

Can we transform the worst global crisis since World War 2 into an opportunity for a Japanese renaissance?

By NAGASHIMA Akihisa

Last year, the novel coronavirus (COVID-19) pandemic entered its third year, Russia invaded Ukraine in February, and the Chinese economy stagnated as a result of the failure of the government's zero-COVID policy. The year 2022 was therefore a tumultuous one that brought the post-war international order to the brink of collapse, as well as a year in which we faced disruption of the global economy and a severe energy crisis. Japan was thus faced with its most difficult and complex security environment since World War 2 (WW2) and decided to radically transform its security policy. Over the next 5 to 10 years, Japan's overall defense capability is to be strengthened, with the landmark initiative being the abolition of the cap on defense spending that has been in place for over 50 years post-war at 1% of the gross domestic product (GDP), which has constrained the building up of our defense capability. Since this cap was set by the Miki Cabinet in 1976, it has been tacitly approved by successive administrations, regardless of the prevailing security environment. However, credit for Japan's preservation and security is undeniably due to the protection of the overwhelming military strength of our ally the United States, within an international order centered on the United Nations (UN). However, neither the United States nor the UN was able to deter Russia, a permanent member of the UN Security Council, from invading Ukraine. Moreover, neither could deter North Korea from continuously launching ballistic missiles (upwards of 50 since September 2022). Furthermore, China is clearly beyond control, as it pushes ahead with overwhelming military expansion, backed by defense spending that has seen a more than 40-fold increase over the past 30 years, and conducts hardline military maneuvers in the East China Sea, the South China Sea, and the Taiwan Strait.

Against this background, if Japan turns a blind eye to the deterioration in the security environment and is negligent in its military efforts, the regional balance of military power will lean in an increasingly unstable direction. Thus, supported by the late former Prime Minister Shinzo Abe, the Kishida administration has raised the banner of the "radical strengthening of Japan's defense capabilities," and, since the end of 2021, the LDP has, for over 12 months, been discussing the type of defense capability needed. There has been a major transformation of relevant post-war policy, with the formulation at the end of 2022 of three national security-related documents, namely the National

Security Strategy (NSS), the National Defense Strategy (NDS), and the Defense Buildup Program. In regular Diet sessions this year, there will also finally be a full-fledged debate between the government and the opposition regarding the content of a draft defense budget for the first year of a 5-year plan, as well as the three aforementioned documents and defense capability build-up. Discussion about Japan obtaining counter-offensive capability is expected to be particularly intense. Although the Diet confirmed such capability as constitutionally sound in 1956, its adoption has been delayed due to concern for neighboring countries and in light of its high cost. More than one of our neighbors is capable of launching a surprise attack with hypersonic glide vehicles and ballistic missiles, which, currently, would render it next to impossible to protect our citizens and their peaceful lives with only a passive missile defense net. In my opinion, sufficient agreement from the public will be obtained, if it is frankly explained that we are in an era in which Japan, though able to defensively intercept incoming missiles with its missile defense system, must also be capable of effectively striking back at opponents in order to prevent further armed attack. Possession of such an effective counter-offensive capability will itself serve as a check on armed attacks, and it by no means implies the planning of pre-emptive strikes that might provoke other parties.

The problem is raising approximately 43 trillion yen for defense spending in 5 years. There was fierce debate about such funding at the LDP's Research Commission on the Tax System at the end of 2022. Ultimately, Prime Minister Fumio Kishida declared that it would be an abrogation of our responsibility to future generations not to use the stable source of funds represented by a tax increase. He said that, although the necessary funds were raised this fiscal year without a tax increase using measures such as expenditure reform, at some point before fiscal year 2027, there would be an annual tax increase of 1 trillion yen. Despite awareness that large-scale economic strategies have been implemented to support the economy and corporate and household finances (hit by issues such as the COVID-19 pandemic, the war in Ukraine, and the weakness of the yen), many of my fellow members of the House of Representatives and I have loudly cautioned that mention of a tax increase may weaken consumer spending and appetite for investment, put a damper on wage increases, and, in fact, lead to economic recession and a reduction in income from taxes. Eventually, Kouichi Hagiuda, chair of the LDP's Policy Research Council, took control of discussion within the party and said that funding that does not rely on higher taxes will be discussed early in 2023 at the Policy Research Council (an institution above the Tax Commission). Looking ahead, the LDP will coordinate discussions within the party and with the opposition in regular Diet sessions in pursuit of a pragmatic solution that balances the securing of a stable source of funds for defense spending at a sustainable level (around 2% of the GDP) with the fiscal and monetary policies needed to overcome the economic crisis, and I intend to be at the forefront of relevant discussions.

It is not only the building up of defense capability that urgently requires funding. We must also double the amount we spend on another issue with which I have been involved, namely

safeguarding our children's future. The current budget for children, at 1.7% of the GDP, is getting closer to the 3% average for Organisation for Economic Co-operation and Development (OECD) countries. A new agency to support children and families will become operational in April of this year. Strategic functions relating to children that were previously split amongst the Ministry of Health, Labour and Welfare, the Ministry of Education, Culture, Sports, Science and Technology, and the Cabinet Office, have been brought together under one agency, allowing the central government, local governments, and the private sector to act together to fully support children and their families. All those involved in relevant policy and implementation must pull together to find the funds to radically change the environment for those raising children. Anticipated initiatives include health insurance coverage of fertility treatment and maternity services; an increase in the child allowance; following on from pre-school and elementary education, completely free high school education—regardless of income; improved grants for university, graduate school, and technical training college students; concessions on the repayment of existing student loans; an increase in children's counselling services; the provision of Neuvola networks; the creation of flexible kindergartens to meet the childcare requirements of different working patterns; children's cafeterias; and assistance with feeding children at home. To this end, 50 trillion yen in so-called child JGBs will be issued over a 10-year period. Such issuance of government bonds is surely justified by the fact that they will fund relevant investment by the generation that is currently in office, allowing today's children to thrive and thus generating a return in the form of an increase in income from taxation in the future. Surely, we can overcome this crisis by using expenditure reform to step up defense capability, alongside 10 years of concentrated investment in funding for children.

We are certainly facing our greatest post-war crisis in terms of security and safeguarding the future. We should face these circumstances squarely, invest definitively in the future, and make every effort in 2023 to turn the crisis into an opportunity for a Japanese renaissance.

(This is the English translation of an article written by NAGASHIMA Akihisa, Diet Member, GFJ / Member of the House of Representatives, which originally appeared on the e-Forum "Giron-Hyakushutsu" of GFJ on January 16, 2023.)