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KEIDANREN' s Factor on the Shift of Japanese Foreign Policy

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KEIDANREN's Factor on the Shift of Japanese Foreign Policy¹

Tsuyoshi OHIRA

Introduction

The security environment in Asia has grown tense, especially in the South China Sea and the East China Sea, primarily because of both China's advancement to these areas and the counter-measures taken by the U.S. and U.S. allies, including Japan, South Korea, the Philippines and Vietnam. In addition to China's rise, the threat of North Korea presents another troubling factor in this region. Owing to deteriorating security conditions, nationalism and right-wing ways of thinking have generated support from people of this region to a certain degree, and politicians have gradually begun to propose inward-looking policies. Japan, no exception to this trend, has recently experienced many changes in its domestic political arena.

Although the origins of these changes can be traced back to the period when the Democratic Party of Japan (DPJ) was a ruling party from 2009 to 2012, the drastic foreign policy changes began with the second Abe administration in December 2012. Since the beginning of its term, the Abe administration has carried out at least three significant foreign policy changes. First, it revised the Japanese Official Development Assistance (ODA) Charter in 2015 and changed its name to the Development Cooperation Charter. When its name was changed,

¹ This paper was originally presented at the 5th Global International Studies Conference by the World International Studies Committee (WISC) held in Taipei on 2 April, 2017.

the charter's character was changed as well. Second, the Japanese government changed its policy on arms transfers. The Abe administration abolished the long tradition of *de facto* embargo and formulated Three Principles for the Transfer of Defense Equipment and Technology. Finally, recently, the Japanese government has actively tried to sell nuclear power plants in many countries, even though Japan had a serious nuclear accident in Fukushima and has not yet controlled nor thoroughly handled the accident.

In my presentation, I will highlight how KEIDANREN, the Japan Business Federation, had a substantial say in each change.

1. A series of controversial domestic political decisions

Since the start of the second Abe administration, controversial policies have been decided upon without sufficient debate in parliament or directly by the Cabinet.

Shinzo Abe became the 90th Prime Minister of Japan in September 2006. He respected his grandfather, Nobusuke Kishi, Prime Minister from 1957 to 1960, and shared his grandfather's ambition to change the Constitution, specifically regarding the peace clause in Article 9. However, Abe resigned abruptly in September 2007, after only one year, because of his bad physical condition. Many Japanese people supposed that Shinzo Abe would not return to the political arena because of his renunciation of his position as prime minister. However, supported by the like-minded politicians and backed by Nippon Kaigi, or the Japan Conference, a political party rooted in reactionism, Shinzo Abe returned in 2012 as 96th Prime Minister of Japan. Shinzo Abe is generally believed to have succeeded in achieving his grandfather's goal to revise the Constitution.

After returning as Prime Minister, Shinzo Abe and his Cabinet carried out dramatic changes to national security policies. First, Japan established its own

version of the National Security Council (NSC) on December 4, 2013, through which, essentially, four ministers including the Prime Minister, the Chief Cabinet Secretary, the Minister of Foreign Affairs, and the Minister of Defense can make decisions on national security issues. The NSC presented the National Security Strategy (NSS), which was enacted two weeks later on December 17, 2013. On the same day, the Cabinet approved the Medium Term Defense Program.

Second, the government proclaimed the Act on the Protection of Specially Designated Secrets on December 13, 2013. This Act has been criticized because the scope of secrets is indistinct and can be changed by circumstances.

Third, on April 1, 2014, the Cabinet established the Three Principles on Transfer of Defense Equipment and Technology, which represented a complete turnaround on the policy on arms transfer in post-war Japan. Since 1967, the Japanese government had maintained the Three Principles on Arms Exports policy, which functioned as *de facto* embargo, and which was established by the Eisaku Sato Cabinet in 1967 and continued by the Takeo Miki Cabinet in 1976. However, based on the new principles, on October 1, 2015, the second Abe Cabinet established the Acquisition, Technology and Logistics Agency (ATLA), through which the Japanese government has come to sell weapons and develop military technologies in partnership with allies. As the ATLA logo shows, it deals with army, navy, and air force weapons (Figure 1).



Figure 1 ATLA Logo
Source: Ministry of Defense
(http://www.mod.go.jp/atla/soubi_logo.html)

Fourth, on July 1, 2014, the Abe Cabinet accepted the exercise of the right of collective self-defense. Although the right of collective self-defense, along with the individual right of self-defense, is acknowledged by the United Nations Charter, the Japanese government had not accepted it because it contradicted Article 9 of the Constitution. On September 19, 2015, the Abe administration shared its own explanation of the right of collective self-defense and steamrolled security-related bills, including the right to exercise collective self-defense, through parliament, despite fierce opposition.

