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## THE ABE LEGACY

With the terrible assassination of former Prime minister of Japan, Abe Shinzo, an important, but not always uncontroversial, political era in Japan is over. As the longest serving Prime minister, he leaves an important legacy in Japanese politics, but also in relation to the role he wanted Japan to play on the global scene. In addition, he will be remembered for the economic policies, known as Abenomics.

Based on **the 99<sup>th</sup> Stockholm Seminar on Japan**, two invited experts, Dr. Wrenn Yennie Lindgren and Dr. Richard Nakamura, share their views on the international political, as well as economic implications of the passing of Abe in this policy brief.

*By Patrik Ström*

### Foreign Policy Dimension

*By Wrenn Yennie Lindgren*

The foreign policy dimension of Abe's legacy is a significant part of what some have referred to as 'the Abe Era', an important period in Japan's political history that involved a number of notable policy changes, especially concerning the political apparatus around how policy is made, promoted, enacted and legitimated.

In considering what the historic Abe leadership passed on in the foreign policy realm, three areas stand out in particular. First, Abe brought an unprecedented level of ambition to the premiership that was evident in his heightened international engagement and global outlook. Second, Abe's significant contributions to institutional changes, which have become embedded in Japan's political system and will continue to influence policymaking in the coming decades, is notable. Finally, Abe's emphasis on cultivating Japan's political relations through personal rapport building reinforced the image of Japan as an engaged member of the international community.

**Bringing Japan back to the global stage**, Abe was known for being particularly active on the foreign policy front and a major element of his diplomatic approach was assuring that Japan's presence in international fora, both when it came to participating in and hosting large and prestigious international meetings, was noticeable. Abe announced his intention to elevate Japan on the global stage already in one of the inaugural and landmark speeches of his second administration, when he announced "Japan is back". Throughout the nearly eight years of his premiership, he relentlessly worked towards Japan being recognized as leader in the rules-based order and partner of "like-minded democracies" and raised Japan's international standing by hosting a number of mega events, such as the G-7 (2016), G20 (2019), the Olympics (2021). Abe delivered keynote speeches at larger international gatherings such as the Shangri-la Dialogue, UNGA and the US Congress, sometimes in English, leaving a lasting impression among members of the international community for his committed engagement and

persistence. He also shepherded historic multilateral processes, namely the CPTPP trade deal and the revival and elevation of the QUAD high security dialogue.

Abe promoted a foreign policy that integrated political, diplomatic, security and economic approaches that he believed would reinforce regional stability, prosperity and livelihoods, reaping benefits for Japanese interests, as well as those of its allies. He promoted his global approach via memorable foreign policy slogans, such as “Diplomacy that takes a panoramic perspective of the world map”, a “Proactive Contribution to Peace” and, most notably, the “Free and Open Indo-Pacific” (FOIP), which continues to drive the crux of Japan’s foreign policy approach today and has been adopted by other allies, such as the United States and Australia, in their foreign policy formulations. To international counterparts, Abe was a globalist who was committed to promoting a liberal world order, and Japan’s place in it, and as a staunch supporter of value-oriented diplomacy, at least when it came to talking the talk.

**Lasting Institutional Changes**, on the policy front, Abe made possible what many had deemed impossible prior to the advent of his second administration and the ability to push through controversial policy was a notable feature of Abe’s foreign policy. Abe did this through institutional change and the electoral success that he enjoyed allowed for the time needed to push policies through, but also for the reinforcement of a dominant narrative about Japan’s place in the region and the security threats it faced, which Abe argued required proactive rather than reactive responses.

The significant institutional changes Abe implemented began early on in his premiership, granting him the time to capitalize on them. In 2013, Abe created Japan’s National Security Council and in doing so created a different policy apparatus in that issues that often were challenging to coordinate due to opposing views and rivalries within ministries. This was a means of bypassing the bureaucratic constraints that Abe faced that made policies hard to pass and implement. The creation of the NSC was reinforced by the parallel adoption of Japan’s first National Security Strategy, which was an attempt to provide a more comprehensive and not just defense-oriented strategy document. The Strategy is currently undergoing its first revision to be published in late 2022.

Abe’s legitimization of the foreign and security policy course he pursued involved a dominant narrative specifying Japan’s place in East Asia, the rise of China, the threat of North Korea’s missile and nuclear programs, the tight security relationship with the United States and the vulnerability of the Japanese archipelago.

**Navigating political relations with a personal touch**, Abe will also undoubtedly be remembered for delicately navigating personal relationships with political leaders in the hopes of benefitting Japan. In fostering political relations, Abe made them personal: teeing up on the golf course with Trump, eating sushi with Obama, and arranging an onsen (hot spring) summit with Putin. The time and effort Abe put into getting to know his political counterparts and the positions that they represented on behalf of their constituencies is notable. He wanted leaders to know him not just as Abe the Prime Minister of Japan but also as Shinzō, a personal friend

in politics, who was willing to meet in-person multiple times to discuss both hard and soft issues. This led to a model of reciprocal relations that many in the international community remember Abe for.

