

OCTOBER 28, 2024

# Political Turmoil Rocks Japan as Ruling Parties Lose Majority

## Highlights

- The ruling Liberal Democratic Party (LDP) and Komeito lost their majority in Japan's October 27 Lower House election, fomenting uncertainty over the future of the Ishiba Cabinet amid a dramatic loss of political leverage for the LDP.
- Voters punished the ruling parties for their inadequate response to political slush-fund scandals – a problem made worse by pre-election revelations that the LDP secretly funneled cash to candidates who were supposed to be cut off as punishment for their transgressions.
- With the opposition Constitutional Democratic Party of Japan (CDPJ) also now theoretically within reach of forming a government, the LDP and CDPJ are in a dogfight to convince two parties with casting votes – the Democratic Party for the People (DPFP) and Japan Innovation Party (Ishin) – to support their candidate for prime minister in a Diet vote that must be held by November 26.

## Business Implications

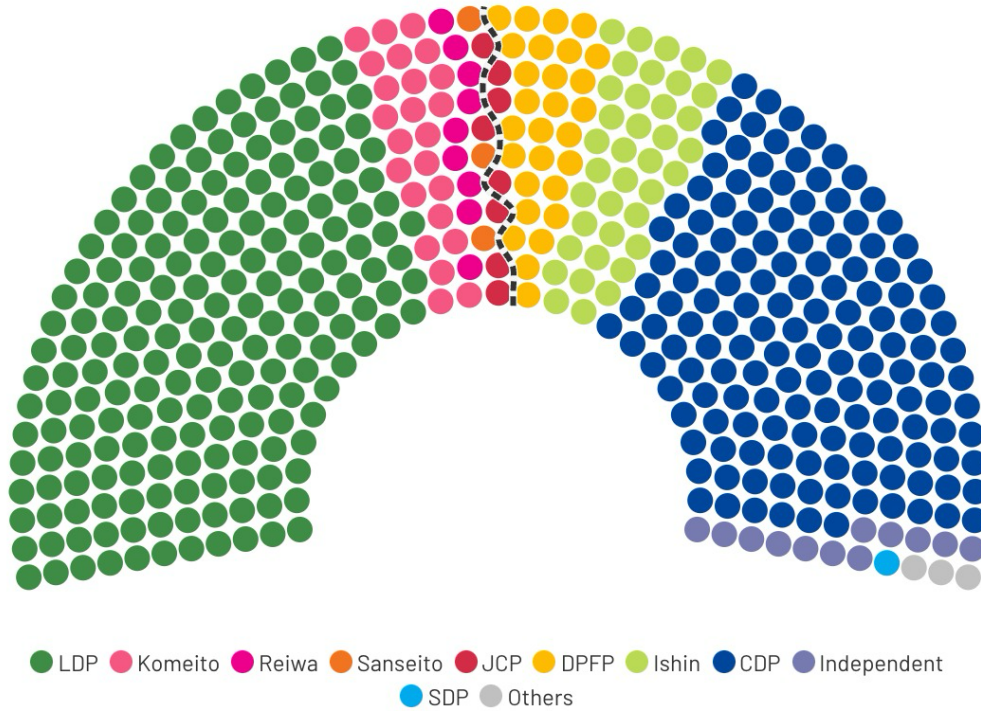
- The LDP-Komeito loss signals the arrival of a new period of political uncertainty in Japan. A minority government, or “partial coalition,” will be unstable, and there could be outright changes in government this year or following the July 2025 Upper House election. Fiscal policy is in play, with Tokyo markets optimistically deciding on October 28 that greater economic stimulus may be one feature of the new Diet. But no one knows if that will pan out. Meanwhile, Japan's complex new patchwork of political parties seems likely to delay important legislation planned under the Kishida and Ishiba administrations.
- Political instability in Japan will also undermine its diplomatic efforts, against the backdrop of the U.S. presidential election and crucial upcoming events like the APEC and G20 summits just around the corner. The ability of the Japanese government to dictate relations with other countries will be affected if foreign counterparts perceive the new government to be short-lived.



