

Sakaki, Alexandra

Research Report

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SWP Comment, No. 6/2025

Provided in Cooperation with:

Stiftung Wissenschaft und Politik (SWP), German Institute for International and Security Affairs, Berlin

Suggested Citation: Sakaki, Alexandra (2025) : Minority government in Japan: Limited scope for foreign policy initiatives, SWP Comment, No. 6/2025, Stiftung Wissenschaft und Politik (SWP), Berlin, <https://doi.org/10.18449/2025C06>

This Version is available at:

<https://hdl.handle.net/10419/315532>

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SWP Comment

NO. 6 JANUARY 2025

Minority Government in Japan

Limited Scope for Foreign Policy Initiatives

Alexandra Sakaki

Ishiba Shigeru became prime minister of Japan in October 2024, after unexpectedly winning the leadership of the ruling Liberal Democratic Party (LDP). His long-desired success came with a bitter aftertaste, however. After a poor showing for the LDP in the lower house elections at the end of October 2024, Ishiba now heads a minority government. His party is mired in crisis over the largest political funding scandal in decades, while upper house elections are scheduled for the summer of 2025. Domestic politics will undoubtedly demand Ishiba's attention in the coming months – at a time when the country faces tremendous foreign and security challenges.

The LDP has governed Japan since 1955, with the exception of two brief interludes in 1993–94 and 2009–12. Ishiba Shigeru ran unsuccessfully for the party leadership four times. In recent years he had repeatedly criticised the incumbent prime minister, gaining a reputation as the “intra-party opposition”. He has long been one of the country's most popular politicians, precisely because of his open communication style and critical perspective on his own party. He owed his election as LDP leader at the end of September 2024 mainly to the political crisis within the party.

LDP in crisis places hopes in Ishiba

The LDP has been shaken by two scandals. First, long-standing close ties between LDP politicians and the so-called Moon sect (also

known as the Unification Church) were uncovered following the assassination of former prime minister Abe Shinzo in 2022. The assassin alleged that the sect had driven his family into financial ruin by demanding donations, and said that he had targeted Abe as a supporter of the sect. Although the subsequent investigation revealed that almost half of LDP parliamentarians had ties to the Moon sect, the party rejected any collective responsibility. Large sections of the population felt that the investigation and handling of the affair had been inadequate.

Secondly, a massive party funding scandal was exposed in late 2023. Numerous LDP politicians had failed to properly disclose funding they received from the party's fundraising events. Between 2018 and 2022, about 580 million yen (3.7 million euros) were allegedly funnelled into slush funds. Ishiba's predecessor, Prime Minister Kishida



Fumio, dismissed cabinet members implicated in the scandal and amended the country's political funds law. The LDP did punish some of its lawmakers who had been caught concealing political funds, but the measures were rather mild. Five of the LDP's six powerful factions disbanded, including the former faction of the late prime minister Abe Shinzo. In the face of ongoing public criticism of his party and government, Prime Minister Kishida announced in August 2024 that he would not be running for reelection as LDP leader.

Nine candidates sought the leadership, a record number in the party's history. This was largely an effect of the loss of influence of the factions, which had previously each allowed only one candidate to run. No candidate received an absolute majority in the first round. Ishiba, who straddles liberal and conservative positions, won the subsequent runoff election against the right-wing conservative Takaichi Sanae. Many lawmakers apparently hoped that Ishiba's outsider image would signal a credible fresh start for their party in a way that Takaichi, as a protégé of Abe, could not.

Losses in the lower house election

Ishiba's first act after his confirmation as prime minister on 1 October 2024 was to call new elections, seeking to begin his tenure with an electoral mandate of his own. However, he failed to win an absolute majority of the 465 lower house seats in the election on October 27. The LDP and its coalition partner Komeito only secured 215 seats between them, losing 64 seats overall. The opposition Constitutional Democratic Party (CDP) led by former prime minister Noda Yoshihiko made the biggest gains and now has 148 deputies. The two next-largest opposition parties are the Japan Innovation Party (JIP), which has a strong base in the Osaka region and won 38 seats, and the Democratic Party for the People (DPFP), which quadrupled its representation to 28.

One major reason for the governing coalition's poor performance was Ishiba's loss of public credibility as a reformer and

innovator. After taking over as party leader he backed away from earlier promises, apparently at the instigation of forces within the party. The snap election contradicted his previous stance that a new vote should only be held after extensive debate with the opposition. Ishiba came under particular criticism for his dealings with scandal-tainted LDP politicians, after he had previously promised to improve transparency and deal thoroughly with the party funding scandal. Although twelve of the disgraced politicians were barred from standing officially for the LDP, the party allowed most of the others to run in their constituencies. Finally, just days before the election it was revealed that party funds had been allocated to local branches run by candidates who had been denied official LDP support. For many observers this represented de-facto campaign funding and proved that the LDP was unwilling to reform.

Ishiba also failed to convince the electorate on the economy. Private households have struggled with rising living costs since the COVID-19 pandemic, and a significant depreciation of the Japanese yen since 2022 has exacerbated inflation. Ishiba's campaign promises on economic policy went little further than those of his predecessor Kishida, with a few exceptions such as raising the minimum wage.