Lastly, the Official Developmental Assistance (ODA) Charter was revised, and the Development Cooperation Charter was introduced on February 10, 2015. As ODA policy is now placed under the NSS, diplomacy, defense, and development—the so-called “3Ds”—are integrated to tackle threats caused by terrorism, climate change, infectious diseases, and so on.

As mentioned above, the security environment surrounding Japan has grown tense, and a domestic political situation has emerged in which right-wing politicians can get away with daring acts. However, this is not the only factor facilitating foreign policy changes. In the following sections, I will explain how the Abe administration could not have carried out these drastic policy changes without support from domestic businesses.

2. The revision of the ODA Charter

Japan had the opportunity to return to the international community by signing the Peace Treaty of San Francisco in September 1951. Thanks to the U.S.'s negotiations with other participants in the peace conference, Japan was allowed to not pay war reparations to the countries that it had invaded during WWII. Instead of monetary compensation, the Japanese government decided to repay

this debt in labor and services. This is the origin of the Japanese ODA, and the first case was carried out in Burma (Myanmar) in 1954. Because of this origin, the Japanese government had not used the term “national interests” in the official document related to ODA until the new charter, the Development Cooperation Charter, was released in February 2015, even though Japanese government had actually pursued commercial interests through ODA.

Although the term “national interests” is ambiguous, it seems to refer to commercial interests, judging from the Development Cooperation Charter’s frequent use of the terms “infrastructure development” and “public-private partnerships (PPPs).” It is certain that the Abe administration considered the intentions of the Japanese business world when revising the Charter. KEIDANREN has made many policy recommendations that promote establishing infrastructure development projects as a pillar of Japan’s growth strategy because an estimated 1 trillion dollars are spent every year on infrastructure developments projects in emerging economies. In a policy recommendation announced on April 16, 2013, for example, KEIDANREN sought to realize Japanese economic growth and secure natural resources through infrastructure development projects overseas.² This vision matches one of the three pillars of Prime Minister Abe’s economic development plan, which he calls Abenomics. Therefore, it can be said that the Japanese business world regards the Abe administration with great favor.

As suggested by its name, the Development Cooperation does not limit its assistance to the developing countries defined in the ODA Charter; it now includes other official flows (OOF) and private flows for overseas development projects. Because of this change in scope, countries who graduated or are graduating from

² 日本経済団体連合会「インフラシステム海外展開の機動的かつ戦略的な推進を求める」2013年4月16日。

Japanese ODA can receive Japanese assistance again, and these countries will be the targets of future Japanese infrastructure projects. In addition, it is said that the Japanese government is considering modifying the system of yen loans so that Japanese firms can receive priority over other overseas firms regarding orders. This modification is also based on KEIDANREN's recommendations.³

In addition to this commercial aspect, a new aspect regarding military contributions has been integrated into the new Charter, although the Japanese government has long restrained itself regarding military contributions. The exception is the deployments of self-defense forces to UN peacekeeping operations in response to limitations posed by the Article 9 peace clause in the Constitution.

The previous Charter declared four principles for ODA implementation:

- (1) Environmental conservation and development should be pursued in tandem.
- (2) Any use of ODA for military purposes or for aggravation of international conflicts should be avoided.
- (3) Full attention should be paid to trends in recipient countries' military expenditures, their development and production of weapons of mass destruction and missiles, their export and import of arms, etc., so as to maintain and strengthen international peace and stability, including the prevention of terrorism and the proliferation of weapons of mass destruction, and from the viewpoint that developing countries should place appropriate priorities in the allocation of their resources on their

³ 日本経済団体連合会「戦略的なインフラシステムの海外展開に向けて－主要国別関心分野ならびに課題」2013年11月19日。

own economic and social development.

- (4) Full attention should be paid to efforts for promoting democratization and the introduction of a market-oriented economy, and the situation regarding the protection of basic human rights and freedoms in the recipient country.⁴

Although the Development Cooperation Charter succeeds the previous Charter and contains these four principles, four principles have been added, bringing the total number to eight. According to the Charter, the following factors should be considered:

- (a) Situation regarding consolidation of democratization, the rule of law and the protection of basic human rights
- (b) Avoidance of any use of development cooperation for military purposes or for aggravation of international conflicts
- (c) Situation regarding military expenditures, development and production of weapons of mass destruction and missiles, the export and import of arms, etc.
- (d) Impact of development on the environment and climate change
- (e) Ensuring equity and consideration to the socially vulnerable
- (f) Promoting women's participation
- (g) Preventing fraud and corruption
- (h) Security and safety of development cooperation personnel⁵

⁴ Ministry of Foreign Affairs, *Japan's Official Development Assistance Charter*, (<http://www.mofa.go.jp/policy/oda/reform/revision0308.pdf>, accessed on March 21, 2017).