## Japan's House of Representatives Election

Oct. 27, 2024

Seats Won ▼



Party	Seats Won	Preelection	Change
● LDP	191	247	↓ 56
● Komeito	24	32	↓ 8
● Reiwa	9	3	↑ 6
● Sanseito	3	1	↑ 2
● JCP	8	10	↓ 2
● DPFP	28	7	↑ 21
● Ishin	38	44	↓ 6
● CDP	148	98	↑ 50
● Independent	12	22	↓ 10
● SDP	1	1	0
● Others	3	0	↑ 3

Source: NHK



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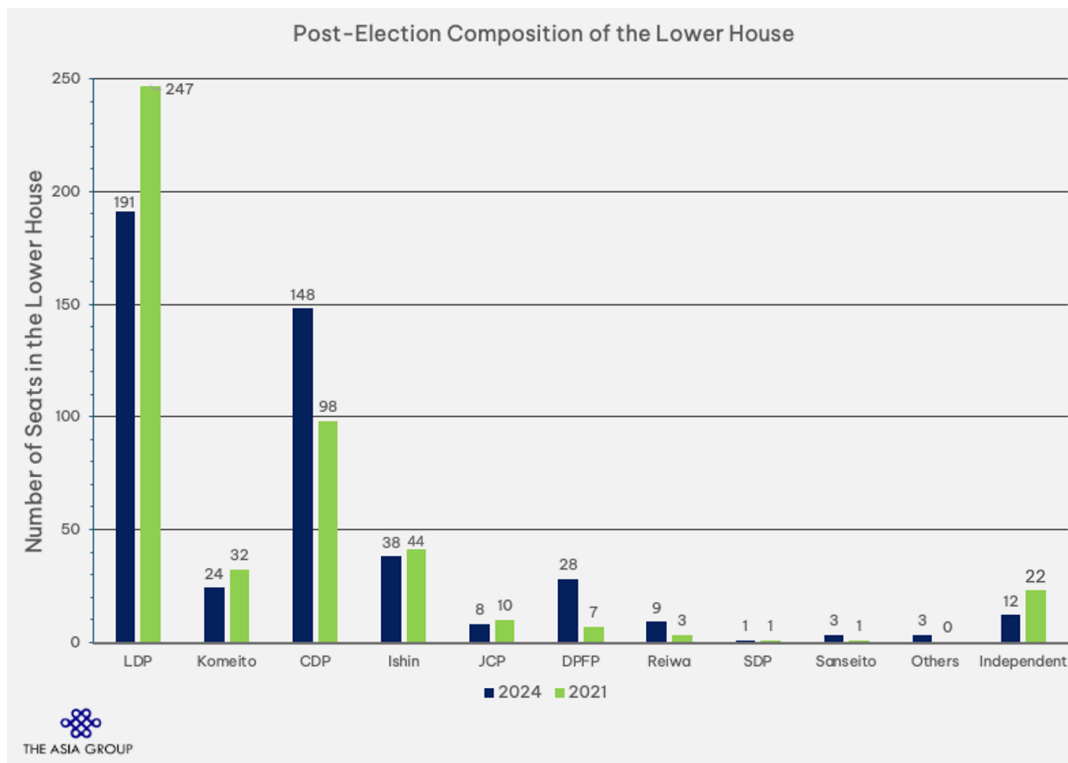


## Political Scandals Drag LDP and Komeito Below Majority Line

On October 27, the ruling LDP and Komeito lost their majority in the Lower House, losing a combined 64 seats to opposition parties led by the CDPJ, which gained 50 seats. Newly minted Prime Minister Shigeru Ishiba gambled on a quick election to stabilize power for the ruling coalition – and lost that bet, badly.

