

Turbulent political situation in Japan – Ishiba steps down

Japanese Prime Minister Shigeru Ishiba announced on Sunday 7 September, that he will be stepping down ahead of a LDP vote regarding a possible leadership change on 8 September. This would be considered a move to resign rather than to be asked to leave by the LDP. The announcement comes as no surprise due to the weak results for LDP in the Upper House elections on 20 July.

The goal Ishiba set, was for the party and its coalition partner Komeito to keep the majority. This did not materialize, however, and LDP had earlier also lost the majority in the lower house. In combination, these two political defeats made it difficult for Ishiba to stay in power, even if he stated that he should remain as Prime Minister and guide Japan through a turbulent time of trade negotiations with the Trump administration, issues of inflation and real wage increase, and fiscal policy.

Already after the Upper House election there was speculation about Ishiba's future as president of the LDP. With the concluded trade negotiations and a positive real wage increase, Ishiba is now arguing for taking responsibility and handing over the leadership. His resignation comes just short of a year after taking on the presidency of LDP and, thus the role as Prime Minister, where many were surprised about the tight race at the time. The situation now throws Japan into a turbulent political situation. This time the race to become LDP President does not automatically land the Prime Minister position, due to the fact that the ruling coalition have lost its majority. The opposition will most likely strive for a say in who will become the next person for the top job.

Again, LDP will face the problem of bringing forward a leader and president that can increase support from the broader electorate. This at a time when more hawkish candidates in terms of foreign policy, in particular the relations to China, could win. Disagreements on the future economic policies have also surfaced within the party. In the last election to the Upper House the issue of foreign migration to Japan also became a complicated political question that seems to have helped the more radical and populist parts of the opposition. This is now a partly new political landscape that the future Prime Minister needs to tackle.

On the table for the next LDP President are also the pressing demographic problem, with a declining population, fiscal economic stability, how to handle inflation, potential economic impact of the new tariffs imposed by Trump, and an acute labour shortage in many sectors.

At a time when the geopolitical and geoeconomic situation in the world is unstable due to the Russian war in Ukraine, tensions in the Middle East and the isolationistic stance of the Trump administration, both in economic and military terms, political turbulence in Japan adds to this. Japan is a leading voice for upholding the rules based international order, through trading schemes and other forms of frameworks together with partners such as the EU. Hence, political

turbulence might also hamper progress in some of these relationships, such as the Strategic Partnership Agreement, the Green Alliance and the Connectivity Alliance with the EU.

Thus, the stage is set for an interesting autumn for Japanese politics and economic policy.

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