⁵ Ministry of Foreign Affairs, *Cabinet decision on the Development Cooperation Charter*, (<http://www.mofa.go.jp/files/000067701.pdf>, accessed on March 21, 2017).

Clause (b) above is equivalent to the second principle of the previous Charter, but two sentences were added to the clause (b) as follows:

Japan will avoid any use of development cooperation for military purposes or for aggravation of international conflicts. In case armed forces or members of the armed forces in recipient countries are involved in development cooperation for non-military purposes such as public welfare or disaster-relief purposes, such cases will be considered on a case-by-case basis in light of their substantive relevance.⁶

The second sentence has been criticized by NGOs and CSOs, who worry that this exception loses the substance of the principle and obscures the borderline between military and ODA operations. In addition to this point, some NGOs worry about a worsening image of Japanese ODA, which could potentially interfere with their humanitarian aid operations at the field level. However, as will be explained in the next section, Japan's traditional pacifism since the end of WWII is gradually being eroded and transformed.

3. Arms transfers

Since the start of the second Abe administration, the military budget has increased, exceeding 5 trillion yen for the first time in the 2016 fiscal year. The Japanese government justifies this trend by pointing to the rapid growth of China's military budget. Since the relationship between China and Japan has deteriorated as a result of the territorial dispute and the perception differences between the two

⁶ *Ibid*

countries regarding contemporary history, they have little official contact, leading to a security dilemma that necessitates a military expansion race. This external factor is the one side of the coin when explaining the increase in Japan's military budget. The other side of the same coin—the internal factor—also influences the budget increase.

KEIDANREN, the Japan Business Federation, represents 1,304 of Japan's representative companies, 109 nationwide industrial associations, and 47 regional economic organizations. According to the statement, its mission is to draw vitality from companies, individuals and local communities and contribute to national economic development and thereby improve the Japanese people's quality of life. To this end, the federation aims to generate consensus among members regarding the significant issues within the realm of the Japanese business community and partners with political leaders, administrators and other stake-holders to promptly resolve problems.⁷

KEIDANREN has many committees, including 4 special committees, 35 policy committees, and 23 regional and bilateral relations committees to help guide its policy recommendations. Four committees—the Committee on Foreign Affairs, the Committee on Trade and Investment, the Committee on International Cooperation, and the Business and Industry Advisory Committee to the OECD—help guide foreign policy decisions. Other relevant committees include the Committee on the Defense Industry, the Committee on Space Activities Promotion, and the Committee on Energy and Resources.

The Ministry of Defense has two routes to arms procurement: domestic procurement and import procurement. In the 2015 fiscal year, the Ministry of

⁷ 日本経済団体連合会ウェブサイト参照 (<http://www.keidanren.or.jp/en/profile/pro001.html>, アクセス日時: 2017年3月22日)。

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Defense spent 1.8 trillion yen—about one-third of the total defense budget—on arms procurement.⁸ Table 1 shows the top 10 Japanese companies receiving arms procurement orders, 8 out of 10 of which are led by KEIDANREN executives.

Table 1 Arms Procurement Contracts Received by Top 10 KEIDANREN Companies (2006–2015)

Company name	2006–2015		
	KEIDANREN executive	Total contract amount (in trillion yen)	Total number of “Ama Kudari”
Mitsubishi Heavy Industries, Ltd.	☑	2.75	45
Kawasaki Heavy Industries, Ltd.		1.46	21
Mitsubishi Electric Corporation	☑	1.19	46
NEC Corporation	☑	0.94	37
Fujitsu Limited		0.43	37
IHI Corporation	☑	0.43	48
Toshiba	☑	0.39	38
Komatsu Ltd.	☑	0.32	16
JX Holdings, Inc.	☑	0.2	0
Hitachi, Ltd.	☑	0.2	26

Source: 佐々木憲昭、前掲論文、36頁をもとに筆者作成。

The Ama Kudari, which literally means “Descent from Heaven,” is bad Japanese custom whereby former government officials’ acquire top private sector jobs. Table 1 clearly indicates a cozy relationship between bureaucrats and private sector leaders.

