

Japan 2005: The Postal Savings privatization plan and the “snap” election

Note: The following materials will be covered only very briefly in class, but there will be a question on the midterm examination related to them. More information about what the exam will cover will be provided by the end of the week prior to the exam.

Please also see the discussion of the September 11 election and its outcome at <http://japan.fruitsandvotes.com>

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Japan Economic Newswire
August 7, 2005 Sunday
SECTION: INTERNATIONAL NEWS

Chronology of Koizumi's postal privatization drive

TOKYO, Aug. 8

The following is a chronology of Prime Minister Junichiro Koizumi's postal privatization and other major reform drives.

December 1992 - Koizumi calls for a review of postal services in his first news conference as posts and telecommunications minister, stirring controversy.

September 1995 - Koizumi runs in the dominant Liberal Democratic Party's presidential race for the first time, raising postal privatization as an issue.

March 1997 - Koizumi prompts controversy by calling, as health and welfare minister, for postal privatization in a view differing from posts minister.

July 1998 - Koizumi runs in the LDP presidential race for the second time.

2001:

April 24 - Koizumi wins the LDP presidential race, pledging to wreck the LDP unless it changes and setting a goal of postal privatization.

April 26 - Koizumi becomes prime minister, launches his first Cabinet with popular Makiko Tanaka as foreign minister and academic Heizo Takenaka as economic and fiscal policy minister.

May 7 - Koizumi calls in his first Diet address for considering possible privatization after public corporation Japan Post is set up.

June 26 - The Cabinet approves an ambitious reform policy compiled by the Council on Economic and Fiscal Policy, whose members are Cabinet members and private-sector leaders.

2002:

Jan. 29 - Koizumi sacks Tanaka as foreign minister over a feud inside the ministry.

July 24 - Laws enacted to set up Japan Post.

Nov. 21 - The government compromises with the governing parties over a supplementary budget for fiscal 2002, breaking Koizumi's 30 trillion yen cap on new bond issuance.

Dec. 6 - A government advisory panel on privatizing public highway operators calls for a strict limit on the construction of new highways after its chairman resigns and walks out in protest.

2003:

April 1 - Japan Post is set up.

May 17 - The government decides to inject public funds into capital-short Resona Bank.

Sept. 20 - Koizumi reelected as LDP president to serve three more years, promotes relatively unseasoned but popular Shinzo Abe to LDP secretary general the next day.

Sept. 26 - Koizumi calls in a Diet speech for postal privatization from 2007 after submitting bills in 2005.

Nov. 9 - The governing parties secure a comfortable majority in a House of Representatives election.

Dec. 22 - The government adopts a program to privatize four highway operators.

2004:

July 11 - The LDP fails to secure seats it had in a House of Councillors election.

July 30 - Former Prime Minister Ryutaro Hashimoto resigns as an LDP faction chief over a money scandal.

Sept. 10 - The government formalizes a basic postal privatization policy without the LDP backing.

Sept. 27 - Koizumi creates and gives the post of postal privatization minister to Takenaka in a Cabinet reshuffle.

2005:

Jan. 21 - Koizumi places top priority on legislating postal privatization in a policy speech as the Diet convenes.

April 25 - The government concedes to the LDP to revise its outline of postal privatization bills, clearing the way for the bills' submission to the Diet.

June 17 - The 150-day Diet session is extended by 55 days to secure time for the postal bills.

June 28 - Koizumi accepts LDP-proposed amendments to the bills.

July 1 - Koizumi indicates intention to dissolve the lower house for a general election if the bills fail to clear the legislature.

July 5 - The bills clear the lower house by a margin of five votes.

Aug. 5 - The bills pass the upper house Special Committee on Postal Privatization.

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What is Japan's "Postal Savings System"?

Emily Yoffe

Posted Wednesday, April 25, 2001, at 2:07 PM PT

Junichiro Koizumi, soon to be Japan's prime minister, helped secure his election, according to press reports, by his bold pronouncement that he wanted to privatize the country's postal savings system. Just what is Japan's postal savings system?

It is the largest financial institution in the world, with about \$2.4 trillion (250 trillion yen) on deposit. It is a government-run banking system based in post offices. Japan has 24,000 post offices, and each has a bank inside. The postal savings system does everything from cashing checks to selling life insurance to issuing long-term certificates of deposit to providing automatic check-paying and payroll deposit services. The system holds one-third of all the country's bank deposits. It was created in 1875 and modeled after a British system established in 1861. In the 19th century, it was hard for rural people to get to banks, and banks didn't yet have a modern system of safeguards on deposits. So governments began setting up bank equivalents in post offices. The United States created one in 1910, attracting mostly urban immigrants who distrusted private banks. It never gained the popular appeal that the Japanese version has and was dismantled in 1967.

Although privatizing the Japanese system, which diverts money from private banks, has long been discussed, the opposition has been fierce. Postmasters tend to be local leaders of the ruling Liberal Democratic Party, so they have a personal interest in maintaining the banks. The postal savings system has also been a rich source of off-budget revenue for other government agencies. Many government corporations have financed projects with loans from the postal savings system. Whether these loans can ever be repaid is a question for the new prime minister.

Explainer thanks Arthur Alexander of the Japan Economic Institute of America.

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The Asahi Shimbun

June 30, 2005 Thursday

COALITION STRUGGLES WITH POSTAL BILLS

TOKYO

The ruling coalition has set a self-imposed deadline of Tuesday to pass the postal privatization bills in the Lower House, sources said Wednesday. The watered-down legislation will more likely win over opponents of the plan and stave off humiliation for Prime Minister Junichiro Koizumi as he heads to the Group of Eight summit in Scotland.

