committees. To some extent, the Abe government tries to reinstitutionalize the strong leadership-framework of the years under Prime Minister Koizumi (2001-2006), for instance through a strong Kantei. Subsequent cabinets have in recent years thus given considerable and recurring thought to institutional (re-)arrangements.

Institutional
Reform
Score: 7

The failed DPJ-led reform initiatives demonstrated the difficulties of trying to transplant elements from another political system (in this case, Westminster-style cabinet-centered policymaking) into a political environment with a tradition of parallel party-centered policy deliberation. In comparison, the post-2012 Abe-led government has been quite successful in pushing at least portions of its policy agenda through parliament. It is open to debate whether the centralization of power at the cabinet level was the most important factor or whether the strong majority in both houses of parliament, paired with opposing political parties' weakness, was at least as important. The passage of the security laws in 2015 – a major success from the government's perspective – may seem to provide evidence of more robust institutional arrangements than in earlier years. However, problems in moving the economic-reform agenda decisively forward in many fields such as labor market reform suggest that the Abe-led government has also had difficulty in overcoming stumbling blocks deriving from longtime traditions.

II. Executive Accountability

Citizens' Participatory Competence

Policy
Knowledge
Score: 7

There is a substantial amount of information about policies and policymaking available in Japan. For instance, ministries regularly publish so-called white papers, which explain the current conditions, challenges and policies being implemented in certain policy areas in great detail.

However, while there is plenty of official government information, this does not necessarily mean that citizens feel satisfied or consider the information trustworthy. According to the Edelman Trust Barometer, trust in government reached a low point after the 3/11 disasters. It has recovered somewhat since, but in 2016 stood at only roughly 40%, still 11 points lower than in pre-disaster 2011.

Citation:

David Blecken, High cynicism among Japanese over long-term future, says Edelman Trust Barometer, PR Week, 11 February 2016, <http://www.prweek.com/article/1383085/high-cynicism-among-japanese-long-term-future-says-edelman-trust-barometer>

Legislative Actors' Resources

Parliamentary
Resources

Parliamentarians in Japan have substantial resources at their disposal to independently assess policy proposals. Every member of parliament can employ

Score: 7

one policy secretary and two public secretaries, who are paid through an annual fund totaling JPY 20 million (about €176,000). However, in many cases these secretaries are primarily used for the purposes of representation at home and in Tokyo. Both houses of parliament have access to a 560-staff-member Research Bureau tasked with supporting committee work and helping in drafting bills. A separate Legislative Bureau for both houses, with around 160 staff members, assists in drafting members' bills and amendments. The National Diet Library is the country's premier library, with parliamentary support among its primary objectives. It has a Research Bureau with over 190 staff members whose tasks include research and reference services based on requests by policymakers and on topics of more general interest such as decentralization, foreign constitutions or science and technology issues. For such research projects, the library research staff collaborates with Japanese and foreign scholars.

Notably, the substantial available resources are not used in an optimal way for the purposes of policymaking and monitoring. The main reason for this is that the Japanese Diet tends toward being an arena parliament, with little legislative work taking place at the committee level. Bills are traditionally prepared inside the parties with support from the national bureaucracy. Ruling parties can rely on bureaucrats to provide input and information, while opposition parties can at least obtain policy-relevant information from the national bureaucracy.

Citation:

Jun Makita, A Policy Analysis of the Japanese Diet from the Perspective of 'Legislative Supporting Agencies', in Yukio Adachi, Sukehiro Hosono and Iio Jun (eds), *Policy Analysis in Japan*, Bristol: Policy Press 2015, pp. 123-138

Junko Hirose, Enhancing our Role as the "Brains of the Legislature": Comprehensive and Interdisciplinary Research at the National Diet Library, Japan, paper for the IFLA Library and Research Services for Parliaments Section Preconference 2014, http://www.ifla.org/files/assets/services-for-parliaments/preconference/2014/hirose_japan_paper.pdf

Obtaining Documents
Score: 9

Government documents can be obtained at the discretion of legislative committees. There are typically no problems in obtaining such papers in a timely manner.

Summoning Ministers
Score: 9

Committees may request the attendance of ministers and lower-ranking top ministry personnel, such as senior vice-ministers, among others.

Summoning Experts
Score: 7

Under Article 62 of the constitution, the Diet and its committees can summon witnesses, including experts. Summoned witnesses have the duty to appear before parliament. The opposition can also ask for witnesses to be called, and under normal circumstances such requests are granted by the government. However, the use of expert testimony in parliamentary committees is not widespread; experts, academic and otherwise, are relied upon more frequently within the context of government advisory committees, in particular at the ministry level.

