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## Japanese PM Kishida leaving office

On 14 August Japanese Prime Minister Fumio Kishida announced that he is not seeking to stay on as President of the ruling LDP party. Hence, he is stepping down as PM after the party selects a new leader in late September. The announcement came after a prolonged period of declining approval ratings among the Japanese public. This has created concern within the LDP in relation to the possibility for LDP to be successful in the next lower house elections. The Kishida cabinet has been struggling in the political aftershocks of the political scandal connected with the Unification Church and later usage of political funds related to party factions.

When Kishida took over as PM after the Suga government in 2021, he came into power with high approval ratings, but these have declined substantially over the last three years. In light of the political standing, it did not come as a surprise that Kishida eventually chose to step down, after struggling to gain confidence among the public and securing internal support among the party ranks.

During his three-year tenure as PM, he promoted what he called “New Capitalism”, seeking to distinguish his economic policy in relation to his predecessor’s “Abenomics”. That was to be done through a more socially focused approach trying to promote more equal income distribution and corporate social responsibility. Seemingly to be well received by the voters within the early years, scandals that followed made this challenging. Despite recent political turmoil, Japan has during the Kishida government experienced what seems to be the end of a deflationary period, relatively stable GDP growth, substantial wage increases for workers across the economy, and also a stock market returning to levels not seen before the bubble economy crash in the late 1980s. Kishida has also been quite successful in navigating Japan through the increasingly complex geopolitical and geoeconomic setting. Here, close ties with both the USA and the EU along the G7, together with a focus on the Indo Pacific have been seen as especially important.

Despite success, Japan is not without future challenges. The changing demographics with a rapidly aging population puts stress on fiscal economic policy, but companies also are facing an increasing labor shortage. This development puts stress on all levels of society, such as local municipalities with shrinking tax base and increasing cost for health and elderly care.

The aim of pushing the green economy transition and in parallel securing a long-term and reliable energy mix are two challenges that will take political clout as well as forming close collaboration with private industry. This is also an area that is in need of international collaboration. The changing geopolitical context is also calling for collaboration to acknowledge the close connection to security policy and forming alliances with like-minded countries.

Digitalization is yet another area that will demand stronger focus in the years to come. This is closely related to the possibility to push the envelope for the green economic transition as well as creating competitive advantage among industry.

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Apart from these more policy-oriented areas, the new PM will need to continue reform of the political funding structure to restore public trust.

Naturally, the race for a successor has begun. The election of a new president of LDP is planned in late September. There are several potential contenders including current and former cabinet members. Among them current Digital Minister Taro Kono (who has been in the race before), former Environment Minister Shinjiro Koizumi (son of former PM Junichiro Koizumi) and current Economic Security Minister Sanae Takaichi.

There are several qualities that the next leader of LDP must have, through the combination of political reform capacity, internal party support and the appeal to voters in order to secure victory at the next election. The ability to continue the development of close relations with the new US presidential administration and building the relationship with the EU will in addition be of great importance. It is clear that the coming months will have a profound impact on the domestic political stage in Japan as well as on the global geopolitical context.

**Author:**

Patrik Ström, PhD, Econ Dr.  
Associate Professor  
Director  
European Institute of Japanese Studies  
Stockholm School of Economics  
Email. patrik.strom@hhs.se

**Contact:**

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