Proponents of postal privatization in the Liberal Democratic Party and New Komeito want the package approved in a committee meeting Monday and passed in the Lower House on Tuesday. Koizumi will leave for Scotland the following day.

The LDP did not insist on passing the bills this week out of consideration for New Komeito, which expressed concerns about possible repercussions in Sunday's Tokyo assembly election, sources said.

The LDP made a number of concessions in the legislation to appease the so-called resistance forces in the party.

Koizumi, who had opposed any changes in the bills, approved the concessions Tuesday. "The party did a good job of compiling the amendments," he said. "There is good wisdom in them."

Yet it is clear that not everyone in the LDP agrees. Shunichi Yamaguchi submitted his resignation from the Lower House Committee on Rules and Administration to underscore his opposition to the plan. Seventy-nine LDP members of a group opposed to postal privatization attended a meeting Wednesday.

Opposition Minshuto (Democratic Party of Japan) is also poised to block the bills' passage in the Lower House. "They (amendments) involve the main framework, so there is no choice but to hold further debate on them," party leader Katsuya Okada told reporters Tuesday.

The basic plan is to split Japan Post into four entities-mail delivery, savings, insurance and over-the-counter services-under a holding company in April 2007. Full privatization is to be reached after a 10-year transition period with the holding company selling off the shares in the two financial entities.

One of the concessions will allow operations of the savings and insurance services to be undertaken by the over-the-counter company. Another change will let the government-run holding company immediately buy back shares in the financial units. The LDP also agreed to create a 2-trillion-yen fund to ensure uniform savings and insurance services in rural areas, up from the initial plan of 1 trillion yen.

The LDP's General Council, which usually approves a policy by consensus, endorsed the amendments Tuesday in a rare majority vote. Although most members approved the changes, five raised their hands in opposition. Shizuka Kamei, former chairman of the party's Policy Research Council, did neither. He shouted, "I can't allow such a vote."

LDP leaders have decided to require all members to vote in favor of the amended bills. Kamei and others said they would vote against the party.

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The Japan Times
July 6, 2005, Wednesday

Postal bills squeak by Lower House

By TETSUSHI KAJIMOTO, Staff writer

Prime Minister Junichiro Koizumi's contentious postal privatization bills narrowly cleared the House of Representatives on Tuesday as dozens of lawmakers in the Liberal Democratic Party joined the opposition camp in voting against the legislation.

The bills to privatize Japan Post beginning in 2007 cleared the 480-seat chamber by five votes -

233 for and 228 against - and were sent to the House of Councilors.

Although the LDP, which Koizumi heads, and its coalition partner, New Komeito, have a combined majority of 284 seats in the Lower House, 37 LDP lawmakers voted against the bills and 14 others either abstained or boycotted the plenary session.

Postal organizations have long been a solid vote-gathering machine for LDP lawmakers. And opponents to the bills defied warnings from party elders they would be "severely disciplined" if they voted against the legislation.

Opposition party lawmakers erupted in excitement every time LDP foes to the bills cast a blue "no" vote. Supporters cast a white "aye" ballot.

Koizumi said he was "relieved" the bills cleared the Lower House but admitted the opposition within his party was "larger than expected."

"(We) thought the bills would be passed, but the truth is (we) felt (we) were treading on thin ice," LDP Secretary General Tsutomu Takebe told reporters after the plenary session.

Although the bills were immediately sent to the Upper House, Tuesday's narrow victory indicates Koizumi will face an uphill battle in getting the legislation enacted before the current Diet session ends in mid-August.

"I think (we) did well considering it was said there would be only about 20 no votes at first," said former posts minister Seiko Noda, who voted against the bills. Other opponents within the LDP included former Lower House Speaker Tamisuke Watanuki and ex-LDP policy affairs chief Shizuka Kamei.

Two vice ministers and two parliamentary secretaries in the Koizumi Cabinet, including Vice Justice Minister Makoto Taki, also voted against the bills. They were removed from their positions a few hours after the vote.

The LDP-New Komeito alliance's majority is slimmer in the Upper House than in the lower chamber.

While the postal bills would have been killed in the Lower House if at least 46 LDP members joined all the opposition party members to vote them down, they can be voted down with "no" ballots from only 18 LDP members plus all of the opposition party members in the Upper House.

"(We) must deal with the bills in the House of Councilors all the more, and cannot relax yet just because the bills cleared the Lower House," Takebe said, adding the LDP will decide what do with the Lower House rebels only after the bills clear the Upper House.

The LDP opponents rebelled against Koizumi despite a warning from LDP executives that the party would "severely discipline" those who defy the party executives' order to back the bills.

The rebels had also been warned that the party would not endorse them in future elections.

Democratic Party of Japan leader Katsuya Okada told reporters following Tuesday's plenary session that Koizumi's narrow victory "was in fact a vote of no-confidence."

Under the bills, Japan Post will be disbanded in April 2007 and split into four entities -

undertaking mail delivery, postal savings, postal life insurance and over-the-counter services under a holding firm.

After a 10-year transition, the two financial entities undertaking savings and life insurance will be fully privatized to compete with other private-sector firms on an equal footing.

However, the bills have been revised in a compromise with opponents of the privatization, allowing the holding company to have a hand in the financial entities through cross-shareholdings and with the right to vote to retain unity of the postal services network.

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The Associated Press
August 7, 2005, Sunday, BC cycle
SECTION: Business News; International News

Japanese prime minister stakes his political future on postal reform vote

By NATALIE OBIKO PEARSON, Associated Press Writer

TOKYO

The future of Prime Minister Junichiro Koizumi and his ruling party's nearly unbroken grip on postwar power hung in the balance as Japan headed for a showdown on a postal privatization plan that would create a bank to rival the world's largest.

