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Towards Reiwa¹ Political Reform

Analysis: Consequences of Political Funding Issue, Prospects for Political Reform

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1. Introduction

At the end of 2023, Japanese politics was thrown into upheaval by a political funding scandal involving the Liberal Democratic Party (LDP)'s Seiwakai (hereafter, Abe faction) and Shisuikai (hereafter, Nikai faction). The authorities suspect that both factions failed to appropriately declare income from fundraising events (政治資金パーティー) and expenditure (donations to some MPs) in the relevant political fund reports (政治資金収支報告書). Diet members who sold tickets in excess of their allotted quota for the political fundraisers organized by their respective factions supposedly received the excess funds generated as kickbacks without proper settlements of accounts. In addition, those under investigation in Abe faction allegedly did not declare the amount of money donated by the faction in their own political fund reports, either. The prosecutors are currently undertaking a full-scale investigation into this matter. In this paper,

Note: Not all links are available in English (All the links last accessed Jan. 12 2024)

¹ Japan's imperial period that began on May 1, 2019.

I analyze this issue, providing my personal insights and observations, as well as my thoughts on the future for political reform in the Reiwa era.

2. Impact on the Politics

The relationship between politics and money has been a major factor in promoting political reform in Japan in the past. The 1988 Recruit and 1992 Kanemaru scandals led to political reforms such as the introduction of an electoral system that combined single-seat constituencies and proportional representation in the House of Representatives (hereafter Lower House); the passage of the Political Parties Grants Act (*政党助成法*); and the abolition of donations by corporations and organizations to individual politicians.

Prime Minister Fumio Kishida, who also serves as LDP President, stressed his recognition of the issue as a "party-wide problem," and stated the LDP's Political Reform Headquarters will issue an interim report on the matter by the end of January². He also suggested, as one potential solution, having the LDP HQs auditing the income and expenditure of faction fundraisers and using bank transfers rather than cash in principle.

Natsuo Yamaguchi, the head of the junior coalition partner Komeito, has been calling for revisions of the *Political Funds Regulation Act* (*政治資金規正法*). He proposed lowering the threshold amount at which political organizations are required to include the names and addresses of fundraising contributions in political fund reports from 200,000 JPY to 50,000 JPY, and also called for transparency in the handling of political activities allowances (*政策活動費*) provided by political parties to individual politicians. Yamaguchi commented that the money for such allowances, "has been distributed to senior political party officials for unknown purposes, and is therefore a hotbed for opaque flows of political funds³."

The opposition parties have been scathing in their criticism of the issue, saying it demonstrates the true nature of the LDP. The largest opposition party, the Constitutional Democratic Party (CDP), had already submitted a bill to abolish corporate and organization donations in June 2022 and intends to discuss transparency of political activities allowances⁴.

There has long been criticism of LDP factions in Japan. When the Lower House still had an electoral system with multi-seat constituencies, multiple LDP candidates stood in one constituency, with each backed by a different faction. In this era, intra-party competition was fierce when compared to the present system. The current single-seat constituency system was introduced due to the fact

² Prime Minister's Office, January 4, 2024, Press conference by PM Kishida
https://www.kantei.go.jp/jp/101_kishida/statement/2024/0104kaiken2.html

³ Jiji Press, January 2, 2024, Komeito President Yamaguchi
<https://www.jiji.com/jc/article?k=2024010200151&g=pol>

⁴ CDP, December 28, 2023, Press Conference by Secretary-General Katsuya Okada
https://cdp-japan.jp/news/20231228_7188

that the multiple-seat constituency system required significant amounts of funding and was criticized as inviting individualism and profit-driven rather than policy-focused politics. Since under a single-seat constituency system candidates are limited to one from each party, competing candidates are from other parties or independents. Since around the time of the Heisei⁵ political reform of the early 1990s, the nature of LDP factions has changed somewhat, but even today, factions basically act in unison during the presidential election, supporting the head of their own faction's bid to become party president⁶, presenting candidates for the newly formed cabinet, securing government and party positions, distributing of financial resources, and leading policy discussions. In 1989, when political reform was a major political issue, the LDP compiled the 'Political Reform Guidelines'⁷ (政治改革大綱) and was (back then) "determined to dissolve factions," but Shigeru Ishiba, former Secretary-General of the party, recently recalled that these discussions for political reform "ended up focusing on electoral reform."⁸ He also stated, "factions should continue to exist if they are to be truly policy-oriented groups. There should be policy groups to make up for any shortcomings in the party." However, another LDP heavyweight, former PM Yoshihide Suga, a senior adviser to the party's "Political Reform Headquarters," is a strong advocate of disbanding the factions⁹.

We can already foresee a number of possible consequences. One point to note is whether the Abe faction will be able to maintain its position as the biggest power grouping in the party. The group currently has about 100 members, but this may change depending on developments relating to the political funding scandal. The Abe faction itself shifted to a collective leadership system in August 2023, but the leadership transition following the passing of former PM Abe has not necessarily been a smooth one. However, as the LDP's largest group, the Abe faction will inevitably have an impact on PM Kishida's strategy to be re-elected as party president in the upcoming leadership election. In October 2023, Ryu Shionoya, the chair of the Abe faction's collective Standing Committee, stated that (the faction) would basically support PM Kishida for the leadership election in the autumn of 2024¹⁰. However, in response to the ongoing scandal, PM Kishida has sacked cabinet members and senior party officials from the Abe faction. Political sources say this has provoked opposition within the faction, and under such circumstances, PM Kishida may find it difficult to expect support from them in September's election. PM Kishida himself is from a faction called the Kouchikai, which has only about 45 members, therefore support from other factions is essential to win re-election. However, the prevailing dynamics within the party, under which the Abe faction has been the dominant power force for

⁵ Japan's imperial period between January 8, 1989 and April 30, 2019.