Media reports of JPY 20 million (USD 130,000) sent from LDP party headquarters to the branch offices of supposedly ostracized party candidates greatly boosted the CDPJ's gains. The LDP's inability to dispel public dissatisfaction over the slush fund scandal had major impacts, including:

- Defeat of more than half the LDP candidates involved in the slush fund scandal, and strong headwinds for some other LDP stalwarts, eliminating the seats of top policy shapers like former party Secretary General Akira Amari – the main author of Japanese economic security policy – former Minister of Internal Affairs and Communications Ryota Takeda, and former Special Adviser to the Defense Minister Yoshiaki Wada.
- Incumbent Cabinet ministers losing their seats, a rare occurrence, with Justice Minister Hideki Makihara and Agriculture Minister Yasuhiro Ozato falling in their districts. Two top Komeito leaders – Keiichi Ishii and Shigeki Sato – were also pulled down, a very embarrassing moment for coalition partner Komeito.





## CDPJ MAKES SIGNIFICANT GAINS, DPFP AND ISHIN MAKE INROADS

The biggest winner of the election was the main opposition CDPJ, which captured 50 new seats and came within shooting range of its goal of ushering in a change in government in Japan. The CDPJ tightly focused its election campaign on the slush fund scandal, convincing voters that the LDP is insincere and corrupt. Meanwhile, the Democratic Party for the People (DPFP) increased its seat count four-fold, collecting votes from younger voters who saw the party as future-oriented with practical policy ideas. The Japan Innovation Party (Ishin) lost six seats but managed to maintain its status as the third largest party in the powerful Lower House. The DPFP and Ishin now hold casting votes to critically influence formation of the next government.

## LDP and CDPJ Scramble to Create Coalitions Before PM Vote

Prime Minister Ishiba now faces the difficult challenge of reaching across the aisle to maintain control of Japan's government, while fending off growing voices from within the LDP to step down and take responsibility for the defeat.

The Diet must convene within 30 days, before November 26, to hold a confirmation vote to re-elect Ishiba, or elect a new prime minister. If no candidate gets a majority in the initial round, a run-off between the top two contestants – most likely Ishiba and CDPJ Leader Yoshihiko Noda in that scenario – will ensue, where the candidate with the most votes becomes the new prime minister. A winner can thus become prime minister and form a Cabinet even without firm control over a majority of seats in the Lower House – although that will create a situation of significant political weakness and instability.

Under these circumstances, DPFP and Ishin votes become crucial, creating a situation in which both the LDP and CDPJ will try to convince those two parties to cast a blank ballot or vote in favor of their respective candidates.

Three scenarios can be drawn under the current circumstances:

1. **LDP and Komeito build new formal coalition:** The LDP and Komeito could convince the DPFP or Ishin to formally tie itself to a ruling coalition. ***This may be hard to achieve***, as the LDP would need to make significant concessions, and both DPFP and Ishin party leaders have voiced reluctance to join with the LDP.
2. **LDP and Komeito secure external partnership:** The DPFP or Ishin could arrange to partner with the ruling parties on a policy-by-policy basis. For instance, the ruling coalition could accept the DPFP and Ishin campaign pledges to cut consumption taxes, in exchange for a blank ballot or vote for Ishiba in the prime minister vote. Over time, the parties might build trust toward a formal coalition.



DPFP or Ishin might demand Cabinet seats to build out the relationship. ***This is most realistic scenario, although far from a done deal.***

3. **CDPJ government:** CDPJ Leader Noda could convince the two parties and other opposition parties to vote for him, establishing a CDPJ-led coalition government, even while still lacking an outright majority in the Lower House. The CDPJ would need support from both the DPFP and Ishin, as well as other prickly opposition parties like the Japan Communist Party (JCP), to get over the 233-vote threshold. ***This is the least likely scenario***, as both the DPFP and Ishin have voiced concern about the CDPJ's policies, especially on spending, nuclear policy, and the Constitution. Noda's own strong reservations about cooperating with the JCP and Reiwa makes this even more difficult.





## Upcoming Political and Diplomatic Events

Date	Event
November 5	United States Presidential Election
November 11	Special Diet Session to Confirm Prime Minister (must be held by November 26)
<b>2025</b>	
January	Ordinary Diet Session Convenes
June	Tokyo Metropolitan Assembly Election
July	Upper House Election