The upper house votes Monday on a package of bills aimed at breaking up Japan Post, a sprawling behemoth with \$2.9 trillion in savings and insurance deposits that if privatized would rival U.S.-based Citigroup Inc. Under the proposal, Japan Post would be divided into private companies handling mail delivery, banking and insurance by 2017.

Koizumi has said rejection of the package would amount to a no-confidence vote, and the top government spokesman was quoted by Kyodo News agency on Monday as saying the prime minister would dissolve Parliament for nationwide elections if it fails. Weekend newspaper polls indicated the contest was too close to call.

"This is the first step toward large-scale administrative reform to fundamentally change the shape of this country," said Hidenao Nakagawa, the ruling Liberal Democratic Party's parliamentary affairs chief, arguing Sunday that the postal system was symbolic of the bloated bureaucracy and government waste that has stymied Japan.

The enormous pool of postal funds - amounting to more than Germany's gross domestic product of \$2.7 trillion in 2004 - have long financed wasteful public works projects, while the network of unionized postal workers has also proved a bastion of party support.

Koizumi has argued the money needs to be opened to more efficient investment in order to stimulate the world's second-largest economy, which is only just emerging from a long slowdown.

Opponents, including some in his own party, argue that privatization would reduce postal services in rural areas and lead to layoffs among the 400,000 postal system workers. They also say the new bank would drive private financial institutions out of business.

Excluding its insurance accounts, Japan Post boasts savings deposits alone of \$1.9 trillion in a nation known for high savings rates. The postal system has some 25,000 branches around the country, while Japan's seven nationwide banks combined have only 2,606 branches.

The biggest banking company, Citigroup Inc., has assets of \$1.48 trillion.

As party officials engaged in last-ditch lobbying over the weekend, Nakagawa acknowledged, "the situation is severe. There is a possibility they could be rejected."

A rejection could change the face of Japanese politics.

"For the first time in the postwar period we will openly go head-to-head in elections and we aim ... to take power. The moment is coming when Japan's democracy will be tested," Katsuya Okada, leader of the largest opposition Democratic Party, said Sunday on a Fuji TV news program.

Some predict the LDP could splinter in nationwide elections with members opposing the bills forming a new party, while the Democratic Party would be given a critical opportunity to improve its standing.

Shizuka Kamei, a key figure in the ruling party's camp rebelling against the bill, did not rule out the possibility Sunday that such a crisis could force the party out of government for only the second time since World War II.

The showdown was stirring memories of an eight-month period between 1993 and 1994 - the only time in the past 50 years that a non-LDP bloc controlled the government after groups of lawmakers broke with the party.

"If we are again forced into the opposition, the Liberal Democratic Party will never return," Kamei said.

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[Note: The bill was defeated in the upper house, and Koizumi responded by exercising this authority to dissolve the lower house, scheduling an election for September 11, 2005.]

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The Asahi Shimbun
August 10, 2005 Wednesday

LDP CHAPTERS SCRAMBLE TO FIELD NEW CANDIDATES

Deprived of support from the ruling party for rebels who helped kill its postal privatization program, local chapters of the Liberal Democratic Party are scrambling to field candidates in the Sept. 11 election.

The LDP said it will not offer its backing to any party lawmaker who went against Prime Minister Junichiro Koizumi.

"Even if the party headquarters comes up with officially ticketed candidates (instead of those who voted down the bills), it won't be possible for us to support those individuals," said a senior member of the LDP's Hiroshima prefectural chapter.

Thirty-seven LDP members voted against the bills in the Lower House last month, while 22 did the same in the Upper House on August 8.

In the LDP's Tokyo chapter, Eita Yashiro and Koki Kobayashi, who both opposed the bills in the Lower House, resigned from their senior chapter posts on Tuesday. Yashiro was the chapter's chairman and Kobayashi held the post of Policy Research Council chairman.

"There are few other candidates (to run on the LDP ticket) who could actually win," said one chapter member.

In the Hiroshima prefectural chapter, both Shizuka Kamei and Kazuko Nose voted against the postal bills in the Lower House. "I doubt we could campaign as a united body in the election," said chapter head Ikuo Kamei, who opposed the bills in the Upper House.

On August 8 night, LDP executives said it would require newcomers and former LDP candidates to submit in writing their position on postal privatization. The party will also decide how to deal with those who abstained or were absent during the voting.

Meantime, an LDP group of lawmakers that is opposed to postal privatization abandoned plans on August 9 to form a new party comprising all of the 37 Lower House party members who fought the privatization process.

Seiko Noda, Takao Fujii and more than 10 other younger members of the party have already said they plan to run in the election as independents.

Faction chief Shizuka Kamei has hinted for some time he wants to help form a new party. But many members of his faction are wary.

August 8's dissolution of the chamber has prompted other changes.

Disgraced former Social Democratic Party lawmaker Kiyomi Tsujimoto has said she will run in Osaka, either on the SDP ticket again or as an independent.

Katsuhiko Yokomitsu has left his post as deputy chairman of the Social Democratic Party, and may run on the Minshuto (Democratic Party of Japan) ticket in Oita.

Minshuto President Katsuya Okada meantime said he was confident that his party will win the election.

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The Asahi Shimbun
August 10, 2005 Wednesday

PARTIES NOW IN A RUSH TO DRAW UP MANIFESTOES

Political parties were scrambling on August 9 to draw up policy manifestos ahead of the Sept. 11 election for the Lower House. At issue is what spin to put on the defeated postal reform that triggered this latest political upheaval.