The General Headquarters (GHQ) completely dissolved the Japanese arms industry after WWII, but it rose to the forefront again with the outbreak

⁸ 佐々木憲昭「安倍軍拡と経団連・軍需産業の動き」『経済』No. 258、30頁、2017年。

of the Korean War. During this time, Japanese industries supplied equipment and services to the U.S. army. As the discontinuation period was very short, the companies that had engaged in the arms industry during WWII had not wiped the military aspect thoroughly from their corporate cultures. Those companies subsequently formed the KEIDANREN's Committee on the Defense Industry. The committee favored exporting weapons in the early 1960s, and in July 1962, it officially issued a complaint to the government. Under such circumstances, Prime Minister Sato proclaimed the Three Principles on Arms Exports in 1967, which functioned as a brake to the defense industry's ambitions. However, through the committee, these defense industry companies continued to request a revision of the Three Principles.

According to a July 20, 2010, statement by the Committee on Defense Industry, many small- and medium-sized Japanese companies engaged in the defense industry. For example, more than 1,200 companies were involved in the production of fighter airplanes, and more than 1,300 companies were involved in the production of tanks. However, it said that the number of new contracts decreased from a peak of 1.7 trillion yen in 1990 to 680 billion yen in 2010. As such, KEIDANREN cautioned the weakening foundation of Japanese defense industry caused by the decline in production and the companies' withdrawals from the defense industry.⁹

However, the situation completely changed during the rise of the Liberal Democratic Party (LDP) and Shinzo Abe to the government in December 2012. The Committee on the Defense Industry welcomed the increase in the defense budget for the 2013 fiscal year and expected to continue the increase

⁹ 日本経済団体連合会「新たな防衛計画の大綱に向けた提言」2010年7月20日。

of the defense budget.¹⁰ In response to KEIDANREN's longstanding request for the relaxation or reconsideration of the Three Principles on Arms Exports, the second Abe administration formulated the Three Principles on Transfer of Defense Equipment and Technology in 2014, which finally paved the way for defense industry's export of weapons.

4. Top-level sales of nuclear power plants

After the severe Fukushima nuclear power plant accident, many Japanese people came to recognize the existence of the “Genshiryoku Mura,” which literally means “the village of nuclear power,” and which had let people believe in an artful manner that “nuclear energy is clean” and “nuclear power plants are designed with high safety”. This “village” consisted of politicians, mass media, advertising companies, scholars, and nuclear power plant manufacturing companies. All the nuclear power plants halted their operations after the accident, and the influence of the “village” weakened for a certain period. However, as the authorities now begin to approve the nuclear power plants to resume operations, the “village” is regaining its influence.

There are three major nuclear power plant manufacturing companies in Japan: Mitsubishi Heavy Industries Ltd., Toshiba, and Hitachi. In response to domestic demands, these companies constructed nuclear power plants until 1990s. However, the nuclear reactors constructed in the 1970s are doomed to be decommissioned in the 2010s, after 40 years of operation. Then, in the 1980s, to maintain domestic nuclear technology and expertise, these companies and the Japanese government together began searching for an opportunity to export

¹⁰ 日本経済団体連合会「防衛計画の大綱に向けた提言」2013年5月14日。

nuclear power plants. However, they have thus far not realized this goal.

Since returning as prime minister, Shinzo Abe has traveled to foreign countries more than 50 times as of February 2017, which is the record among successive prime ministers. He has visited 66 countries and regions so far,¹¹ and many executives of Japanese representative firms have accompanied him to advance economic missions. On each occasion of foreign travel, Prime Minister Abe invites many executives onto the government plane. No other prime minister has given such special treatment.¹²

Regarding top-level sales, Prime Minister Abe is said to play a role in negotiations with foreign officials to create better investment circumstances and export opportunities for Japanese firms. Through these negotiations, the Japanese government has sought chances to export nuclear power plants and signed atomic energy agreements with Kazakhstan, Turkey, Vietnam, Jordan, and the UAE, even after the severe Fukushima accident. Turkey granted the Japanese company Mitsubishi Heavy Industries a contract to construct nuclear power plants on October 29, 2013, following a visit from Prime Minister Abe. However, since the two governments announced the project, opposition movements regarding the construction of the nuclear power plants have continued at the project site, the city of Sinop, which is located in northern Turkey facing the Black Sea.

In addition to these agreements, the governments of India and Japan signed an atomic energy agreement on November 11, 2016. This case is very controversial because India is not a member state of the Non-Proliferation Treaty (NPT). Some criticize that technologies and materials provided by Japan can

¹¹ Ministry of Foreign Affairs (http://www.mofa.go.jp/mofaj/kaidan/page24_000037.html, accessed March 22, 2017).

