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Ishiba in race against time in multi-party budget talks

Key takeaways

- The new Diet session began on 24 January with the government's not having guaranteed enough support to pass a budget.
- The ruling parties are negotiating with the three main opposition parties, each of which have their own reasons not to compromise too quickly or too easily with the Ishiba government.

The ordinary session of the Diet opened on Friday, 24 January, and, with deliberations on the FY2025 budget approaching, the Ishiba government and the ruling parties have stepped up their efforts to secure the thirteen votes needed for passage from at least one of the three major opposition parties, the Constitutional Democratic Party (CDP), Ishin no Kai, or the Democratic Party for the People (DPFP).

The government's ability to negotiate with all three opposition parties – and play each party's demands off the others – suggests that the government ultimately will find a way to secure the budget's passage through the House of Representatives by 2 March, the deadline for ensuring that the budget will be passed before the end of the fiscal year even if it is somehow held up in the upper house. But the Ishiba government is contending with the fact that each opposition party is negotiating at least in part with an eye towards the upper house elections in July, weighing whether it is better to extract concessions from the Liberal Democratic Party (LDP) now or hold out to weaken the government and the LDP ahead of the elections.

With the opinion polls showing not only that the public supports their demands, but that the opposition – particularly the DPFP – could be poised to gain at the ruling parties' expense in July, all three parties have been incentivized to hold out for more significant concessions from the government. Because the government needs only one party to cooperate to pass the budget, the parties are essentially competing to be the first

partner to which the LDP and Kōmeitō concede; at that point, the other parties will lose their leverage in their negotiations with the ruling parties, since the government will have enough votes to pass the budget. In the current circumstances, it may be more likely that the budget passes with support from Ishin no Kai or the CDP – or both – than the DPFP, since the latter may have the most to lose from abandoning its maximalist demands.

Negotiating dynamics

Prime Minister Ishiba Shigeru is trying to maneuver out of this sub-optimal situation, both because he is wary of the fiscal impact of opposition demands and is aware that conceding to one or more opposition parties could weaken his position in the LDP. For example, Takaichi Sanae, his rival from the LDP leadership election, warned the prime minister the other day about being too willing to accept the opposition's demands, saying that it will undermine the party's brand. Ishiba has tried to pressure the opposition parties to moderate their demands. "In order to build consensus across party lines," he said in his policy speech on Friday, "the ruling and opposition parties must, continuing from the extraordinary session of the Diet, deliberate in a responsible manner and strive to gain the consent and sympathy of the people."

Ishiba, ultimately, has a weak hand to play – and his negotiating partners know it. The DPFP, which once seemed like the most suitable partner for the government, may now be the most recalcitrant and seems like the least likely partner for passing the budget. The DPFP has resumed talks with the government after [walking out](#) of negotiations in December to protest the ruling parties' inflexibility about raising the income tax exemption threshold to JPY 1.23mn instead of the JPY 1.78mn demanded by the DPFP. However, the DPFP is still insisting that exemption be raised to JPY 1.78mn and that it is the government's responsibility to figure out how to cover the cost in lost revenue; Kōmeitō has suggested that it may be possible to raise the threshold to JPY 1.5mn, but the DPFP has thus far not accepted this offer. With the party's support – particularly in polls of voting intentions for the upper house elections – continuing to rise, it is possible that the DPFP has concluded that it has nothing to lose holding out for its full demand. If the government concedes to the JPY 1.78mn demand, the DPFP can show its supporters, particularly its younger supporters, that it is fighting for them and not willing to compromise its most fundamental commitments. If the government refuses to concede – and it seems unlikely that the government, having committed to fiscal consolidation, will concede the full amount – the DPFP can still say to voters that it fought for the best possible outcome and would not settle for less, which is why the party needs more power.

Against this backdrop, it is perhaps not surprising that the LDP has increasingly directed its attention to negotiations with Ishin no Kai, which wants the FY2025 budget to end tuition fees for all secondary school students (both public and private schools, following a similar plan introduced in Osaka prefecture), with no means testing, starting in April. The price tag for this proposal is less than the DPFP's tax proposal, adding an estimated JPY 600bn to the budget, though the government is still asking Ishin no Kai to

offer a proposal for funding the benefit. The LDP has also expressed some reservations about covering both public and private schools and about the absence of means-testing contributing to inequality by freeing wealthier families to spend more on cram schools and other supplementary programs. Ishin no Kai, meanwhile, may be looking for a policy victory following its political setbacks last year, but like the other opposition parties Ishin no Kai does not want to compromise too readily. Ishin co-leader Maehara Seiji, who is managing the negotiations with the ruling parties, may be especially reluctant to compromise since he is new to Ishin no Kai – he only joined the party in 2024, shortly before the general election – and he may be determined to demonstrate his ability to fight for the party’s priorities. Accordingly, after the fifth round of talks on 27 January, Maehara reported that “not much progress has been made” and cast doubt on the ability of Ishin no Kai and the ruling parties to come to an agreement by a self-imposed mid-February deadline.

While an agreement with Ishin no Kai is still achievable – despite Maehara’s pessimism the differences are bridgeable – it is possible that the Ishiba government might be able to secure the CDP’s support and sidestep the need for concessions to the other parties entirely. Unlikely the DPFP and Ishin no Kai, which are seeking costly new benefits, the CDP is pressuring the government from a fiscally hawkish direction. CDP leader Noda Yoshihiko criticized the government Monday for its failure to achieve its goal of a primary fiscal surplus by FY2025, and the CDP is preparing to use its control of the lower house’s budget committee to subject the government’s draft budget to closer scrutiny than past budgets have received. The party has established project teams to review expenditures and has convinced the ruling parties to accept a new model for reviewing the budget in the committee. Whereas in the past, the budget committee’s subcommittees only reviewed sections of the budget near the end of deliberations, the CDP convinced the ruling parties to accept standing up subcommittees that will review the budget ministry-by-ministry early in the process, giving them time to identify “wasteful spending.” The party has some modest proposals it wants to include – eliminating national public university fees and providing free school meals – but the bulk of its attention is on spending cuts. With Ishiba now [stressing](#) the importance of fiscal consolidation, he may quietly welcome the CDP’s approach, and the CDP itself has signaled that if its views are taken into consideration, there is a possibility that it could support the budget, not unlike [during](#) the autumn extraordinary session of the Diet.

Timing is everything

While the CDP could be a productive partner for the Ishiba government, the party’s approach – review the budget first and indicate whether it will vote for the budget after – could leave the government in an awkward position. If the government has not secured the support of either the DPFP or Ishin no Kai, it will have virtually no option but to accept the CDP’s potential demands for spending cuts or risk failing to pass the budget before the end of the fiscal year, an embarrassing setback for Ishiba. The government’s best option is therefore to ensure that it has one of the other party’s backing for the budget beforehand; both the DPFP and Ishin no Kai know this, and thus have further incentive to hold out for a better deal. Still, as noted above, Ishin no Kai is ultimately

asking less of the government and the Ishiba government's desire to avoid what could be a fatal political defeat suggests that a deal by mid-February is likely.

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