Task Area
Congruence
Score: 9

The Diet's standing committees (17 in both chambers) closely correspond to the sectoral responsibility of the government's major ministries. Indeed, the areas of committee jurisdiction are defined in this manner. The portfolios of the ministers of state cover special task areas and are in some cases mirrored by special committees (e.g., consumer affairs). Special committees can and have been set up to deal with current (or recurring) issues. In the Lower House, there are currently 10 such committees, for example, on regional revitalization and on the Trans-Pacific Partnership Agreement.

Audit Office
Score: 5

The Board of Audit of Japan is considered to be independent of the executive, the legislature and the judiciary system. It submits yearly reports to the cabinet, which are forwarded to the Diet along with the cabinet's own financial statements. The board is free to direct its own activities, but parliament can request audits on special topics. Since 2005, the board has been able to forward opinions and recommendations in between its regular yearly audit reports.

In 2015, the board criticized electricity provider TEPCO, which is responsible for the Fukushima nuclear plant, for misusing considerable funds during the cleanup, fulfilling its independent watchdog function in this high-profile case. In the same year, the Cabinet Secretariat failed to consult with the Board of Audit concerning the Secretariat's notice to government agencies on how to deal with state secrets, raising constitutional issues.

Citation:

Mari Yamaguchi, Board of Audit: Billions of Yen wasted in Fukushima No. 1 cleanup, The Japan Times, 24 March 2015, <http://www.japantimes.co.jp/news/2015/03/24/national/board-of-audit-billions-of-yen-wasted-in-fukushima-no-1-cleanup/>

N. N., Cabinet Secretariat kept Board of Audit out of the loop on special state secrets, The Mainichi, 3 May 2016, <http://mainichi.jp/english/articles/20160503/p2a/00m/0na/007000c>

Ombuds Office
Score: 5

While there is no national-level (parliamentary) ombuds office as such, the two houses of parliament handle petitions received through their committees on audit and administrative oversight. Citizens and organized groups also frequently deliver petitions to individual parliamentarians.

An important petition mechanism is located in the Administrative Evaluation Bureau of the Ministry of Internal Affairs and Communications. The bureau runs an administrative counseling service with some 50 local field offices that can handle public complaints, as can some 220 civil servants engaged in administrative counseling. In addition, about 5,000 volunteer administrative counselors serve as go-betweens. A related mechanism is the Administrative Grievance Resolution Promotion Council, which includes non-governmental experts.

Citation:

Asian Ombudsman Association: AOA Fact Sheet - Administrative Evaluation Bureau, Japan, available from: http://asianombudsman.com/index.php?option=com_content&view=article&id=133&Itemid=199&lang=en

Media

Media Reporting
Score: 6

NHK, the public broadcaster, provides ample and in-depth information on policy issues. It had a near-monopoly in this role until the 1970s. Since that time, major private broadcasting networks have also moved into this field, while trying to make the provision of information entertaining. NHK also operates a news-oriented radio program (Radio 1). The widely read major national newspapers also provide information in a sober style. However, because of their close personal links to political figures, which finds its institutionalized expression in the journalist club system, these newspapers rarely expose major scandals. Nonetheless, their editorializing can be quite critical of government policy. Investigative journalism is typically confined to weekly or monthly publications. While some of these are of high quality, others are more sensationalist in character.

The 3/11 disaster undermined public trust in leading media organizations, while spotlighting the emerging role played by new social media such as Twitter, Facebook and YouTube. Personnel changes at NHK after the Abe-led government took power, resulting in a leadership openly declaring its intention to steer a pro-government course, as well as a reporting scandal involving the liberal Asahi newspaper, which further reduced faith in major media organizations.

The dismissal and resignation of critical TV journalists point to government involvement, with the communications minister stating in early 2016 that broadcasting licenses may be withdrawn if programs are found politically biased. This has led to a public outcry, but with little tangible result. The new policy line of the government may result in lower quality information content on major media channels.

Citation:

Tomohiro Osaki, Academics, TV journalists slam minister's threat against 'biased' programming, fear media self-censorship, The Japan Times, 2 March 2016, <http://www.japantimes.co.jp/news/2016/03/02/national/tv-journalists-slam-ministers-threat-biased-programs-fear-media-self-censorship/>

Parties and Interest Associations

Intra-party
Democracy
Score: 4

Generally speaking, parties in Japan are fairly insider-oriented, with policy and personnel decisions driven by leading politicians and their networks. One

symptom of this is the high number of “hereditary seats” in parliament, which have been held by members of the same family for generations. Shinzo Abe, the current LDP prime minister, is among those who “inherited” his seat from his father.

