

Results of Japanese elections favor nuclear power and rare earths

✘ Shinzo Abe, the outgoing Japanese prime minister has gambled, after only two years of leadership, and won the parliamentary elections. Although he had a firm grasp of power, Abe decided to call 'premature' elections in order to ask the Japanese people whether or not they agreed with his economic policies that have come to be known as 'Abenomics'. The people have not actually rejected Abenomics but after an initial phase of growth in 2013, Japan has sunk into recession despite the trillions of yen that the central bank has pumped into the economy. Indeed, the voters said yes.

Yesterday's vote was a referendum over injections of liquidity in the market along the American 'Quantitative Easing' model and a strong fiscal stimulus to trigger growth after at least two decades of stagnation and, more recently, of deflation. Many voters stayed home and the campaign was short but Abe's Liberal Democratic Party led coalition has gained more seats – 325 seats out of 475 – giving the government a more than two thirds majority and a strong mandate. Abe's priorities are the economy and strategic diplomacy to strengthen Japan's position in the global context. In this sense, relations with China will remain challenging as Abe cannot betray the trust of his nationalist base; he will have to reaffirm Japan's role as a regional power, meaning that historical and territorial disputes with China – especially the Senkaku/Diyaou Islands – will persist. Japanese voters would be happy if Abenomics work this time around and Abe's mandate is now strong enough that he would appear to have a better chance to change things. During his first term, Abe did try to stimulate growth but Japan still failed to emerge out of recession; this is less his fault than the government's higher sales tax, or VAT,

(from 5 to 8%), as established by a law passed by the previous government. Unfortunately, Japanese consumers have responded by reducing their consumption, which negated any growth stints, sending the economy is back in recession.

Abe has promised to postpone to the second VAT increase (from 8 to 10%), scheduled for 2015 to 2017 and the election as partially framed as a referendum over this issue. The other major issue was nuclear power. Until the Fukushima disaster of 2011, nuclear plants provided 30% of Japan's electricity demand; the closure of all reactors after Fukushima forced the country to spend much more on energy imports. Abe had intended to restart reactors even as the Japanese population appeared to be more opposed to nuclear power than ever. The opposition to nuclear power has been vast, noisy and well organized. But, the argument did not become a central element of the election and Abe, who made no concessions or promises on the matter, now has a virtual mandate to restart the reactors. Nationalism was also not a major electoral issues, but Abe has also gained the ability to reconsider Japan's Constitutional problem. The Constitution is a matter of shame for nationalists because it was written by the Americans during the post WWII occupation, which among other things prevents Japan to send military forces abroad. Abe wants to re-draft the Document in order to allow Japan to send troops in support of allies. Such a Constitution represents a de-facto document to serve as the first step towards Japan's remilitarization. China will not be pleased and Abe appears to be deliberately pursuing the risk of fueling even twitchier relations with China. The Chinese media had described Abe's nationalism and Constitutional plans as the limits of hysteria and a "distortion of the Constitution."

Abe now can pursue both nuclear projects and constitutional changes. He will also devalue the Yen and promote Japanese exports and manufacturing. This suggests increased demand for uranium and rare earths, among other commodities while the

tensions with Beijing (exacerbated by Constitutional ambitions) will keep Japanese manufacturers looking for alternative REE sources beyond China. In 2010, when Sino-Japanese tensions over the Senkaku began, Beijing threw the world into a panic by blocking exports of rare earths to Tokyo, a low blow to the Japanese technological excellence. The fact is that China, which produces some 97% of these elements has used them as a formidable weapon of pressure.