The low turnout of just under 54 percent — the third-lowest in Japan's post-war history — indicates that the opposition parties failed to spark enthusiasm either. This was in stark contrast to the historic 2009 election, which saw a landslide victory for the opposition and turnout of almost 70 percent.

A fragile minority government

The election produced a stalemate, where neither the LDP nor the main opposition party, the CDP, was able to assemble a parliamentary majority. A "grand coalition" was out of the question for the CDP, which had campaigned on a platform demanding a change of government. The two next-largest opposition parties, JIP and DPFP, saw

little advantage in entering into a coalition with either of the larger parties. Close cooperation with the scandal-ridden LDP could harm their image, with consequences for the upper house election scheduled for July 2025. Both also had good reasons to reject a coalition with the CDP. The distribution of seats in the lower house would have made it very hard to achieve a majority there, while the LDP-Komeito majority in the upper house would have been able to block any proposed legislation.

Ishiba was re-elected as prime minister in a run-off vote in mid-November, with the votes of the LDP and Komeito. His minority government now faces the challenge of organising parliamentary majorities for legislative proposals and budget decisions. The Ishiba government risks being brought down by a confidence vote, if enough opposition parties come together. The CDP has hinted that it is considering such a move during the regular parliamentary session starting in late January 2025. In any case, the governing parties will have to devote considerable time and effort to negotiating compromises with opposition parties.

Many observers believe that Ishiba cannot last long in this situation. If the opposition parties seek to distance themselves from the LDP-Komeito government in the run-up to the upper house election, it will become even more difficult to reach agreements. And unless the LDP's prospects for the upper house election improve, internal criticism of Ishiba is likely to grow.

Although Ishiba faces immense challenges, it cannot be ruled out that he and his governing coalition will find a modus operandi with the DPFP or the JIF. However, this would likely require substantial concessions to the opposition parties. The DPFP has emphasised that it stands for "solutions rather than confrontation" and is open to case-by-case cooperation. In its campaign, which focussed on domestic policy, the DPFP called for tax relief, in particular raising the income tax threshold and reducing the gasoline tax. In his first speech to the new parliament at the end of November 2024, Ishiba said that he intended to raise

the income tax threshold, likely in an attempt to woo the DPFP. However, given the state's tight finances, there is resistance within the LDP to this proposal, which would reduce annual tax revenues by 7 to 8 trillion yen (about 44 to 51 billion euros).

A supplementary budget was passed in December 2024, suggesting that a modus operandi between government and opposition can be found. Both the DPFP and the JIP supported the budget after the LDP agreed to discuss their demands. The JIP is seeking talks with Ishiba about abolishing high school tuition fees.

The LDP has also negotiated compromises on party funding rules with opposition parties including the CDP, DPFP and JIP. In December 2024, parliament passed three legislative amendments designed to enhance the transparency of party financing. However, there is still disagreement on the question of whether donations from companies and other organisations should be banned, as the CDP proposes. The LDP, which benefits greatly from such donations, rejects the idea. The CDP is likely to put this topic back on the agenda during the ordinary parliamentary session, which started on 24 January 2025.

The parliamentary negotiations on the regular budget will be a key test of whether Ishiba can continue to engage in constructive dialogue with the opposition. If Ishiba is perceived to be too willing to concede to the opposition's demands, critics within his own party may accuse him of lacking resolve and leadership.

Despite the fragile domestic political situation, the results of the lower house election offer an opportunity to strengthen the role of parliament. During the recent period of LDP-Komeito dominance parliament has been a weak actor in political processes, largely relegated to the role of confirming the decisions of the ruling coalition. Opposition parties now chair seven of the 17 standing committees in the lower house, five more than before, and can thus exert more influence on the parliamentary schedule and agenda. For the first time in 30 years an opposition party,

the CDP, chairs the powerful budget committee, enabling it to question cabinet members on a wide range of issues.

Japan's challenging security environment

During the election campaign, foreign policy and security issues played a greater role than in the last lower house election in 2021. Japan's security environment has deteriorated significantly in recent years, with China stepping up its military activities around Japan. August 2024 saw the first encroachment into Japanese airspace by a Chinese warplane, and in September a Chinese aircraft carrier passed between two Japanese islands near Taiwan. Tensions on the Korean peninsula have also grown, with the North Korean regime likely receiving technical assistance for its nuclear and missile programmes from Russia in exchange for supporting Russia's war against Ukraine.

Two new foreign policy challenges have emerged since the lower house election. The first is Donald Trump's reelection as president of the United States, Japan's most important ally. Trump's transactional America-first approach reinforces Tokyo's doubts about the credibility of the security partnership. Tokyo also fears bilateral disputes, for example over security burden-sharing, and the unpredictability of Trump's foreign policy, for example with regard to tensions around Taiwan Strait and North Korea. A second challenge for Japan is the political crisis in South Korea prompted by (now suspended) President Yoon Suk Yeol's brief declaration of martial law in early December 2024. This is a setback for Japan, because Japanese–South Korean relations had improved significantly over the last two years under Yoon, while trilateral cooperation with the United States had also deepened.

