



U.S.-Japan Relations:
Traversing a Rough Patch

Michael J. Green, CSIS/Georgetown University
Nicholas Szechenyi, CSIS

The U.S. decision to rescind the designation of North Korea as a state sponsor of terrorism tested the bilateral relationship this quarter as the Bush administration was perceived in Japan as having softened its commitment to the abductee issue in favor of a breakthrough on denuclearization in the Six-Party Talks, which ultimately proved elusive. The Aso government managed to extend the Maritime Self-Defense Force (MSDF) refueling mission in the Indian Ocean for one year, though bilateral discussions on defense issues continued to center on whether Japan could move beyond a symbolic commitment to coalition operations in Afghanistan.

Japanese domestic politics remained tumultuous as the opposition led by the Democratic Party of Japan (DPJ) thwarted the Aso legislative agenda to increase pressure for a snap election. Prime Minister Aso's approval rating plummeted over the course of the quarter due mostly to frustration with the response to the financial crisis, prompting him to postpone the widely anticipated Lower House election in an attempt to shore up support for the ruling Liberal Democratic Party (LDP). Public opinion polls revealed increased interest in offering the DPJ a chance at the helm with most observers predicting an election sometime next spring. Other polls at the end of the quarter showed the Japanese public less sanguine about the U.S.-Japan alliance, a sobering development as President-elect Obama prepared to take office.

Aso under pressure

Prime Minister Aso Taro was denied a honeymoon period as the financial crisis quickly consumed his government. Pump-priming characterized the policy response, which included a \$275 billion stimulus package and several other measures to stabilize the stock market and support banks. Aso often struggled to articulate policy decisions, however, and gradually lost favor with the public. One widely publicized example was Aso's failure to decide whether the entire population or only low- to middle-income earners would benefit from \$20 billion in household payments included in the stimulus package. There were also signs of dissension within the Aso Cabinet. Economic Policy Minister Yosano Kaoru, a fiscal hawk, argued in a Nov. 30 interview with the *Financial Times* that Japan should not increase public spending given the lack of worthy targets for funding. Compounding Aso's challenges were separate government announcements in November and December respectively designating the economy in recession and projecting zero growth for fiscal year 2009.

Aso's approval rating, which had hovered close to 50 percent in late September, had fallen to as low as 16 percent in mid-December according to one poll. This dramatic downturn was mostly

attributable to frustration with the state of the economy, though he tarnished his public image with several gaffes including a complaint about the tax burden to support the elderly, traditionally a key LDP constituency. Revelations of an award issued to the chief of staff of the Air Self-Defense Forces (ASDF) for a revisionist essay regarding World War II also invited media criticism, though Aso denounced the essay as inappropriate and the culprit, then-Gen. Tamogami Toshio, was quickly dismissed from the force. Nor did it help Aso's public image when he stumbled over basic Chinese characters ("kanji") during public speeches, prompting frequent jabs that he is Mr. "KY" ("kanji yomenai"...or "can't read kanji").

DPJ president Ozawa Ichiro continued his quest to bring down the LDP, at one point instituting a boycott of deliberations in the Upper House to paralyze the legislative process and pressure Aso into calling a snap election, though Aso announced he would not consider a poll until 2009 (an election need not be held until September 2009). The heated rivalry between the two leaders was epitomized by a debate in the Diet on Nov. 28 where Aso argued against an election given the urgent need to minimize the adverse effects of the economic crisis, while Ozawa claimed the people should have a chance to decide which party is best positioned to revive the economy. Aso was forced to extend the Diet session into late December to pass a bill extending the MSDF refueling mission in the Indian Ocean. He succeeded only after passing it a second time in the Lower House with a two-thirds majority, an unpopular maneuver in the eyes of the public but indispensable to breaking parliamentary deadlock since the DPJ won control of the Upper House in summer 2007.

Compounding the pressure from Ozawa were signs that Aso could be losing support within his own party. On Dec. 24, in a public gesture of defiance, LDP lawmaker and former Administrative Reform Minister Watanabe Yoshimi voted in favor of a DPJ-sponsored resolution calling for an immediate dissolution of the Lower House followed by an election. The measure was defeated and Watanabe was reprimanded by the LDP, but his antics pointed to growing frustration with Aso. It is not clear how long Aso can survive, but many observers considered April an opportune time for an election once the Diet passes the budget for the next fiscal year. Through all of this, Aso has retained his cheery and upbeat disposition and continued emphasizing the importance of Japan's international contribution and the centrality of the U.S.-Japan alliance.