⁶ The leader of the majority party is generally appointed Prime Minister by a vote in the National Diet.

⁷ LDP, May 23, 1989, Political Reform Guidelines (*Seiji-Kaikaku-Taikou*) Page 9

⁸ Tokyo Shimbun, December 29, 2023, Shigeru Ishiba, ex-LDP Secretary-General <https://www.tokyo-np.co.jp/article/298705>

⁹ Nikkei Shimbun, January 12, 2024, Ex PM Suga "necessary to disband factions" <https://www.nikkei.com/article/DGXZQOUA112KN0R10C24A1000000/>

¹⁰ Nikkei Shimbun, October 19, 2023, LDP Abe faction's Chair Ryu Shionoya <https://www.nikkei.com/article/DGXZQOUA194770Z11C23A0000000/>

more than 20 years, may change. Should the Abe faction cease to function as a policy group, their grip on the policy debate could also weaken.

If the *Political Funds Regulation Act* is revised to consequently allow the party organization to exert greater control over factions, the relationship between party headquarters and factions will also change. Should the stricter amendments called for by the CDP or the Japan Innovation Party be put in place, LDP factions would lose a large portion of their income. That would make it more difficult for factions to support their members financially. In that case, lawmakers will feel less loyalty towards factions, and the number of faction-less lawmakers in the LDP will increase, making the party leadership election a more complex process.

3. Conclusions -Towards Reiwa Political Reform-

To reiterate, prosecutors allege that the Abe faction and the Nikai faction failed to declare income and expenditure that should have been included in political fund reports. In response, I believe it is both desirable and realistic to establish an enforceable system that would ensure faction leadership are held responsible for funding declarations (where currently their legal responsibility is unclear), and to lower the current threshold for including the names and addresses of contributors to fundraisers in political fund reports from 200,000 JPY to 50,000 JPY. The Democratic Party for the People's proposal to reduce grants (*政党助成金*) to a political party should a lawmaker or lawmakers from that party be found to have committed political funding violations could encourage parties to provide stronger guidance to their members. This would oblige political parties to play a more significant role.

Importantly, factions are not party organs. However, we should consider requiring political parties to engage with the factions in relation to their political fund reports to the Ministry of Internal Affairs and Communications, and, for example, remove the exemption (*Political Funds Regulation Act, Article 19-7, Para 1*) that prevents factions from being treated as "parliamentarian-related organizations (*国会議員関係団体*)" thus necessitating them to undergo an external audit. While the public may have a negative impression of factions, they nurture Diet members and their aides / secretaries and maintain discipline within the party. If factions can strengthen their function as policy groups, it would be desirable from a policy-making perspective.

The current scandal has increased political distrust among the electorate. However, we should view it as an opportunity for Reiwa political reform. In the short term, the political parties should examine how to handle fundraising events while suspending them for the time being. In the mid-to-long term, they should not limit reform to appropriate revision of the *Political Funds Regulation Act*, but should also examine a suitable division of roles between the Lower House and the House of Councillors (Upper House), their respective election systems, and making necessary reforms to correct the disparity in vote value. Japanese lawmakers must also make efforts to strengthen the function of policy-making in politics, and modernize election campaigns. Some issues may require time-consuming constitutional revisions. We should also address gender equality as part of political reform, and endeavor to increase the number of female

lawmakers. The lack of potential political candidates in rural areas is another serious problem. Finally, I believe we need to examine the parliamentary system, rules and customs, making a more flexible framework that enables ministers and Diet members to participate more freely in international conferences and designing a system that allows Diet members to engage actively with policy issues rather than bracing themselves for the next electoral challenge.

Even after adopting the single-seat constituency system, politics is still an expensive business. The efforts made in the late 1980s and early 1990s towards the political reforms are irreplaceable. One key figure in this struggle, then-LDP President Yohei Kono, said in an oral history¹¹ released by the Lower House in December 2023 that the shift to single-seat constituencies was not necessarily his preferred choice. Kono reflected on the fact that, although the introduction of political party grants and the abolition of corporate donations was supposed to take place as a two-pronged approach, corporate donations to both political parties and party branches still continue today. He commented, "It's not my place to say that the political reform back then was a huge failure, but I do think we should have spent more time seriously discussing it." Nevertheless, with those political reforms, Japan experienced a change of government and realized less-expensive politics. It is my sincere hope that Reiwa political reform that will build on the political reforms of the early 1990s' will not merely tackle the issue of politics and money, but also address the structural challenges of Japanese politics from a mid-to-long term perspective and come to fruitions.

Afterword

On January 18, 2024, PM Kishida announced that he was considering dissolving his faction (Kouchikai) due to allegations that the faction had committed similar misconduct with regard to fundraisers. Also, he stated that he would not force other factions to disband, this does put pressure on the Abe and Nikai factions, in particular. However, even if the other LDP factions were to dissolve as well, we are likely to see them replaced by some form of successor groups or policy-focused bodies. However, these will be rather loose groupings compared to factions. Whether or not LDP factions are dissolved, the party will have to play a bigger role in governing political funding given this current scandal. The governance of political parties indeed will be subject to question.

This article reflects sole opinion of the author and does not represent the standpoint of KAS.

¹¹ House of Representatives, December 27, 2023, Oral History by the 71st and 72nd House Speaker Yohei Kono, Page 132
https://www.shugiin.go.jp/internet/itdb_annai.nsf/html/statics/shiryo/kono_yohei.html

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