

THOUGHTS ON THE ASSASSINATION OF SHINZO ABE

The death of ex-Prime Minister Shinzo Abe will be deeply felt in Japan. Although he resigned from the premiership in the summer of 2020, as the leader of the largest faction in the ruling Liberal Democratic Party he remained the most powerful politician in Japan. At the age of 68, he would have been expected to continue shaping Japan's political trajectory for at least another dozen years.

According to reliable sources, he had recently been vocal on economic issues, demanding that the Kishida administration retain the key tenets of "Abenomics", including the name, and persevere with reflationary monetary policy. He also pressed for an explicit doubling of defence spending, rather than the unspecified rise favoured by the ultra-cautious Fumio Kishida, Japan's current Prime Minister.

Out of office, he was able to be more assertive on foreign policy, promising to support Taiwan in the case of hostile actions by China and discussing the possibility of hosting America nuclear weapons on Japanese soil, as Germany and Italy do. As Japan's longest-serving Prime Minister since the dawn of the parliamentary system in the 1880s, Abe was uniquely credible in raising such issues.

Under Abe, Japan changed significantly. He turned the Government Investment Pension Fund from a sleepy backwater that invested in Japanese Government Bonds to a highly professional operation. It is a mark of his impact on geopolitics that Indian Prime Minister Narendra Modi has declared a day of national mourning in his honour. Despite his reputation as a nationalist, he presided over a trebling in tourism and a doubling in foreign workers.

Less obviously but crucially, he changed the relationship between politicians and bureaucrats. Traditionally, Japan's political leaders deferred to powerful ministries such as the Ministry of Finance and the Ministry of Economy, Trade, and Industry. Abe concentrated power in the Prime Minister's office and led the policy initiatives himself.

As a policy innovator, Abe is irreplaceable – but it is highly likely that major features of his programme, from corporate governance reform to the "free and open Indo-Pacific", will remain in place because they make sense and have come to command widespread assent. It is even possible that projects that Abe was unable to bring to fruition, such as the revision of Japan's U.S.- imposed constitution, may gain more traction as politicians and public reassess his legacy. Perhaps his brother, Nobuo Kishi, who is currently Japan's Minister of Defence, will take on a wider role in disseminating Abe's ideas.

It is also possible that without Abe's presence, the bureaucrats will seek to restore their power. An important test case involves monetary policy. Will the Bank of Japan continue with the compact that it made with the Government in 2013, committing to deliver 2% inflation on a sustainable basis? Governor Haruhiko Kuroda is due to step down next spring. Will his replacement be another reflationist or will an old school hard money advocate take over? The yen and the bond market can be expected to react as investors weigh the probabilities.

Shinzo Abe has been termed Japan's most important Japanese politician of his generation. I would go further and call him the most consequential Japanese politician of the last 60 years. Japan will miss him mightily, but his achievements will stand.

Disclaimer

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