A Nov. 10 survey by *Kyodo* found that the public prefers the DPJ to the LDP by a margin of 43 percent to 36 percent. In a Dec. 8 poll released by *Yomiuri Shimbun*, Ozawa was deemed more preferable than Aso for the first time, 36 percent to 29 percent. Also published on Dec. 8 was a poll of prospective candidates in the next Lower House election, conducted by *Asahi Shimbun* and the University of Tokyo, suggesting greater ideological distinctions between the two parties. Compared to the last survey conducted in 2005, LDP support for traditional pump-priming measures increased from 17 percent to 77 percent, while those favoring the exercise of the right of collective self-defense increased from 50 percent to 73 percent. The proportion of DPJ candidates opposed to increased public works spending rose from 39 percent to 42 percent, and DPJ support for increased defense spending fell from 32 percent to 17 percent.

Japan rolled on delisting; U.S. snookered by DPRK

Tensions between the U.S. and Japan over North Korea policy worsened this quarter with a U.S. decision to remove North Korea from the State Department's State Sponsors of Terrorism List. Assistant Secretary of State for East Asian and Pacific Affairs Christopher Hill visited Pyongyang on Oct. 1-2 to reach an agreement on a verification protocol for North Korean denuclearization under the Six-Party Talks and briefed his counterparts, including Saiki Akitaka, director general for Asian and Oceanian Affairs, Ministry of Foreign Affairs, in Seoul on Oct. 3. The U.S. explained that it was unable to secure a written commitment from Pyongyang on verification steps, but would proceed with delisting anyway based on verbal assurances that Hill had memorialized in a U.S. memorandum of conversation. After a day of tense telephone calls between Washington and Tokyo in which Foreign Minister Nakasone Hirofumi warned Secretary of State Condoleezza Rice that the North Korean assurances were inadequate, the Bush administration announced on Oct. 11 its decision to delist North Korea as a state sponsor of terrorism in order to advance the six-party process. The Japanese press was quick to note that in 2003 the Bush administration had promised it would not delist North Korea without progress on the fate of Japanese citizens abducted by North Korea in the 1970s and 80s, and that in June 2008 the administration had promised not to delist without effective verification protocols.

The Japanese government voiced its objections up to the highest levels, but in the end decided it would remain largely muted about the U.S. decision. President Bush called Prime Minister Aso to explain that the U.S. would be delisting and the Japanese response was simply to restate its position on abductees and to reiterate the importance of securing written North Korean agreement on the verification procedures when the full Six-Party Talks resumed. For a weakened Aso administration, an open fight with the U.S. government over North Korea would only have compounded the growing sense that the LDP-led coalition was losing the mandate of heaven, but Finance Minister Nakagawa Shoichi revealed his government's real thinking when he confessed to the press during the G7 meetings that following week that the U.S. decision was regrettable and not based on full consultation with Japan. On Oct. 14 Japan announced that it would continue to deny economic aid to North Korea under the Six-Party Talks framework until there was progress on the abductee issue.

The U.S. and Japanese governments tried to put the disagreement over delisting behind them and focused on realizing another round of the Six-Party Talks where the verification protocols could be confirmed in writing. The talks were convened in Beijing from Dec. 8-11 and, as Japanese officials had warned the Bush administration, North Korea refused in public statements and in the talks themselves to provide any verification protocol without further concessions from the other parties. Japanese press commentary on U.S. policy toward North Korea was predictably scathing and the public's vote of no-confidence was evident in a Dec. 18 *Yomiuri Shimbun* poll in which only 16 percent of the public thought that the U.S. and Japan were coordinating North Korea policy well. The corrosive effect on overall U.S.-Japan relations was apparent when only 34 percent of the Japanese public said in the same poll that U.S.-Japan relations are good – the lowest percentage since 2000 and a collapse of the record high views of the U.S. expressed in Japanese polls earlier in the Bush administration.

Expanding defense cooperation in a tough political climate

Prime Minister Aso soldiered on with certain bilateral defense commitments, but his government's weak political standing caused a paring back of broader LDP ambitions for Japanese security policy. The Aso government delivered on its promise to extend the MSDF refueling mission in the Indian Ocean for a year. Expecting further pressure to dispatch forces to Afghanistan, Aso expressed caution, but the Foreign Ministry looked at other alternatives such as dispatching retired defense officers and providing increased economic assistance. The government-sponsored studies on supporting the exercise of the right of collective self-defense continued, but the Aso Cabinet signaled that it would not press hard for changes before the election and would steer well clear of actually revising Article 9 of the Constitution. Aso did give consideration to Japan's role in maintaining international security by instructing the Ministry of Defense to consider ways to dispatch MSDF forces for anti-piracy operations off the coast of Somalia, but the focus in Washington was, and would likely remain, on more substantive ways Japan could contribute to coalition efforts in Afghanistan.

