

# Knives are out for Japan's Hashimoto

by Our Special Correspondent

A major political shift in the Japanese internecine political wars has taken place. On April 21, the largest mass circulation newspaper, *Yomiuri Shimbun*, published a front-page article attacking Prime Minister Ryutaro Hashimoto for his handling of the economic crisis in Japan. *Yomiuri Shimbun*, long regarded as a mouthpiece for the power-brokers of the ruling Liberal Democratic Party (LDP), planted this story at the insistence of former Prime Minister Yasuhiro Nakasone. The president of the newspaper is a close friend of Nakasone, and, according to well-informed Japanese sources, the attack is a signal that Hashimoto's days in office may be numbered.

Nakasone's move was not unexpected. With the Hashimoto government trying desperately to pull Japan's economy out of depression with a combination of economic stimulus and tax cuts, Nakasone saw an opportunity to make his move. Moreover, leading Japanese policymakers have also taken note of the fact that President Bill Clinton's trip to China in June does not include the usual stopover in Japan. These policymakers and power-brokers who key off U.S. strategic thinking, see this "diplomatic snub" as evidence that Hashimoto has lost the confidence of the Clinton administration.

(It is strategically quite significant that when a U.S. President does not pay a courtesy visit to Japan during a trip to China, then whoever is in power loses "face," i.e., is humiliated. Most of the Japanese institutions have also expressed concern that Washington's China tilt ignores Japanese interests.)

Hashimoto is not sitting idly. To counter Nakasone's move, Hashimoto deployed the LDP's chairman of the policy-making committee, Taku Yamasaki, to Washington on April 29, for talks with top Clinton administration officials. According to well-informed U.S. intelligence sources, the Clinton administration is not fully convinced that Hashimoto's economic package is going to work or that his coalition is fully committed to implementing that program. The constant infighting within the LDP over the direction of Japanese economic policy, is a source of unremitting concern in Washington.

Another key problem for Hashimoto is that his informal cabinet allies who are supporting his parliamentary majority, the Sakigake and Democratic Socialist parties, are quite upset

with the LDP's new legislative proposals that include the "legalization" of bribery for election purposes. The proposal sets a 500,000 yen limit (roughly equivalent to \$4,000) on corporate support. As a result, the Democratic Socialists are threatening to withdraw their support. Hashimoto needs the support of these two smaller parties because, if the alignment of anti-Hashimoto factions led by Nakasone within the LDP were to withdraw their support, Hashimoto would be forced to call an election.

## Nakasone the kingmaker

The key to toppling Hashimoto—that is, if that is what Nakasone is actually doing—is getting Seiroku Kajiyama to defect from Hashimoto's alliance to Nakasone. Kajiyama, an influential ruling party politician and former chief cabinet secretary, is historically very close to Nakasone. According to one Japanese source, Kajiyama is Nakasone's choice to replace Hashimoto. What makes Kajiyama's position so important, is that he is still loyal to Hashimoto, and is currently the point person in shaping the government's financial policy.

Kajiyama has proposed a radical shift in Japanese thinking about how to deal with the failures of major banks. He has stated publicly that if the leading 50 Japanese banks fail to meet the specific targets for writing off bad loans, then they should be allowed to fail. This proposal on bank failure is a highly volatile issue, and one which has major strategic implications for Asia and the United States.

The critical question, of whether Hashimoto can survive, is an open one. In the short term, at least for the next month, he probably can. But, most leading Japanese think that Hashimoto will be unable to withstand this political assault until the Upper House elections in July. Even Seiji Tsutsumi, the chairman of one of the leading business federations, the Kezai Doyu Kai (Japan Association of Corporate Executives), called upon Hashimoto to resign. He said that the Prime Minister's economic policies have failed. This latest attack from the corporate and industrial associations, and the intense factional struggle within the LDP, signal most clearly that Hashimoto is now a transitional figure.

These changes are fraught with potential danger. An eruption of a major political crisis at a time that Japan's economy is weakening and the yen is depreciating could open Japan up for a major hedge-fund attack. The British-steered globalization forces are still evaluating whether strategically they can afford to carry out a full-scale assault against Japan, further weakening the entire Asian situation at the moment that President Clinton is about to travel to China. And, with a major political crisis looming in Japan, can the Clinton administration afford a weakened Japanese ally?

This is the danger that the present political crisis in Japan brings to the table. In fact, this crisis could trigger a U.S. stock market crash. As the ancient Chinese proverb states, "We are living in interesting times."