Prime Minister Junichiro Koizumi's Liberal Democratic Party is set to put overriding stress on the need to privatize postal services. New Komeito, the LDP's coalition partner, will adopt a similar

posture.

In contrast, the main opposition Minshuto (Democratic Party of Japan) is keen to side-step the issue. Minshuto is instead intent on calling attention to bread-and-butter issues such as proposed tax increases that primarily target salaried workers-in other words, the average voter.

LDP officials said they wanted to avoid using professional mumbo jumbo so as to reach out to ordinary people. However, there will be mention of the "necessity of small government, for which postal privatization plays a part."

A senior LDP member said the party intends to create the impression that those who voted down the postal bills "tried to trample on the reform process" but achieved nothing more than a delay of the inevitable change that the government is committed to bringing about.

The LDP manifesto will likely include a promise to maintain the nationwide network of postal services after privatization. This is in response to concerns among residents of rural areas that post offices in remote regions will close, sources said.

The policy document will also comprehensively cover other matters of public concern, such as fiscal reconstruction, pension reform and environmental protection, sources said. This is intended to address criticism that Koizumi was so obsessed with postal reform he ignored other pressing issues. [...]

New Komeito will also promote postal privatization in its manifesto and explain its stand on issues like the declining birthrate, aging of society, anti-crime and disaster preparedness measures. The party will also show how it intends to reduce government spending and reform government-affiliated corporations, the sources said. For its part, Minshuto will concentrate on pocketbook issues like the Tax Commission's proposed tax hikes. It will also put emphasis on its intention to reduce national expenditures by abolishing lawmakers' pensions, reducing the number of Lower House seats and implementing widespread salary cuts in the bureaucracy, the sources said.

Minshuto intends to stay clear of postal privatization because, one party executive said, "We should not get deeply involved with the LDP's own political struggles." [...]

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The Asahi Shimbun
August 15, 2005 Monday

MINSHUTO REVERSES 'SPECTATOR' STANCE ON POSTAL REFORM

The main opposition party Minshuto (Democratic Party of Japan) indicated over the weekend that it would court reform of the national postal system ahead of next month's Lower House election by adding the issue to its campaign manifesto.

The opposition's strategy for revamping Japan Post, however, bears little resemblance to the plan being pushed by Prime Minister Junichiro Koizumi.

Minshuto's design instead focuses on shrinking the huge pool of postal savings. It calls for lowering the ceiling on deposits in postal saving accounts to 7 million yen, from the current 10 million yen. Later, say Minshuto officials, that would be further tapered to 5 million yen.

The move represents a major about-face for Minshuto, which had insisted the ruckus was an internal dispute of the ruling Liberal Democratic Party and earlier said it would not include postal reform in its campaign manifesto.

While Minshuto leader Katsuya Okada has long been a proponent of privatizing the postal savings and insurance programs, the party had been unable to come up with any firm proposal on the issue. That is largely because a number of Minshuto lawmakers depend heavily on the support of labor unions affiliated with the postal system. However, in light of Koizumi's dissolution of the Lower House last week and call for a snap election, Minshuto leaders agreed to include postal reform on their Sept. 11 election agenda.

Koizumi has fiercely criticized Minshuto, along with LDP rebels, for voting against the postal reform bills while failing to come up with any alternatives.

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The Asahi Shimbun
August 26, 2005 Friday

HIS WORLD TURNED UPSIDE DOWN, KAMEI BRACES FOR LDP 'ASSASSIN'

KIM HAN IL

TOKYO

One thing is for sure: Veteran lawmaker Shizuka Kamei had never expected to be challenged for his Diet seat by someone with the ruling Liberal Democratic Party's blessing.

Until now, that is.

Kamei, 68, was once one of the most powerful men in the LDP. He had held the post of policy chief and headed his own faction. He also was one of the key movers in voting down Prime Minister Junichiro Koizumi's postal privatization bills.

In doing so, he made an enemy of Koizumi, who vowed to dispatch an "assassin" to defeat Kamei and 31 other rebels in the Sept. 11 snap election aimed at winning public support for the postal reform drive.

Kamei, who has won nine consecutive Diet terms in a Hiroshima constituency, including his hometown of Shobara, a rural community of 44,000, has a major fight on his hands this time around.

He is up against Takafumi Horie, a maverick entrepreneur who is backed by the LDP but running on an independent ticket. Horie, president of Internet start-up Livedoor Co., shook up the business establishment earlier this year with his bid to take over Nippon Broadcasting System Inc.

Another strong contender for the seat in Hiroshima's sixth district is Koji Sato of Minshuto (Democratic Party of Japan).

Even so, Kamei appears unfazed. This past week, Kamei strode into the gymnasium of an

elementary school that sits in the middle of a vegetable farm to warm applause from the 250 or so residents who had gathered.

Walking to the podium, residents flocked around him to shake his hand.

"Reform usually means changing for the better," he thundered. "But, in fact, Koizumi is destroying Japan under the name of reform."

It was a stirring performance.

Kamei quit as head of his own faction on Aug. 15, saying he had caused problems for members over his fight against postal privatization. Kamei then left the LDP to help set up Kokumin Shinto (People's New Party), which has no chance of defeating the LDP but could deprive the party of seats.

The Kamei faction had 29 Lower House members and 18 from the upper chamber. Twelve of his members in each chamber voted against postal privatization, causing Koizumi to dissolve the Lower House and call the snap election.

Eleven of those members will face LDP-backed contenders.

Koizumi has long vowed to smash the LDP's factional system, saying the party's policies too often are decided on the basis of vested interests.

