



# Japanese panel calls for power shift to regions

Decentralization process picks up momentum



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Japanese Prime Minister Yasuo Fukuda faces demands for more powers from the country's mayors and local governments.

BY PURNENDRA JAIN

**T**HE NEED FOR DECENTRALIZATION HAS BECOME A HOT political issue in Japan these days.

Yet political and bureaucratic complexity, hand in hand with competing and irreconcilable political interests, hinder the devolution of power to lower units of government in Japan's still strongly unitary state.

So strong that the *Economist* magazine commented in a recent article that, "more than any big rich democracy, Japan concentrates political power and financial resources at the centre."

Japan's local governments have struggled for years to secure both financial independence and political autonomy. Recently,

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demands for decentralization have grown louder than ever. The need for change is manifest.

In April 2008, a Japanese government panel recommended dismantling the centrally governed state that has existed since the restoration of the Meiji Dynasty in 1867. The proposal would limit the central government to 16 competencies including diplomacy, national security and trade policy. All other powers would go to the regions or municipalities. Under the plan, regional governments would also have responsibility for areas such as public works and industrial promotion.

But nothing will be rushed. The recommendations are part of an interim report. The panel is expected to take another two years to table its final recommendations.

With one of the most rapidly greying populations in the world, Japan's highly centralized structure is struggling to cope with evermore diverse demands for services. The pressures of globalization make it increasingly difficult for the local govern-



Japanese walk down a Yokohama street. Citizens living in the countryside and cities outside Tokyo now have more control over their local government.

ments to operate effectively. Heavy dependence on their central masters leaves the subnational governments usually impeded, cash-strapped and often hamstrung.

The road to decentralization in postwar Japan has been long and winding. It is marked with plenty of initiatives, ideas, plans and recently even the passage of legislation in support of greater autonomy for local governments.

The central government, fuelled by the work of the panel, is now seriously considering a total restructuring of the current two-tier structure consisting of 47 prefectures and a few thousand municipalities classified as cities, towns and villages.

### Cities cut in half

In 2006, centrally-designed – and in some cases unwelcome – amalgamations halved the number of municipalities to 1,820. The move was aimed to improve efficiency and economies of scale by enabling more effective delivery of services to local communities.

A new proposal considers redefining the current prefectural boundaries to form what Japanese call *doshusei* (expanded regions or states).

These states could number between 9 and 13 and could have greater fiscal and functional autonomy than prefectures currently hold. But it is strewn with obstacles while stakeholders struggle to protect their turf. Ironically, powers of the central government would be devolved to more centralized sub-national units.

Following Japan's defeat in World War II, the Allied Powers (mainly the U.S.) occupied Japan. In line with Occupation aims to decentralize governance, the 1947 Constitution enshrined

the principle of local autonomy. For the first time in Japan's modern history, local self-governance gained constitutional status.

With the end of the Occupation in 1952, ruling conservative parties at both central and local levels rejected decentralization by the Occupation authorities and flagrantly recentralized as much as the new constitution allowed. Japan's rapid economic takeoff in early postwar served to legitimize this reversal by creating broad acceptance of a centralized state as the essential means to national economic growth.

This rapid economic growth through industrialization in the 1950s and 1960s also became a spur to local communities seeking more autonomy, as they struggled to address severe social problems like urban housing shortage and inadequate health and family welfare. The conservative government of the Liberal Democratic Party focused on continued economic growth and ignored ordinary people's suffering. But resistance inspired a strong, creative and motivated grassroots movement against the central government's neglect of urban living conditions.

A new breed of left-leaning local chief executives was swept into office through subnational elections. They were not afraid to lock horns with the central government on issues vital to their local communities, with which the central government was demonstrably way out of touch.

They bravely initiated innovative policies in the interests of local residents, even when that meant flying in the face of central government policies. Their strong will, forthright policy initiatives and concern to truly serve the localities that elected

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them produced *de facto* decentralization and a vibrant democracy at grassroots level.

Here at last was a counterbalance to the national government. Yet no constitutional or major legal changes were introduced to promote decentralization. In essence, new policies were adopted within the highly centralized structure.

Soon the local activism lost the wind from its sails. The national economic boom and resulting widespread prosperity from the late 1970s enabled the central government to rein in the pressure for reform and, importantly, to retain its tight fist on local administrations.

### Economy stagnates

Then came the 1990s when Japan's economy began to stagnate, an era that injected a fresh enthusiasm for reviving decentralization. And, while some advances were made in the 1990s, many tasks remained.

This issue became part of Prime Minister Junichiro Koizumi's (2001-2006) broader agenda of reform and restructuring and continued under the Shinzo Abe administration (2006-2007). Prime Minister Yasuo Fukuda, who came into power in 2007, has endorsed his predecessors' initiatives.

Consequently, a new Decentralization Reform Promotion Act was legislated in 2006 and the government set up a Decentralization Reform Promotion Committee in April 2007 to consider issues related to further devolution of power and functions.

### Rethinking Japan

As part of the devolution process, the ruling LDP, especially since the Koizumi administration, has promoted the *doshusei* idea. The opposition political party and its leader Ichiro Ozawa also lent support. Although he advocated a somewhat different structure in his renowned 1994 book *Blueprint for a New Japan: The Rethinking of a Nation*, Ozawa then considered decentralization a core issue and recommended 'transfer of substantial national authority and finances to local governments.'

In a 2007 survey conducted by Japan's leading economics daily, the *Nihon Keizai Shinbun* on the desirability of a "state system", 23 of 47 governors strongly supported the idea. Only four opposed it.

The main opposition comes from the central bureaucracy that sees its power eroded significantly. The new structure will provide few opportunities for central bureaucrats to control localities through their field offices or to transfer central personnel to key local administrative positions.

Nonetheless, the current situation of "30 percent autonomy," where local governments raise roughly thirty percent of their financial needs through local taxes, while depending for the rest on the centre, is going to change. Already the central government has agreed to transfer a greater proportion of income tax to localities. Maintaining a sound balance of power between national and regional interests will be critical. But how this balance will be achieved remains unclear.

Moves toward decentralization now have a new momentum. Still, it is unlikely that profound reform will be introduced anytime soon. Japan's road to decentralisation still has many winding turns, but these days many more travellers too. 