Foreign and security policy priorities under Ishiba

Given the difficult security environment, Ishiba wants to strengthen Japan's defence capabilities and intensify its security cooperation with the United States and other countries. Ishiba hopes to hold an early meeting with President Trump. His defence policy seeks continuity with his predecessor Kishida. After the Russian invasion of Ukraine, which Kishida called a "historic turning point", Japan announced far-reaching changes to its security policy at the end of 2022, including a commitment to increase its defence and security spending to 2 percent of its 2022 GDP by 2027. The defence budget for 2024 was almost 8 trillion yen (about 50 billion euros), a massive 47 percent increase over 2022. Ishiba intends to continue this course.

He finds support for this not only from his coalition partner Komeito, but also from the JIP, the DPFP and even the CDP. The latter had tended to take more "left-wing" positions in recent years, for example questioning the acquisition of medium-range missiles. The CDP has changed course under Noda's leadership, and now advocates a "realistic foreign and security policy". Trump's reelection will likely further reinforce the broad consensus on the need to strengthen Japan's defence capabilities.

Nevertheless, Ishiba will face opposition resistance on the financing side. During the election campaign the CDP, JIP and DPFP rejected the LDP's plans for additional taxes for defence spending, without putting forward any alternative proposals of their own. The ruling coalition has already postponed the decision on tax increases several times. It will be difficult to reach agreement on this unpopular measure before the upper house elections, with possible knock-on effects on realisation of Japan's plans to expand its defence capabilities.

Ishiba does not want to rely solely on deterrence vis-à-vis China, however. He has repeatedly emphasised that Japan should utilise all opportunities for dialogue to stabilise relations and avoid misunderstand-

ings and escalations. Trump's presidency and the associated uncertainties appear to be encouraging China to seek a better relationship with Japan. Hesitant signals have emerged from Beijing. For example, the Chinese government has indicated that it wants to gradually lift the ban on Japanese seafood imports that was introduced in 2023. According to media reports, Ishiba has also raised the possibility of a bilateral state visit.

Ishiba sets great store by improving relations with South Korea, but had to cancel a planned visit to Seoul due to the political crisis there. If new elections were to bring the opposition Democratic Party to power, its anti-Japanese stance could lead to a deterioration in bilateral relations.

Before his election as prime minister, Ishiba caused a stir with two controversial ideas in the field of security policy. Firstly, he called for the creation of an Asian NATO, an idea he has been pursuing for several years. Secondly, he demanded a revision of the Status of Forces Agreement with the United States, which has been in place since 1960, criticising certain privileges enjoyed by the United States as unfair. However, both of these proposals met with harsh criticism from American foreign and security policy experts and State Department officials. Ishiba's ideas were also rejected by other Asian countries and from within his own party. Ishiba has not mentioned the two proposals in his two keynote addresses to parliament as prime minister, so they appear to be off the table — although an internal committee on security policy has been formed to discuss Ishiba's ideas.

Outlook

The decades of LDP dominance seemed set to continue when Abe Shinzo returned to power in 2012 after three-and-a-half years in opposition. Since then, many important foreign policy, security and economic initiatives have been launched. As a minority

government, the LDP-Komeito coalition finds itself significantly weakened after the 2024 lower house election. The opposition parties now have greater influence in political debates and decisions. The domestic political situation as a whole is more fragile, and it remains to be seen how long Prime Minister Ishiba can remain in office.

The new political constellation in Tokyo is not likely to bring about any major change in foreign policy priorities, as the government and opposition parties display broad agreement on key issues. However, Ishiba will need to focus more on domestic politics, limiting his leeway for foreign policy initiatives.

Japan's central, stabilising role in the Indo-Pacific is important for Europe. As Washington's most important ally in the region, Japan enables the massive US military presence, which seeks to deter other countries — in particular China and North Korea — from making unilateral changes to the status quo. By expanding its own defence capabilities, Japan boosts the military strength of its alliance with the United States. Moreover, as a stable democracy Japan is committed to liberal values and a rules-based international order, as evidenced by its concept of a Free and Open Indo-Pacific (FOIP) and its massive support for Ukraine.

In view of the major international challenges, Germany and Europe should work to intensify their relationship with Japan. For example, it would be productive for both sides to exchange views on the Trump administration's foreign policies, and possibly to coordinate positions. Close exchange and cooperation in the field of security policy is also important, not least because Russia is intensifying its cooperation with North Korea and China.



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SWP

Stiftung Wissenschaft und Politik
German Institute for
International and
Security Affairs

Ludwigkirchplatz 3–4
10719 Berlin
Telephone +49 30 880 07-0
Fax +49 30 880 07-100
www.swp-berlin.org
swp@swp-berlin.org

ISSN (Print) 1861-1761
ISSN (Online) 2747-5107
DOI: 10.18449/2025C06

(English version of
SWP-Aktuell 5/2025)

Dr Alexandra Sakaki is Deputy Head of the Asia Research Division at SWP.