The two governments continued to pursue missile defense cooperation, though the U.S. Missile Defense Agency and ASDF announced on Nov. 19 that a Japanese destroyer had failed to intercept a target during a test of the *Standard Missile-3 (SM-3) Aegis* missile defense system. This was disappointing after successful tests last year. Joint training also proceeded apace as the nuclear-powered aircraft carrier *USS George Washington* participated in drills with MSDF vessels off the coast of Okinawa in mid-November. In late December the government released a draft defense budget for fiscal year 2009, listing a decrease for the seventh straight year (0.1 percent from 2008). The budget for the realignment of U.S. forces in Japan increased more than three times to approximately 69 billion yen.

Some bright spots

Though a global economic downturn, persistent turmoil in Japanese domestic politics, perceived drift in the U.S.-Japan alliance on North Korea policy, and concerns about Japan's global security role painted somewhat of a grim picture for the alliance, there were some positive developments, particularly in response to the global economic crisis. The U.S. and Japan assumed central roles in coordinating an international response, symbolized by the Group of 20 (G20) summit held in Washington in mid-November. The two governments also worked to produce a strong statement against protectionism at the Asia-Pacific Economic Cooperation (APEC) forum held in Peru in late November.

Japan offered support for the U.S.-India agreement on civilian nuclear cooperation in the international Nuclear Suppliers Group despite concerns about nuclear testing, paving the way for President Bush to sign it into law on Oct. 8. Prime Minister Aso and Indian Prime Minister Manmohan Singh also signed a joint declaration on security cooperation during a summit in Tokyo on Oct. 22, only the third such agreement Japan has signed after the U.S. and Australia, and a good sign for regional cooperation.

Regular consultations among the U.S., Japan, and the South Korea also proved encouraging, marked by vice-ministerial consultations in Washington in mid-October, meetings among the

respective envoys to the Six-Party Talks, and a trilateral meeting among President Bush, Prime Minister Aso, and President Lee Myung-Bak on the sidelines of APEC.

Anticipating the Obama administration

Japanese interest in the U.S. election was high, with Pew polls at one point showing that more Japanese were paying attention to the Nov. 4 ballot than Americans. Popular reaction in Japan to Obama's election was positive, and the DPJ tried to capitalize on the theme of "change" to offer similar hope to the Japanese public (though Ozawa's approval ratings in Japan remain about a quarter of President-elect Obama's ratings in the U.S.). The press and elite commentary on Obama's win was more mixed, with a *Nikkei Shimbun* editorial among others warning that an Obama administration might become too protectionist, too close to China, and too soft on North Korea – traditional Japanese concerns about Democratic governments in the U.S.

However, these concerns appear to have ebbed somewhat with the nomination of well known centrists and internationalists to key Cabinet and sub-Cabinet posts. Treasury Secretary-designate Tim Geithner is highly respected by Japanese financial firms and well known to Ministry of Finance officials (and speaks some Japanese). Deputy Secretary of State-candidate Jim Steinberg has been a frequent traveler to Japan over the past few years and National Security Advisor Jim Jones and Secretary of Defense Robert Gates are both seen as reassuring national security realists. Hillary Clinton's nomination stirred some concern in Japan, since her 2007 *Foreign Affairs* article was portrayed in the Japanese media at the time as a pro-China piece. Ironically, the Chinese reaction was the exact opposite, with Chinese scholars remembering some of First Lady Hillary Clinton's tough opinions on human rights in China in the 1990s. Ultimately, a few well-timed moves by the new secretary of state on issues like North Korea could quickly erase any lingering doubts caused by the *Foreign Affairs* article. It was noticed, for example, that Obama agreed to receive a congratulatory call from Prime Minister Aso on Nov. 6 – two days before speaking with Chinese President Hu Jintao. These kinds of early signals by the Obama administration in 2009 will be highly scrutinized in Japan (and Asia overall) and an important theme in the next quarterly *Comparative Connections*.