That is why Koizumi left the LDP faction headed by former Prime Minister Yoshiro Mori to run for party president in 2001, advocating abolition of the faction system and pushing structural reform, including postal privatization. That marked the first direct confrontation between Kamei and Koizumi.

Kamei battled Koizumi on grounds that fiscal policy priority should be on providing funds to the needy and rural areas rather than for structural reform. Kamei went up against Koizumi in the party's presidential election in both 2001 and 2004, but was defeated.

When Koizumi's six postal bills passed the Lower House by a whisker in late July, Kamei shouted to reporters, "In the next round (of the Upper House), we will knock out (the bills)."

Kamei clearly had revenge on his mind. Increasingly though, it looks like he might have miscalculated.

Koizumi didn't hesitate to dissolve the Diet with his promise to purge the LDP rebels. Kamei's world collapsed soon after with his faction in ruins.

And that deprived him of his power base in the LDP. Still, he has strong support in his constituency. In fact, 11 prefectural assembly members of the LDP in the electoral district have pledged to defy the party headquarters in Tokyo and support Kamei.

At another gathering last weekend, Kamei attacked Koizumi's structural reform efforts as well as Horie's business tactics.

Kamei noted that Horie, even though he has LDP backing, caught flak for his maverick way of conducting his business affairs. In a nutshell, they accused him of seeking wealth, no matter the cost. "Politics must protect the weak," Kamei said. "Horie's business tactics of raking in huge

profits are in accordance with Koizumi's policy that make the weak victims of the strong."

When Kamei served as construction minister in the late 1990s, his private secretary was Yukuya Kawakami, a man who has known Kamei for nearly 30 years. Kawakami explained Kamei's determination to protect those who are less well off.

"Japan has become a country where everyone acts in their own interests-whether it is individuals or large corporations-and let the weak suffer," he said. "Rural areas are suffering the most. Small- and medium-sized businesses are having a hard time making ends meet. People in Tokyo and those who do business with the rest of the world may not feel so much hardship, but those who are working with other regions in Japan certainly feel it. The fact is, they all feel it because they are affected by the economic slowdown."

About half of Hiroshima No. 6 district is mountainous and poor. And this is where Kamei's power base is particularly strong. Many voters in the area are disenchanted with the new breed of businessman that Horie represents.

Horie recently said on television: "I support Koizumi's reform course and postal privatization. Resistance forces like Kamei only delay and interrupt the reform process."

Kamei is clearly revered in Shobara. Many residents cite Kamei's role in a decision to designate nearby mountainous areas as a state-managed park and build a highway connecting their region with Tottori Prefecture.

"After the Japanese National Railways was privatized, train services decreased to only one an hour in this region," said Kazuko Nose, a former Lower House member who belonged to the Kamei faction and is based in Hiroshima. "Also, I don't think the network of post offices will be maintained in rural areas if they are privatized."

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The Asahi Shimbun
August 30, 2005 Tuesday

LEADERS AT ODDS ON WHAT THE ELECTION IS ALL ABOUT

ROY K. AKAGAWA

TOKYO

The ruling coalition leaders focused on postal privatization while opposition party heads argued that social welfare and taxes demand more attention during a nationally televised pre-election debate on Aug. 29.

Held on the eve of the official start of campaigning for the Sept. 11 Lower House election, the debate involved six leaders and set what is expected to be the tone of campaigning. Yasuo Tanaka, head of new party Nippon, was absent, citing his duties as governor of Nagano Prefecture.

Prime Minister Junichiro Koizumi of the Liberal Democratic Party and coalition partner New Komeito head Takenori Kanzaki stressed the vote was about postal privatization.

"I called the election because I wanted to have the people decide whether postal privatization

was necessary," Koizumi said. He said he wanted to discover if the Upper House's defeat of the postal reform bills reflected the public's opinion.

Kanzaki asserted that postal privatization would be an important first step toward dealing with problems related to the falling birth rate and reviving the nation's fiscal health via structural reform.

Koizumi also hammered away at opposition Minshuto (Democratic Party of Japan) and its rejection of the postal privatization bills in the Diet.

"Why did you vote against the bills, and once the election was called, come out and say privatization of postal savings and insurance was needed?" Koizumi asked Minshuto leader Katsuya Okada. "Why didn't your party present a counterproposal in the Diet?"

Okada argued that the legislation did not offer an adequate explanation of how the proposed postal savings company would handle loans, nor how it would earn enough interest on loans to pay promised returns to depositors. He also said Minshuto had long called for a limit on the volume of funds in postal savings and insurance.

Okada stressed Japan needs a stronger social welfare system, and reiterated points in Minshuto's campaign manifesto calling for measures to unify the three pension programs into one with a minimum basic pension, and greater support for families with children.

Okada then asked Koizumi how he planned to turn around the dire straits in the national pension program, hit in recent years by increasing droves of individuals neglecting to pay pension premiums.

Koizumi repeated the LDP pledge to first unify the pension programs for salaried workers in the public and private sectors. Only after that would the government hold talks with all political parties on merging the new program with the pension program for self-employed persons and others, he said.

Kazuo Shii, leader of the Japanese Communist Party, challenged Koizumi about the LDP manifesto, saying it distances the party from a government Tax Commission report released in June that proposed doing away with some salary deductions-amounting to higher taxes for workers.

Shii pointed to a ruling coalition outline from late 2004 urging a review of the tax deductions for salaried workers, which he claimed was the basis for the eventual Tax Commission report.

Koizumi said the LDP would not force a greater tax burden only on salaried workers, but he added that more debate was needed to decide changes in the overall taxation system.