¹² 佐々木憲昭『財界支配 日本経団連の実相』新日本出版社、2016年、252頁。

be diverted to producing nuclear weapons. Despite these fears, the Japanese government has a reason for this agreement with India: the Japanese government regards India as a counter force to China's rise as a hegemon and a threat to the U.S. and its allies. On the same day, the two governments also agreed to construct a bullet train railway in west India. It is clear from these examples that the Japanese government is willing to make controversial deals in return for significant commercial gain, which the Japanese business world welcomes.

5. Relationship between KEIDANREN and LDP

From the discussion thus far, the Abe administration clearly provides advantageous circumstances for KEIDANREN. To analyze the relationship between the two entities, we will examine the issue of political contributions ("Seiji Kenkin" in Japanese) from KEIDANREN companies to political parties.

On the one hand, the companies expect the leading political party to provide desirable business circumstances, and on the other hand, the political parties expect contributions from these companies to prepare for future elections. The system of political contribution rose from these shared mutual interests, and the borderline between "political contribution" and "bribe" is vague. However, if the contributing company's name becomes indistinct by collecting contributions into one basket, the deed is considered legal by Japanese law.

KEIDANREN substantially influenced politics through political contributions until the end of the Cold War. However, in the post-Cold War era, KEIDANREN's influence on politics gradually diminished because of the transition of ruling parties, during which the socialist party gained political power

in Japan. KEIDANREN¹³ then stopped the system of political contributions in 1994.

Two leading business federations, NIKKEIREN and KEIDANREN, were integrated into a new KEIDANREN in 2002, and in 2004, political contributions were resumed in a new form that introduced the idea of policy evaluation. This meant that KEIDANREN became the one who pays the piper calls the tune. That is, the one who pays money can instruct how to use it. Then, if a political party expects company contributions, it must receive high marks on this policy evaluation. In consequence, political parties consider policy recommendations from KEIDANREN.

Table 2 shows the contribution amounts made to the LDP by defense industry companies.

Table 2 Contributions to LDP by Defense Industry Companies (2011–2015)

Name	Total contract amount (in trillion yen, 2006–2015)	Contribution to LDP (in million Yen)					Total
		2011	2012	2013	2014	2015	
Mitsubishi Heavy Industries, Ltd.	2.75	100	100	300	330	330	1160
Kawasaki Heavy Industries, Ltd.	1.46	25	25	25	30	30	135
Mitsubishi Electric Corporation	1.19	91	91	182	182	182	728
NEC Corporation	0.94	70	70	150	150	150	590
Fujitsu Limited	0.43	100	100	150	150	150	600
IHI Corporation	0.43	80	80	100	100	100	460
Toshiba	0.39	145	145	290	290	5	875
Komatsu Ltd.	0.32	65	65	80	80	80	370
Hitachi, Ltd.	0.20	191	185	354	357	352	1440

¹³ This KEIDANREN means the old one before the integration with NIKKEIREN.

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Daikin Industries, Ltd.	0.14	52	26	26	52	52	208
Fuji Heavy Industry Ltd.	0.14	111	139	102	244	267	863

Source: 佐々木憲昭『財界支配』37頁をもとに筆者作成。

Contribution amounts to the LDP increased from 2013. Judging from this fact, it is clear that the Japanese business community welcomed the LDP's return to the government at the end of the previous year. In response to these contributions, we assume that the Abe administration gives back to the Japanese business community in the form of advantageous conditions.

Conclusion

This paper illustrates the interdependent relationship between the Abe administration and KEIDANREN, which both seek to increase national interests. Although the Abe administration promotes the slogan "Proactive Contribution to Peace," I insist that the administration's actions will bring about not peace but turmoil among neighboring countries.

Japanese society is currently leaning to the right, especially on the issue of arms deals. For example, in 2014, Japan had a pavilion at Eurosatory, the international defense and security exhibition held in Paris every two years. Additionally, in May 2015, the Maritime/Air System & Technologies (MAST) Asia exhibition was held in Yokohama; the next MAST Asia event will be held in Chiba prefecture in June 2017. These facts show a significant departure in foreign policy by the second Abe administration.

Japan is not the only country that has experienced this phenomenon. Western countries currently face similar circumstances. We are living in a transition period during which the world order established by the U.S and its allies after WWII

has become unsteady due to the rise of emerging economies, especially China. Sharing common interests during this transition period, the business world and the nationalists of the old powers who both cling to the past achievements may resist together new powers. However, in the Japan's case, such resistance is very controversial and dangerous because it has primarily occurred in the defense and security domain and pertains to the rising security dilemma and instability in Asia. If the Japanese government wants to contribute peace to this region, it must perceive this situation and change course.

