

# Kan must rediscover Japan

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The looming indictment of Ichiro Ozawa for false reporting of political funds leaves Prime Minister Naoto Kan in a tricky spot about what to do about the still powerful shadow shogun of Japanese politics.

He should thank Ozawa for his tremendous contribution to Japanese politics over the past 20 years, particularly for his help in forming and seeing the ruling Democratic Party of Japan to victory, and then persuade him to leave party, Parliament and politics to fight to clear his name. If he can't persuade Ozawa, he should kick him out and get on with the more important job of being prime minister and finding a new path for a country that has lost its way.

It may be risky. Ozawa is stubborn, commands the loyalties of almost half the DPJ members and has been the party's guiding star and leading fundraiser. And of course, in Japan a person is presumed innocent until proved guilty. But the risks of having the indicted Ozawa inside the government camp and taunted by an uncooperative opposition could bring parliamentary business to a standstill. Continuing to grapple with an Ozawa problem will divert time and energy from more important pressing problems of state.

The humiliating fiasco from a Chinese fishing vessel and the Japan Coast Guard in the East China Sea is only a foretaste of the difficulties that Japan faces as it continues its inevitable political and economic decline.

The way that the issue was "resolved" — with local prosecutors in Naha releasing the Chinese captain on the grounds of diplomatic expediency — showed a weak government without a clue. What was a local prosecutors' office doing deciding matters of state, and what was the Kan government doing in allowing it, and then pretending that it was a decision taken only in Naha? Will Okinawa be allowed the same freedom when it comes to questions of the U.S. military forces on its territory?

The fishing incident leaves troubling questions unanswered, besides Beijing's quick and disproportionate resort to bullying. Halting ministerial meetings might be considered excessive for civilized countries; Premier Wen Jiabao's public intervention without his customary smiling

face certainly was. Canceling the appearance of the Japanese group SMAP at the Shanghai Expo surely contradicted the Expo's main theme of China as a new open and internationally minded kid on the block.

Is China using its fishing fleet as an aggressive arm of its territorial claims? Even in waters whose sovereignty is disputed, it ill-behoves — and is potentially dangerous for — civilian vessels to take aggressive action against security patrols. Or were the Japanese coast guard not telling the truth in claiming that the Chinese trawler had rammed them? A video was taken but is locked up in the judicial case.

This small incident is symptomatic of a much bigger issue: How does Japan manage its decline? This is particularly tricky when Tokyo is squeezed between a rapidly rising China and a still powerful United States.

Since Junichiro Koizumi left office, successive Japanese prime ministers have tried to repair relations with China through a policy of "strategic reciprocal engagement," with not very much effect if the trawler confrontation offers any guide. Tokyo's concessions have not yielded much fruit. There is still much misunderstanding of Japan in China, as witnessed by a recent opinion poll in Chinese, where a large number of those surveyed replied that Japan is a militaristic country.

The real difficulty is that Japanese leaders lack imagination and initiative. This can be seen in the handling of the economy. Recent intervention of billions of dollars in the foreign-exchange markets weakened the yen for a couple of weeks, but the yen has again strengthened again close to 15-year highs against the dollar. Timid attempts to pump liquidity into the economy and interest rates reduced from almost zero to zero have failed to lift the economy.

The situation is more serious than the government realizes, especially given the heavy overhang of government debt. Suggestions of raising taxes to curb continuing debt issuance would damage growth as well as the government's survival, as Kan discovered at the Upper House elections. But how long can it be before the markets wake up to how sick the economy is, and push the yen in the other direction? Some maverick analysts say that within two years the yen could tumble to 100 or 200 or 500 against the dollar if sentiment changes.

Japan needs to take a fresh look at itself

and its comparative advantages. It is a small country, but in its best years it flourished through innovation and competition. Yet successive governments tied to corrupt vested interests have closed the door to economic liberalization that could create jobs and spark economic growth.

In international affairs, dreamers or romanticists saw Japan as a potential force for tremendous good in the 21st century if only it would play to its unique advantages — as the only country to be victim of atomic bombing; as a former imperial military power that had renounced the use of force; as the first Asian country that had joined the Western industrial giants; and as the phoenix that rose from the ashes of war to prosperity and offering modern electronics for everyone.

This Japan should be helping to forge a new way forward for the world, that thinks not of war or force but of using the assets of the fragile earth for the common good, not merely grabbed for use within narrow nationalistic borders. Sadly, China seems to be following the same imperial path as the U.S. and other great powers before it, scouring the world for raw materials, which it will then protect with its booming military power.

Sadly, Japan a generation ago had the opportunity to chart a new course under leaders who understood the pain of military defeat but the opportunity of peaceful economic gain. Unfortunately, the vested interests blocked further progress appealing to the need to protect a unique culture. All of us, especially those from misty offshore islands, like Japan and the United Kingdom, like to think we have a unique culture. And it's true and untrue: We add our unique bits to a human culture buffeted by the winds and ties of history, but we grow faster and wiser by remembering the common human inheritance and cherishing that.

But what is saddest of all is that Kan and all the other cohorts who would seek his job don't even realize the challenge. Who can calculate how long it will be before Japan begins bearing tribute to the middle empire of China, or what state fragile planet Earth will be in then.

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