Turning to foreign affairs, Koizumi indicated that ending his visits to Yasukuni Shrine would have little effect on the course of Japan's relations with its Asian neighbors.

"If I do not visit Yasukuni, I do not think that in itself will lead to better relations between Japan and China," he said.

He added that interchange between Japanese and Chinese in business, culture, sports and other fields has become more frequent since he took office.

Okada reminded the prime minister that, for Japan and China to deal effectively with the contentious issues before them, their leaders must build trust. Koizumi has not held a summit with a Chinese president except on the sidelines of international gatherings.

Social Democratic Party leader Mizuho Fukushima said her party would fight for the "losers in the economic rat race" and to preserve the pacifist Constitution.

Tamisuke Watanuki, a long-time lawmaker who left the LDP after voting against the postal bills, said his Kokumin Shinto (New People's Party) would be one in which dissenting opinions can be voiced.

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Koizumi: 'I won't invite rebels to form majority'

09/03/2005

The Asahi Shimbun

Prime Minister Junichiro Koizumi made clear Thursday he would rather accept defeat gracefully than go on bended knee and ask independents who fought him on postal privatization to help him form a majority government after the Sept. 11 Lower House election.

Koizumi made the comment in an interview with The Asahi Shimbun and other media organizations. He was asked what he would do in the event that neither the ruling coalition of the Liberal Democratic Party and New Komeito nor opposition Minshuto (Democratic Party of Japan) succeeded in capturing a majority of seats.

"While one possible scenario would be forming a majority by including those who ran as independents, I will not make that decision, since I will first step down," Koizumi said. "What happens (next) will be left up to the succeeding LDP president and New Komeito."

In the past, conservative independents were often given official LDP endorsements after an election, to give the LDP a majority.

Many of those now running as independents are former LDP members who were denied official party endorsement because they voted against his postal privatization bills.

Koizumi also expressed satisfaction at how the campaign has gone so far. "I believe there are many people who feel that postal privatization is necessary," Koizumi said.

He was also confident that if the LDP won this election, the Upper House would likely pass the postal privatization bills. "I think they will rethink their position if we are able to gain a victory after having made privatization the primary issue," Koizumi said. "There were many privatization opponents among those (in the Lower House) who abstained, but they are now coming out and speaking strongly in favor of the bills."

Koizumi also confirmed that he would not stay on as prime minister beyond the end of his term as LDP president in September 2006 even if he won in the election and maintained control of the government. (IHT/Asahi: September 3, 2005)

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In Japan, the Lipstick Ninjas Get Out the Vote Koizumi Fields Women in Upcoming Elections in Bid to Transform Ruling Party

<http://www.washingtonpost.com/wp-dyn/content/article/2005/09/02/AR2005090202249.html>

By Anthony Faiola
Washington Post Foreign Service
Saturday, September 3, 2005; A28

TOKYO -- Armed to the teeth with blood-red lipstick and a killer smile, Yuriko Koike stormed the streets in a working-class neighborhood here with rapid-fire handshakes and a brigade of young campaign aides wearing hot-pink T-shirts and waving rose-colored flags. One of Prime Minister Junichiro Koizumi's hit squad of female "assassins," the former anchorwoman vowed to take no prisoners in Japan's nationwide elections a week from Sunday.

"This is a ground battle for reform!" Koike, 53, shouted through a bullhorn to her giddy audience. "Let's change Japan!"

Koike joined a star-studded cast of female candidates sent out on the campaign trail this week by Koizumi, who has vowed to resign if his fractured Liberal Democratic Party fails to win control of Japan's lower house on Sept. 11. The women -- now ubiquitously referred to in the national media as Koizumi's assassins -- also include Satsuki Katayama, a model-turned-bureaucrat, and Makiko Fujino, Japanese television's version of Martha Stewart. Their mission: to take out the prime minister's political enemies in the old boys' network that long held sway over the LDP.

The women embody Koizumi's strategy of putting a new face on the stodgy, conservative party that has ruled Japan for most of the post-World War II era. In a country where only a small percentage of elected officials are female and women are still expected to pour tea for male co-workers and defer to their husbands, Koizumi's "new LDP" is fielding a record 26 women in the upcoming race, more than double last year's number.

More important, Koizumi, 63, chose Koike and eight other well-known, successful women to run in key races. They are opposing the powerful hard-liners whom Koizumi effectively purged from the party after they voted against his bill to privatize Japan's massive postal service, the centerpiece of his plan to reform the world's second-largest economy. Rejection of that bill in August led Koizumi to angrily dissolve the lower house and put his job on the line by calling new elections in which he has vowed "to change or destroy" the LDP.

The sensational story of the lipstick ninjas vs. the ousted old men has taken the spotlight off the LDP's main opponents -- the centrist Democratic Party of Japan, which had hoped to snatch power away from Koizumi this month. And the prime minister's purge has cast adrift the members of the LDP's old guard, long opposed to the prime minister's reforms, forcing them to run as independents or as candidates of small and newly formed conservative parties.

At the same time, Koizumi's popularity is soaring ahead of the vote -- particularly among such nontraditional LDP voting groups as younger people and urbanites.

"There's no way around it," said Yasunori Sone, a professor of political science at Keio University in Tokyo. "Koizumi is a political genius. His creation of the assassin candidates has captured the public's imagination."

Indeed, Koizumi's daring approach has surprised a nation used to consensus politics, titillating the press and jolting many Japanese out of their state of political apathy. Public opinion polls indicate heightened interest in the elections.