Looking ahead

Coordination on international economic policy, North Korea, and Japan's future role in Afghanistan will likely top the bilateral agenda as the Obama administration takes office. Climate change could also play a prominent role in bilateral dialogue. Japan will continue to advocate a sectoral approach to global emissions reductions when it hosts an international conference focused on the transportation industry in January, including representatives from the United States, Europe, members of the Association of Southeast Asian Nations (ASEAN), and international institutions such as the World Bank. Japan will also seek to highlight its global leadership role more broadly as it begins a two-year term as a nonpermanent member of the United Nations Security Council (UNSC).

Chronology of U.S.-Japan Relations October-December 2008

Oct. 1, 2008: Japan International Cooperation Agency (JICA) becomes the world's largest bilateral development agency.

Oct. 3, 2008: The Bank of Japan injects 800 billion yen (\$7.6 billion) into the international financial system to prevent a global credit crunch from increasing interest rates.

Oct. 3, 2008: Assistant Secretary of State for East Asian and Pacific Affairs Christopher Hill meets Saiki Akitaka, director general for Asian and Oceanian Affairs, Ministry of Foreign Affairs, in Seoul to discuss Hill's visit to Pyongyang for discussions concerning a verification protocol for North Korean denuclearization under the Six-Party Talks.

Oct. 3, 2008: The Government of Japan announces a decision to dispatch two Self-Defense Force (SDF) officers to the United Nations Mission in Sudan (UNMIS) in Khartoum.

Oct. 7, 2008: A survey by *Asahi Shimbun* shows Prime Minister Aso's approval rating at 41 percent, a seven-point drop over the two-week period since he assumed the post.

Oct. 8, 2008: Japan's Nikkei 225 index falls 9.4 percent – the third biggest drop in percentage terms and the largest one-day decline since October 1987 – amid concerns about the extent of the global financial crisis.

Oct. 8, 2008: The Lower House of the Diet passes a 1.8 trillion yen (\$18 billion) supplementary budget as part of an economic stimulus package.

Oct. 8, 2008: Japan declines to participate in a coordinated reduction of interest rates among the world's major central banks.

Oct. 10, 2008: The Nikkei 225 index posts its third largest single-day decline and falls for the seventh day in a row.

Oct. 10, 2008: Secretary of State Condoleezza Rice and Foreign Minister Nakasone Hirofumi hold a teleconference to discuss the Six-Party Talks.

Oct. 11, 2008: The U.S. announces its decision to rescind the designation of North Korea as a state sponsor of terrorism. President Bush calls Prime Minister Aso to explain the decision.

Oct. 13, 2008: Speaking with reporters, PM Aso states that the U.S. decision to delist North Korea from the State Sponsors of Terrorism List does not mean a loss of leverage for Japan in resolving the dispute over abductees, and describes the decision as a diplomatic tactic to advance the Six-Party Talks.

Oct. 14, 2008: PM Aso announces that Japan will not provide economic aid to North Korea absent progress in a dispute over the fate of Japanese abductees.

Oct. 14, 2008: Japan announces measures to stabilize the stock market, including a decision to suspend the sale of almost 2 trillion yen (\$19.8 billion) in government-held shares.

Oct. 14, 2008: Deputy Minister of Foreign Affairs Sasae Kenichiro and Under Secretary of State for Political Affairs William Burns participate in the first-ever U.S.-Japan-ROK vice-ministerial consultations held in Washington.

Oct. 16, 2008: Prime Minister Aso states during a budget committee debate in the Upper House of the Diet that the U.S. plan to invest \$250 billion in banks is insufficient and that the U.S. government should do more to bail out ailing financial institutions.

Oct. 16, 2008: Japan's Nikkei 225 index falls 11.41 percent, the second-largest single-day drop on record.

Oct. 16, 2008: Ambassador to Japan Thomas Schieffer meets families of Japanese abductees to explain the U.S. decision to remove North Korea from the State Sponsors of Terrorism List.

Oct. 17, 2008: Japan is elected to a nonpermanent seat on the UN Security Council for a two-year term beginning in January 2009.

Oct. 21, 2008: The Lower House of the Diet extends for one year a bill authorizing Indian Ocean refueling missions in support of *Operation Enduring Freedom*.

Oct. 21, 2008: President Bush and Prime Minister Aso hold a teleconference regarding plans for an emergency summit on the global financial crisis.

Oct. 22, 2008: Prime Minister Aso hosts a summit with Indian Prime Minister Manmohan Singh covering regional security cooperation, steps toward an economic partnership agreement, and the peaceful use of nuclear power.

Oct. 27, 2008: The Nikkei average falls 6 percent to the lowest level since 1982.

Oct. 27, 2008: The G7 releases a statement expressing concern about the appreciation of the yen.

