

GR Japan: Post-election analysis

22 July 2013

Abe's administration to keep focus on economic policy

The tailwind for the LDP and New Komeito coalition lasted all the way to election day and gave a resounding victory to the coalition partners, just in line with what GR Japan analysts projected last week – we were one off target, with the coalition getting 135 seats in the House of Councillors, instead of our prediction of 136.

The victory does not alter our analysis in any fundamental way – the Abe administration's focus will be on economic policy and the second round of the "third arrow" of Abenomics – deregulation and supply-side reforms.

Policy competition is now likely to be seen *within* the LDP rather than *between* different political parties – in a sense a return to the (in)famous 1.5 party system. Different this time, however, is that the mandate received is "reform, reform, reform". And unlike in the bad old times, a quick verdict is to be expected if the LDP fails to deliver on that promise.

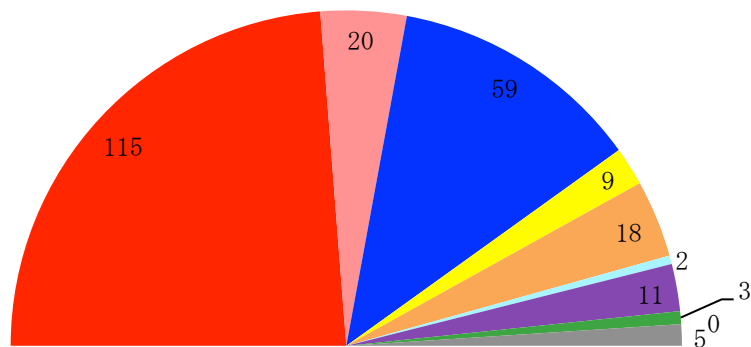
Despite the overwhelming support for Prime Minister Shinzo Abe's reform plans, it remains unclear what the specific policy priorities are. Until now, the LDP has been united in a common goal – winning the House of Councilors election and securing majorities in both houses of the Diet. But with that achieved, the competition for control of the policy-making process will start for real. Signs of this could be seen already yesterday night with voices raised both for a quick "attack" on the regulatory reform agenda and revision of the constitution.

We have to remember that the LDP, even after yesterday's landslide, does not have an outright majority by itself in the upper house, and will therefore be dependent on a coalition partner. As Komeito is expected to remain that coalition partner for the foreseeable future, constitutional reform will have to be left on the back burner. Though it is possible to envisage co-operation with the Japan Restoration Party on constitutional reform, the combined numbers of the two parties are still a long way short of the two-thirds majority that would be needed to achieve a change.

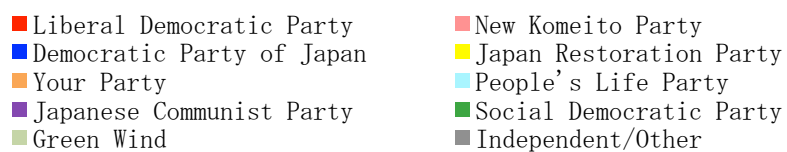
The focus will therefore be on economic policy. The question is simply which measures and in what order.

Results of 21 July 2013 House of Councillors Election

| | Total | Prefectural Constituencies | Proportional Representation |
|--------------------------------------|-------|-------------------------------|--------------------------------|
| Liberal Democratic Party | 65 | 47 | 18 |
| Democratic Party of Japan | 17 | 10 | 7 |
| Japan Restoration Party | 8 | 2 | 6 |
| New Komeito Party | 11 | 4 | 7 |
| Your Party | 8 | 4 | 4 |
| People's Life Party | 0 | 0 | 0 |
| Japanese Communist Party | 8 | 3 | 5 |
| Social Democratic Party | 1 | 0 | 1 |
| Green Wind | 0 | 0 | 0 |
| The Political Local Party of Okinawa | 1 | 1 | 0 |
| Independent/Other | 2 | 2 | 0 |



242 seats in total



Observations

1. LDP won 65 seats and Komeito 11 seats giving the ruling coalition a stable majority in the House of Councillors with a 135 seats in total. (GR Japan had predicted that the ruling coalition would obtain a stable majority with 136 seats, but fall short of reaching a two-thirds supermajority.)
2. The LDP fell short of securing a majority on its own and the partnership with Komeito is expected to continue for some time.
3. Interesting to note that the LDP could also form a ruling coalition with the Japan Restoration Party, Your Party, and Japanese Communist Party to form a stable majority in the House of Councillors (although this is of course highly unlikely). This slightly weakens the leverage of the Komeito.
4. The DPJ suffered a huge defeat winning only 17 seats.
5. The Japanese Communist Party performed well, winning 8 seats.
6. This election puts an end to the twisted Diet.