Some analysts attribute much of the interest to Koizumi's moves to change the LDP's image. Few Japanese institutions have been considered more male-dominated than the LDP, which was founded in 1955 and has never had a woman rise to its senior hierarchy. Japan ranks 101st in the world in terms of the number of women in its national parliament; the United States, by comparison, is in 60th place, according to the Inter-Parliamentary Union (Rwanda is first).

Koizumi has also enlisted some hipper men in his campaign. He persuaded Takafumi Horie, a 32-year-old youth icon and corporate raider who favors T-shirts and jeans, to take on Koizumi's former arch rival within the LDP, Shizuka Kamei, a powerful politician from Hiroshima. But most of the best-known of Koizumi's assassins are women such as Koike.

"Koizumi is sending out assassins who don't look scary in the beginning because they are women," said Koki Kobayashi, one of the ousted LDP legislators. Now a member of a small conservative party, Kobayashi is facing a showdown with the photogenic and sophisticated Koike, who is also Koizumi's environmental minister and speaks fluent English and Arabic. Kobayashi said running against her was "a frightening concept."

As with most of the other female candidates being fielded by the LDP, Koike won't have an easy time against Kobayashi in Tokyo's 10th district, a swath of working-class residences and marketplaces in the north of the city. That is in part because of the corrupt political system Koizumi is trying to wipe out by privatizing the postal service.

The post office in Japan does far more than deliver the mail; with \$3 trillion in deposits, it is also the world's largest public bank. LDP loyalists have long doled out low-interest postal loans for pork projects and recruited postmasters -- very often a job passed down from father to son -- to turn out the votes on election day. In Tokyo's 10th district alone, there are at least 40 post offices, and their union representatives are hostile to Koizumi's reform effort.

Koike has a carpetbagger image given that she has never lived in and rarely traveled to the neighborhood -- residency is not required of candidates for parliamentary seats in Japan. Several older women who shook her hand during a campaign appearance this week commented on her newness to the neighborhood. But even if she loses in the 10th district, Koike could still end up being elected. Koizumi has placed her and other women high on the LDP's official list of candidates who will almost surely gain seats if the LDP wins a national majority.

While some women have lauded the LDP for being more inclusive, others have criticized the female candidates for letting themselves be used as pretty faces to lure votes. They note that even now, only 7.5 percent of the LDP's candidates are women. But Koike insists that she and others are a real catalyst for change.

"The problem is that in the past, it was difficult for newcomers and women to be fielded as LDP candidates," she said. "But Koizumi is turning the LDP into a new party."

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The Asahi Shimbun
September 8, 2005 Thursday

OPPONENTS ARGUE THE LDP'S INTERNAL REFORM 'PURGE' JUST SCRATCHES

YU YOSHITAKE AND KIM HAN IL

TOKYO

Striding through the rows of chairs in an open-necked pink shirt and suspenders, Taro Kono is the very picture of the new-look Liberal Democratic Party-relatively young at 42, dressed in "cool biz" style, and finding surprisingly strong support in an urban district.

Assembled in front of 400 supporters at an elementary school gymnasium last Saturday in Kawasaki's Takatsu Ward to support Daishiro Yamagiwa, 36, the LDP candidate for Kanagawa Prefecture's No. 18 district, Kono pumped his right fist in the air.

"A vote for Yamagiwa is a vote for Koizumi," he thundered.

The re-branded LDP-younger, and now rallying under the banner of reform after purging rebels who opposed the postal privatization bills-has the upper hand going into Sunday's election.

But critics contend the party's new look is just that-a look.

"The government of Prime Minister Junichiro Koizumi will not be able to effect a real change because it still includes many lobbyist politicians," Takeshi Hidaka, 39, the Minshuto (Democratic Party of Japan) candidate running against Yamagiwa in the Kanagawa No. 18 constituency, said on the same day. "It is still mired in the cozy relationship between LDP politicians, bureaucrats and businessmen."

Minshuto is trying hard to convince voters that many older LDP politicians subservient to special interests-from construction to agriculture to education-survived the purge, and still lurk in the party.

Whether the LDP has actually achieved real internal reform, or just a surface cleansing, is at the heart of an election campaign in which almost all candidates are claiming to be in favor of reform.

Kono, for his part, is convinced that Koizumi's tactics have turned around the LDP.

"Koizumi has done very well," he said in an interview. "He put an entirely different complexion on the state of the party."

Koizumi's strategy of highlighting postal privatization by purging its opponents has given the LDP a new image. A once badly divided party is now united under the mantra of "postal privatization" and "structural reform."

The party is enjoying new popularity among urban voters, who tend to support postal privatization, according to Asahi Shimbun polls.

For years, the LDP had been steadily losing support in urban areas to Minshuto.

Ever since Minshuto was formed in 1996, Diet seats in Tokyo and Aichi began leaching away from the LDP. Although Koizumi is from Kanagawa Prefecture, only nine of the 18 constituencies remain under LDP control.

Hoping to stanch the flow, Kanagawa chapter executives undertook some reforms of their own. In March 2001, they pressed party headquarters to allow an open election of the president from among all party members. The proposal paved the way for Koizumi to become prime minister.

They also started a new system of publicly recruiting candidates.

Even still, as recently as early August, Kono, like many LDP members, remained unenthusiastic about his party's hopes. "(The party) had lost its identity," Kono said. "Many LDP members were just parroting what bureaucrats had prepared for them. I even thought that, should the LDP be dismantled, I would just let it disappear. "To tell the truth," he added, "I thought the LDP was going to lose the election if the Diet was dissolved."

After introducing a candidate age limit of 73 in 2002 for proportional representation constituencies, part of the LDP's re-branding strategy has been fielding younger candidates.