Oct. 28, 2008: Prime Minister Aso expresses caution regarding the dispatch of SDF forces to Afghanistan during a committee session in the Upper House of the Diet.

Oct. 28, 2008: Christopher Hill and Saiki Akitaka meet in Washington to discuss the Six-Party Talks, their first meeting since the U.S. announced its decision to delist North Korea from the State Sponsors of Terrorism List.

Oct. 28, 2008: The Yokohama District Court sentences a Maritime Self-Defense Force (MSDF) officer to two and a half years in prison for leaking data related to the *Aegis* defense system back in 2002, though the sentence was suspended for four years.

Oct. 30, 2008: Prime Minister Aso announces his decision to postpone a Lower House election until 2009, citing the urgent need to tackle the financial crisis.

Oct. 30, 2008: The government of Japan unveils a second economic stimulus package totaling \$275 billion, including \$20 billion in payments to households.

Oct. 30, 2008: *Nikkei Shimbun* reports that an internal survey conducted by the ruling Liberal Democratic Party (LDP) forecasts a loss if a general election were held in the near term.

Oct. 31, 2008: The Bank of Japan reduces the overnight call rate to 0.3 percent.

Oct. 31, 2008: Defense Minister Hamada Yasukazu announces that the chief of staff of the Air Self-Defense Force (ASDF), Gen. Tamogami Toshio, will be dismissed for penning an essay denying that Japan was an aggressor during World War II.

Nov. 3, 2008: Gen. Tamogami retires from the Self-Defense Forces.

Nov. 3, 2008: A *Yomiuri Shimbun* poll reveals a 40 percent approval rating for PM Aso and a disapproval rating of 41 percent.

Nov. 4, 2008: Prime Minister Aso states he has no plans to push for a reinterpretation of the Constitution to allow Japan to exercise the right of collective self-defense.

Nov. 5, 2008: Prime Minister Aso issues a statement congratulating Barack Obama on his election as president.

Nov. 6, 2008: Prime Minister Aso and President-elect Obama agree in a telephone conversation on the importance of strengthening bilateral ties.

Nov. 10, 2008: A poll by *Kyodo* reveals that the public prefers the DPJ over the LDP by a margin of 43 percent to 36 percent.

Nov. 11, 2008: Retired Gen. Tamogami refuses to apologize for publishing a revisionist essay on World War II and argues in favor of revising Japan's pacifist Constitution during an appearance at a hearing in the Upper House of the Diet.

Nov. 11, 2008: The U.S. expresses regret over an unannounced Nov. 10 visit by the nuclear-powered submarine *USS Providence* to a base in Okinawa.

Nov. 13, 2008: Prime Minister Aso describes the essay by retired Gen. Tamogami as "extremely inappropriate."

Nov. 13, 2008: The nuclear-powered aircraft carrier *USS George Washington* is featured in a week-long joint drill with MSDF off the coast of Okinawa.

Nov. 14-15, 2008: Prime Minister Aso pledges \$100 billion to the IMF for developing economies during the G20 summit in Washington.

Nov. 17, 2008: The Japanese economy officially slips into recession after two consecutive quarters of negative growth.

Nov. 17, 2008: PM Aso and opposition leader Ozawa Ichiro meet behind closed doors. Ozawa threatens to boycott Diet deliberations and demands that Aso either submit a second supplementary budget or call an election.

Nov. 18, 2008: The opposition parties begin a boycott of Upper House deliberations, preventing a vote on a bill to extend an SDF refueling mission in the Indian Ocean.

Nov. 19, 2008: The U.S. Missile Defense Agency announces the failure of the Japanese destroyer *Chokai* to shoot down a target during a Nov. 18 test of the sea-based *Aegis* Ballistic Missile Defense system near Hawaii.

Nov. 22, 2008: President Bush and Prime Minister Aso meet on the sidelines of the Asia-Pacific Economic Cooperation (APEC) forum to discuss various issues including the financial crisis, North Korea, Iraq, and Afghanistan. The two leaders also hold a joint meeting with President Lee Myung-Bak of South Korea to discuss the Six-Party Talks and the global economy.

Nov. 27, 2008: PM Aso orders an extension of the Diet session to Dec. 25 and announces that a second supplementary budget would not be submitted before the new Diet session in January.

Nov. 28, 2008: PM Aso and opposition leader Ozawa square off in a heated debate in the Diet. Aso argues against an election given the urgent need to minimize the adverse effects of the global economic slowdown, while Ozawa claims that the people should have a chance to decide which party is best positioned to revive the economy.

