

## Olympics: Prime Minister Yoshihide Suga Running Out of Time to Shine

Japanese PM was supposed to ride Olympics euphoria to an easy election win but it's not playing out that way

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*Now that the five-ringed Olympic circus has left town, Japan’s ruling Liberal Democratic Party confronts the real contest of maintaining power in an election that must be held by October.*

All along, the game plan had **Prime Minister Yoshihide Suga**’s party riding post-Olympics euphoria to an easy victory. Yet count the ways things have gone sideways.

Suga’s approval rating is, at best, in the low 30s as a fourth Covid-19 wave upends the nation. Growth is slowing anew as the sugar high from last year’s US\$2 trillion of public stimulus wears off.

And this is all 11-plus months under Suga proved even less productive in reforming the economy than his predecessor Shinzo Abe.

Put these narratives together and it’s an open question whether Suga can hang on to power – although the odds are that his LDP will.

The ruling coalition’s one saving grace is that major opposition parties that weren’t much of a threat pre-Covid seem no more emboldened today. At least that is how matters look now – though ongoing pandemic fallout could, feasibly, create an opening for the LDP to lose power, as it did briefly in 2009.

### **Tokyo 2020 blowback**

Suga’s own hold on power could prove tenuous if the Tokyo Olympics turns out to be the super-spreader event many health experts feared. During the Games, Tokyo’s average daily infection rates spiked to record highs. The question now is whether the Delta variant turns Japan into a pathogen hot zone.

“With the resurgence in infections, initial hopes of a clear economic rebound in July-September have faded,” says economist Yoshiki Shinke at Dai-ichi Life Research Institute.

That would mean considerable blowback for Suga’s fragile government, for as Japan’s 126 million people experience their fourth state of emergency, Covid fatigue is setting in.

And so are economic headwinds, which are sure to crimp household spending and business investment. They’re also sure to depress wages and make for even less generous bonus seasons than in 2020.

The financial hangover from the Olympics is beginning to set in, too. Officially, Japan claims to have spent \$15 billion on Tokyo 2020. Private estimates put the figure closer to \$30 billion, a ballooning of costs partly due to holding a largely spectator-free event after a year of delays with extreme health protocols.

Economist Takahide Kiuchi at Nomura Research Institute reckons that the absence of spectators in the stands at Tokyo 2020 alone cost the government more than \$1.3 billion.

The price tag is sure to get increased scrutiny in the months ahead and result in higher tax burdens, the last thing Suga’s party needs heading into an election.

At the very least it creates an opening for Suga’s LDP rivals to become prime minister in an intra-party election to be held in September.

### **Suga’s sweetness running low**

Suga seems to grasp that he has a popularity problem. In July, he decided not to stump for LDP candidates for a Tokyo metropolitan assembly election, a rare move by the party head.

Other party leaders seemed emboldened by Suga’s absence. In their own public appearances, Natsuo Yamaguchi, head of the Komeito Party, Yukio Edano of the Constitutional Democratic Party of Japan and Kazuo Shii of the Japanese Communist Party all made note of Suga staying out of the fray.

Internally, LDP rivals also may see an opening.

Taro Kono, for example, is a perennial Suga understudy who gets considerable attention from political wags. The 58-year-old is a fluent English speaker, a real rarity for top LDP officials. His past appointments as minister of foreign affairs and defense make Kono, on paper, seem a viable successor.

Yet Kono’s more recent stint as minister of administrative and regulatory reform has impressed few. His initial moves to reduce red tape had epic pushback from bureaucrats.

A case in point was their stubborn championing of fax machines. Efforts to digitalize Japan’s ministries called for the mass phasing out of these 20th-century relics, but Kono did not manage it. And attempts to curtail the use of old-school *Hanko* stamps on documents is a work in progress, at best.

Nor has Kono’s role since January in spearheading Japan’s Covid-19 vaccination process won him many kudos. Though Japan has greatly increased vaccination rates, supply constraints and vaccine hesitancy among the masses make Japan easy prey for the Delta variant.

Sanae Takaichi's name is making the rounds in Tokyo. The former minister of home affairs has expressed interest in throwing her hat in the ring to become the LDP's first female leader. The same with Seiko Noda, who serves as LDP deputy general secretary. She, too, has hinted at becoming Japan's first female prime minister.

Other politicians to watch include Foreign Minister Toshimitsu Motegi and Fumio Kishida, a former holder of the same job. Shigeru Ishiba, a foreign policy hawk, also appears to be angling for a stint as prime minister.

But even if the LDP hangs on to power, it's likely to have a tenuous public mandate. That augurs poorly for reform prospects.

### **The LDP's challenges**

Here, the Shinzo Abe years are being viewed more and more as a cautionary tale in lost leadership opportunities.

From December 2012 to September 2020, Suga was there every step of the way as Abe's chief cabinet secretary. Abe took office with a bold plan to end deflation by curbing bureaucracy, loosening labor markets, increasing innovation and productivity, empowering women and attracting more foreign talent.

Importantly, Abe had three attributes no other Japanese leader did before: majorities in both houses of parliament; high approval ratings early on; and plenty of time in office to implement a revival scheme that had strong public support.

But Abe largely trod water, fobbing off said economic matters to the Bank of Japan. And his failure to use nearly eight years in power to good effect left Japan highly vulnerable to Covid-19 fallout.

This explains why Japan is struggling to keep consumer prices out of the red while the rest of the globe faces an inflation surge.

With the Olympics in the rearview mirror, "there's the risk that the Suga government gets stuck with this image of having failed to control the pandemic," notes analyst Tomoichiro Kubota at Matsui Securities Co.

If Abe achieved so little with such a strong mandate, what can Suga - or another LDP successor - be expected to accomplish with what looks likely to be a far weaker one?

Economists also find it troubling that the LDP seems more inclined to talk about defending Taiwan than a domestic economy losing altitude.

Even Abe has pivoted back to the spotlight to join the growing chorus of LDP officials voicing support for the democratic island as China trolls Taipei's government.

Most pundits see it as a way of diverting attention away from domestic concerns. Some, though, can't help but wonder if Abe is angling for a third shot at the premiership.

### **Is Suga the man?**

As the election looms, Suga seems to be forgetting that in the digital age, a vibrant and

innovative economy churning out tech “unicorns” is the real measure of strength and leadership – not sailing bigger naval vessels through the South China Sea.

Whatever the LDP is considering spending on its next warship, it should instead put toward semiconductor research and development.

Suga’s best chance at re-election is to spell out how he plans to reinvigorate economic reforms.

He must convince both party officials and voters that he has a strategy to rejuvenate Japan Inc’s innovative mojo, make government ministries more effective and meritocratic, narrow the gender pay gap and catalyze a renewable energy revolution that creates millions of high-paying jobs.

And there are even bigger problems on more distant horizons.

Any responsible Japanese government must articulate a plan to balance the conflicting tensions of a shrinking population and the biggest national debt burden among developed nations.

Given the breadth and depth of these challenges, dynamism is surely called for. Yet Suga’s far-from-charismatic turn at the helm thus far hardly inspires.

“The colorless approach he’s taken so far isn’t going to work,” warns economist Mari Iwashita at Daiwa Securities.

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