Japan’s two major parties are the LDP and the currently far weaker Democratic Party (DP). The LDP has traditionally revolved around individual politicians, their personal local-support organizations and the intraparty factions built by key party leaders. Ordinary party-member involvement is usually limited to membership in a local support organization and is based on mutual material interests: While members want political and hopefully tangible support for their communities, the politician at the group’s head wants public support for his or her (re-)election.

The LDP has become more centralized in recent years, with the influence of factions declining. Party congresses offer little real opportunity for policy input by delegates. However, delegates from regional party branches have participated in party leader elections since the early 2000s, with some branches basing their eventual choice on the outcome of local primaries. While the LDP has also paid some lip service to increased intraparty democracy, it has shied away from major internal reforms.

The DP was formed in 2016 from the Democratic Party of Japan (DPJ) and the smaller Japan Innovation Party. It is somewhat less institutionalized in terms of internal groupings and support organizations, but basically follows a similar pattern. The DPJ was the first party to issue open calls for the recruitment of parliamentary candidates. While insider circles are still very important, the DP has also allowed party members and other registered supporters to take part in a few leadership elections over the years. Renho, the new female party president elected in September 2016, was chosen by lawmakers and party rank and file.

Citation:

LDP factions lose clout, leaving Abe with monopoly on power, Japan Times, 23 November 2015, <http://www.japantimes.co.jp/news/2015/11/23/national/politics-diplomacy/ldp-factions-lose-clout-leaving-abe-monopoly-power/>

Ching-Hsin Yu, Eric Chen-Hua Yu and Kaori Shoji, Innovations of Candidate Selection Methods: Polling Primary and Kobo under the New Electoral Rules in Taiwan and Japan, *Japanese Journal of Political Science* 15 (2014), 4, pp. 635-659

Association
Competence
(Business)
Score: 7

Japan’s leading business and labor organizations regularly prepare topical policy proposals aimed at stirring public debate and influencing government policymaking. The three umbrella business federations – Keidanren (formerly Nippon Keidanren), the Japan Association of Corporate Executives (Doyukai), and the Japanese Chamber of Industry and Commerce (Nissho) – as well as

Rengo, the leading trade-union federation, try to impact policy by publishing policy papers and through their membership in government advisory committees. As the business sector's financial support of political parties has declined and major companies have globalized their operations, politicians may have become less willing to accommodate the views of these interest groups. While there is an obvious scramble for influence between Rengo and the business organizations, there is also growing competition among the business organizations themselves. For instance, Keidanren is dominated by large enterprise groups, and has been somewhat slow in demanding a further opening of the economy. The Doyukai is more characterized by strong independent companies, and has been outspoken in demanding a more open business environment.

Association
Competence
(Others)
Score: 4

Civil society organizations with a public-policy focus are rare in Japan. The Non-Profit Organization Law of 1998 made the incorporation of such bodies easier but many bureaucratic and financial challenges remain. With a few sectoral exceptions, the depth and breadth of such organizations in Japan thus remains limited. Japan has very few well-resourced public policy-oriented think tanks. It should also be noted that some non-profit organizations are used by the government bureaucracy as auxiliary mechanisms in areas where it cannot or does not want to become directly involved.

Following the 3/11 disasters, and more recently in the context of the controversy over the government's security-law extension, civil society groups have taken an increased role in expressing public concerns and organizing mass rallies. High levels of engagement on the part of activists notwithstanding, it is difficult for such actors to create professionally operating, sustainable organizations. As a case in point, the Students Emergency Action for Liberal Democracy (SEALDs) group gained considerable attention during the 2014–2015 protests against a reinterpretation of the constitution's so-called peace clause but disbanded after the 2016 Upper House election. Despite the public attention, the movement did not have any visible impact on the security legislation or on the Upper House election, which resulted in a landslide victory of the conservative governing coalition.

Citation:

Susanne Brucksch, Japan's Civil Society and its Fight against Nuclear Energy, Sustainable Governance Indicators Website, 09.04.2014, <http://news.sgi-network.org/news/details/1212/theme-democracy-sustainability/japans-civil-society-and-its-fight-against-nuclear-energy/>

N. N., After creating new waves in Japan's civil movement, SEALDs dissolved, The Mainichi, 15 August 2016, <http://mainichi.jp/english/articles/20160815/p2a/00m/0na/025000c>

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