Nov. 28, 2008: A *Reuters* survey finds that 60 percent of individual investors want the DPJ to win the next election.

Nov. 30, 2008: In an interview with the *Financial Times*, Minister for Economic Policy Yosano Kaoru argues against increased government spending to stimulate the economy, citing a lack of worthy targets for funding.

Dec. 2, 2008: Christopher Hill and Saiki Akitaka meet in Tokyo to prepare for a new round of the Six-Party Talks.

Dec. 3, 2008: Hill and Saiki are joined by ROK Special Representative Kim Sook for trilateral consultations in Tokyo.

Dec. 6, 2008: A poll released by the Cabinet Office shows that a record-high 28 percent of the Japanese public thinks relations with the U.S. are not good, compared to a record-low 69 percent who said bilateral ties were good.

Dec. 8, 2008: A new round of the Six-Party Talks begins in Beijing.

Dec. 8, 2008: A *Yomiuri Shimbun* poll shows an approval rating of 21 percent for Prime Minister Aso, with a disapproval rating of 67 percent. Ozawa also proves more popular than Aso for the first time, with 36 percent saying Ozawa would be preferable as prime minister compared to 29 percent for Aso.

Dec. 9, 2008: An MSDF officer found guilty of leaking intelligence related to the *Aegis* ballistic missile defense system is dismissed from the force.

Dec. 11, 2008: The latest round of the Six-Party Talks ends without an agreement on a verification protocol for North Korean denuclearization.

Dec. 12, 2008: The Diet approves a one-year extension of the SDF refueling mission in the Indian Ocean.

Dec. 12, 2008: Japan's ASDF completes its last airlift mission to Iraq.

Dec. 12, 2008: Prime Minister Aso announces a second economic stimulus package totaling \$110 billion.

Dec. 12, 2008: The Diet approves a bill allowing the government to inject up to \$22 billion into the nation's banks.

Dec. 16, 2008: The U.S. Air Force announces plans to deploy two contingents of *F-22* stealth jet fighters for approximately three months to Japan beginning in January 2009.

Dec. 18, 2008: A *Yomiuri Shimbun* and *Gallup* poll on U.S.-Japan relations finds that 34 percent of Japanese consider U.S.-Japan relations good, the lowest percentage since 2000.

Dec. 18, 2008: Prime Minister Aso praises Japan's five-year noncombat mission in Iraq after the last *C-130* aircraft used in airlift operations departed Kuwait.

Dec. 19, 2008: Japan government forecasts zero growth for the fiscal year ending March 2010.

Dec. 19, 2008: The Bank of Japan reduces the overnight call rate to 0.1 percent.

Dec. 19, 2008: A survey by *Jiji Press* reveals a 16 percent approval rating for the Aso Cabinet and a disapproval rating of 65 percent.

Dec. 19, 2008: A survey by *Yomiuri Shimbun* and Waseda University finds that voters are more disappointed with the performance of the LDP than the DPJ by a margin of 69 percent to 48 percent. Fifty-five percent of respondents had expectations for the DPJ going forward, compared to only 42 percent for the LDP.

Dec. 20, 2008: Japan's Ministry of Finance releases a draft budget for fiscal year 2009 suggesting a spending increase of 6.6 percent and a total budget of \$990.9 billion, the biggest draft figure ever. Defense spending and official development assistance are cut 0.1 percent and 4 percent, respectively.

Dec. 24, 2008: LDP lawmaker Watanabe Yoshimi, a former minister for administrative reform, votes in favor of a resolution supported by the DPJ calling for an immediate dissolution of the Lower House followed by a general election. The resolution fails but Watanabe receives a reprimand from LDP leadership.

Dec. 24, 2008: The Aso Cabinet approves the draft budget proposal for fiscal 2009.

Dec. 24, 2008: The Aso Cabinet approves a mid-term tax reform plan including a call for an increase in the consumption tax in fiscal year 2011.

Dec. 27, 2008: Prime Minister Aso instructs the Ministry of Defense to explore ways to dispatch SDF forces for anti-piracy missions off the coast of Somalia, though Defense Minister Hamada questions the feasibility of the plan in a press conference the same day.

Dec. 28, 2008: A *Nikkei* poll lists Prime Minister Aso's approval rating at 21 percent with a disapproval rating of 73 percent.

Dec. 31, 2008: The Nikkei 225 index finishes the year down 42.1 percent, well above the last highest annual decline of 38.7 percent in 1990.