The LDP's Kanagawa prefectural chapter can now boast that the average age of its 17 candidates is 49.9 years old, compared with 54.9 years old among Minshuto's 18 candidates. "Candidates must be young, intellectual and have logical ideas," said Kenji Umezawa, former LDP Kanagawa chapter chief. "They must also explain policies in their own words. The people here will not accept conventional local candidates."

Umezawa admits, though, that the party's new blood seems to be having difficulty getting along with the LDP's traditional supporters, as well as older local assembly members.

Critics insist that ejecting rebels like Shizuka Kamei and Tamisuke Watanuki, the so-called postal privatization "resistance force," only eliminated a fraction of the older LDP lawmakers who continue to serve the needs of business and special interests.

Standing next to Hidaka in front of JR Musashi-Mizonokuchi Station, Kanagawa Governor Shigefumi Matsuzawa railed against Koizumi last Saturday.

"You, the forward-thinking voters of Kanagawa must not be cheated by Koizumi," he yelled to the crowd. "He has achieved nothing during his four years in office."

Kono admits the LDP could use some touching up. "There are some more that can be removed (from the party)," he said. "We need to polish it neatly." But he said Minshuto also suffers from the undue influence of certain special interest groups.

And he disagrees that Koizumi has achieved nothing. "Thanks to Koizumi, the opposing axis has been established-Minshuto and the labor unions on one side, the new LDP on the other."

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Jiji Press Ticker Service
October 11, 2005, Tuesday

Japan Lower House Passes Postal Privatization Bills

Tokyo, Oct. 11

Japan's House of Representatives on Tuesday approved a set of resubmitted bills aimed at privatizing the country's huge postal services system.

The Lower House at a plenary session passed the government-sponsored bills by a vote of 338 to 138, compared with a slim margin of five votes when the all-important parliamentary chamber approved the bills in July.

[...]

On Tuesday, affirmative votes were cast by many of 12 former LDP Lower House members, who voted against the bills in July and were reelected to the Lower House as independents, including former Posts and Telecommunications Minister Seiko Noda.

The Lower House's approval of the postal reform bills came after just three days of deliberations since the government reintroduced the bills last Friday. The Lower House rejected counter bills proposed by the biggest opposition Democratic Party of Japan for postal reforms.

The approved bills now await a vote at the Upper House, which is expected to start deliberations Wednesday and put the bills to a vote at a plenary session Friday.

[...]

Before reintroducing the bills, the government made a minor change in the original plan, allowing the 10-year Japan Post privatization process to begin in October 2007, six months later than previously scheduled.

The bills calls for Japan Post to be split into mail service, savings, insurance and post office counter service units, which are to be owned by a holding company. To complete the privatization process, the holding company is obliged to sell all of its shareholdings in the postal savings and insurance firms although it will be allowed to buy back their shares later.

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The Daily Yomiuri (Tokyo)
October 15, 2005 Saturday

Diet approves postal bills; Upper house passage gives Koizumi a major victory

In a major victory for Prime Minister Junichiro Koizumi, the Diet passed a set of postal privatization bills Friday after the House of Councillors voted for the bills at a plenary session on the day.

With the establishment of new six laws relating to the privatization, Japan Post will split into four private entities under a holding company in October 2007.

At the plenary session, 134 Liberal Democratic Party and New Komeito members voted for the bills, while ballots against the bills totaled 100, suggesting many LDP postal rebels who voted against the bills in August voted for the bills this time, effectively surrendering to Koizumi.

Prior to the plenary session, the upper house's special committee on postal privatization voted for the bills.

The postal privatization committees of both chambers of the Diet deliberated on the bills for just 22 hours compared with 191 hours for the original bills that were killed in August.

[...]

The upper house special committee adopted a 15-point supplementary resolution in connection with the bills, urging the government to keep the current scale of the post office network and financial services offered at post offices, among other points, after the privatization.

Koizumi, who first called for postal services to be privatized in 1993, when he was serving as posts and telecommunications minister, has doggedly pushed the privatization, saying postal reform is central to his structural reform initiatives.

[...]

Most of the 20 current LDP members who voted against the original bills in August voted for them Friday.

LDP member Ikuo Kamei left the chamber before casting his ballot. "The bills were hardly any different from the previous ones, so I couldn't support them," Kamei told reporters.

Now that the bills have been enacted into law, the focus of attention has shifted to forthcoming reshuffles of the Cabinet and LDP executive lineup. Koizumi did not reshuffle the Cabinet and party executive after the general election, saying passage of the postal bills was the most important issue. He said he would reshuffle the Cabinet and party leadership after the current special Diet session ends on Nov. 1.

As the prime minister has repeatedly said he would not seek the LDP presidency after his term ends September next year, political pundits say his choice of a new cabinet and LDP leadership will indicate whom he wants to succeed him as LDP president. That person will automatically become prime minister if the LDP-led coalition controls the lower house.

Another issue the LDP must tackle is how to punish the postal rebels.

After Friday's upper house session, LDP Secretary General Tsutomu Takebe instructed Mayumi Moriyama, chairman of the party's Party Ethics Committee to study what punitive measures to mete out to LDP members who voted against the original bills during the ordinary Diet session.

Subject to the committee's review are 37 LDP members who voted against the bills at the July 7 lower house session, including those who already have submitted their resignation from the party, and two upper house members who voted against the legislation on Aug. 8 and later submitted their resignation.

The party's ethics regulation stipulates eight punishments of varying severity including expulsion and advising a member to leave the party. Those who ran in the general election as independent candidates may face severe punishment because they were also regarded as having hindered the election campaigns of official LDP candidates.