A number of the political relationships that Abe fostered were linked to his political pedigree and there was a distinct dynastic dimension to his foreign policy—his grandfather, postwar Prime Minister Nobusuke Kishi's, priorities eventually became Abe's inherited priorities, particularly when it came to constitutional revision and Japan's relations with Russia.

While the effectiveness of Abe's polarizing leadership in meeting his foreign policy goals can be debated, it is undeniable that he elevated Japan's visibility on the world stage, implemented significant institutional changes and made the political also personal when it came to building rapport with top leaders. These three areas will likely continue to be in focus and built upon by Abe's successors on in the coming decades.

## **Abenomics**

*By H. Richard Nakamura*

From the economic perspective, Abenomics is the word the world will remember Abe. The question is what his economic legacy really is.

At the time of the inauguration of his second tenure as prime minister, the Japanese economy was just about to recover from the ups and downs that followed the resignation of Koizumi in 2006. The government debt had, in nominal terms, reached about 240% of the GDP, and the government's ability to raise taxes was assessed by the policymakers as the priority of all governments since the late 1990s had been to promote growth and fight the deflation tendencies. The obvious targets for increase tax revenues, that is, private consumption and corporate taxes, were approached carefully by the government due to the fragile state of the economy and the limited will of the households to consume and the business to invest domestically and to raise wages.

As a part of his 2012 election manifest, he launched a new economic program, aimed at revitalizing the ailing economy. The program consisted of three distinct parts aimed at a) monetary policy, b) fiscal policy, and c) structural reforms. These parts, names "arrows" by Abe referring to a traditional tale from medieval Japan stemming from the home region of Abe, were to be coordinated with Japan's central bank (Bank of Japan, BoJ) in order to make it more efficient than previous governments' reform attempts, which were conducted independently from the monetary policy of BoJ.

**The first "arrow" on monetary policy** earned an immediate reaction in the financial and foreign exchange markets – and this even before the election results. BoJ's new governor Kuroda Haruhiko agreed to launch an aggressive quantitative monetary expansion, supplemented with a hard inflationary target of 2%. The quantitative easing policy was carried

through mainly by buying government bonds (paving the way for Abe's expansive fiscal policy program), but also by make limited interventions in the stock markets by purchases of shares in large Japanese companies. The result of this "arrow" has by a large been intact as of today in terms of unchanged monetary policy of BoJ, but it is hard to detect any effects that will be sustained in the long-term perspective as monetary policy is so dependent on world macroeconomics.

**The second "arrow" of Abenomics**, that is, expansive fiscal policy, was to be implemented by stimulus packages of a size that had never seen before, just to make sure that the private sector savings would not offset them in the similar manner as for the stimulus packages of 1990s and 2000s. These moves were then to be accompanied by increased welfare spending associated with Abe's "Womenomics" female "societal empowerment" policy and financed with government bonds purchased by BoJ and broadening of the tax base (for example, the two consumption tax hikes in 2014 and 2019, respectively). The government's continuous practice of launching stimulus packages has continued throughout Abe's and his successors' tenures, still mainly financed by BoJ bond purchases. The tax system has undergone modest changes, but have improved the tax revenues only to a minor degree. The necessary Covid-19 pandemic support and the recent hike in defense spending due to the increased military tensions in the Far East has also taken its due toll on the government finances. The latest estimation of the Japanese government debt is about 266% according to OECD estimations, but the speed of the debt increase seems to have leveled out. Still the government has to devote one third of its budget to serve the huge government debt – and this at the current BoJ interest rate of -0,1%!

Seen from legacy perspective, **the third "arrow"** is the policy measures that have had the most distinct and profound long-lasting effect. **Meaningful structural reforms**, which have been called for by external observers such as OECD and IMF for many years, were finally carried through by Abe. It is possible to assess Abe's initiatives as a continuation of his mentor and predecessor Koizumi Junichiro's privatization efforts of 2000s, but Abe succeeded in reforms that mattered at the macroeconomic level: the disarm powerful economic interest groups such as the Japanese farmers' association JA (which, for example, had the exclusive right to agricultural product distribution and centralized control of local farming cooperatives) and to initiate a large number of bilateral free trade agreements (FTA). The most prominent FTA deal is probably the EU-Japan Economic Partnership Agreement (EPA), which together with a supplementary security partnership agreement makes up a strategic partnership that address both economic and security concerns of both Japan and the EU.

From the economic perspective, Abe's legacy is mixed. On one hand, the easiest policy measures, that is the fiscal policy coordination with BoJ's monetary policy, is at the same time also the most fluid policy measures that can evaporate fastest depending on the overall behavior of the private sector in Japan and the macroeconomic performance of Japan and the world. On the other hand, the structural reforms, that are rules-based and legally settled in national law and international treaties, has the best prospects of remain in place for much longer term than the first two "arrows."

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