

Individual Preference on Trade Liberalization: Evidence from a Japanese Household Survey

Felbermayr and Okubo

Discussion by Hongyong Zhang (RIETI)
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General comment

- Using a unique household survey collected by Keio University, this paper studies the individual preferences on trade liberalization and immigration.
- Felbermayr and Okubo find that both economic factors (income, job, etc.) and non-economic factors (happiness, social stance, etc.) matter.
- The panel data has very rich information and the findings are very interesting.
- This paper is closely related to Japan's recent immigration policy. From April 2019, Japan started to expand acceptance of a maximum of 345 thousand foreign workers in 5 years. The topic is also very important, especially in the world of growing protectionism.

Comment 1

- The results show that age and education (university degree) have weak effects on individual preferences on trade liberalization, income change, quality impact and immigration.
 - Felbermayr and Okubo: “We note that generation of age 20 is relatively small sample…”
- The average age is 56.5 and median is 56 (min:26, max:95) in the data.
 - The average (median) age of Japanese is 46.4 (46.7) in 2017 (MIAC).
- Since there are many senior people in the sample, the share of people graduated from university is 21.2%.
 - The share is 51% in 2017 (OECD).
- Compared with the previous studies on Japan, individuals in this study are senior and having lower education level.
 - Average age is 49.1 and the share of people with university degree is 35.4% in Ito, Mukunoki, Tomiura and Wakasugi (2019, JJIE).

Comment 2

- It is interesting that more people agree with “trust_N” (we should trust neighboring people. mean: 3.51) than “trust_G” (we can trust our government. mean: 2.57).
- People who agree with “trust_G” are positive with trade liberalization, income change, quality impact, and compensation but negative with immigration. But people who agree with “trust_N” are positive with immigration only.
- Nikkei conducted two individuals surveys on the expansion of acceptance of foreign workers in Oct. and Nov. 2018. In Oct, the approval rate is 54% (disapproval: 34%). However, in Nov., when people were told that the government will accept a max of 345 thousand foreigners in 5 years, the approval rate was only 41% and disapproval rose to 47%.
- It suggests that the number of acceptance of foreign workers/immigration might be important for individual preferences on immigration. Similarly, information on the benefit and cost of accepting foreign workers (and trade liberalization) might be important determinants of individual preferences.
- In addition, young people tend to agree with the expansion of acceptance of foreign workers/immigration than senior people (Nikkei, Asahi, Sankei & FNN).

“We should trust neighboring people” does not mean “would like to have immigrants/foreign workers as neighbors”.

According to the World Value Survey in 2010, 36.27% of Japanese would not like to have immigrants/foreign workers as neighbors.

Would not like to have as neighbors: Immigrants/foreign workers	Freq.	Percent	Cum.
1	886	36.27	36.27
2	1,557	63.73	100.00
Total	2,443	100.00	

Among those people who agree with “we can trust our neighbors”, 33.43% of them would not like to have immigrants/foreign workers as neighbors.

Would not like to have as neighbors: Immigrants/foreign workers	Freq.	Percent	Cum.
1	458	33.43	33.43
2	912	66.57	100.00
Total	1,370	100.00	

Japan is not special and this is also popular in other countries (but with lower share on average).

Comment 3

- The US decided to withdraw from the TPP on 24th Jan 2017.
- Felbermayr and Okubo use days of survey correction from 4th Feb 2017 to examine the impact of the US secession in TPP on individual preferences. They find no clear impact.
- In Figure 2, why the coefficients of Day dummies are *positive* for trade liberalization and the coefficients are *negative* for income change, quality impact and immigration?
- If my understanding is correct, these coefficients should be around 0 without statistical significance.

Comment 4

- The analysis mainly use KHPS 2017 data and some variables from 2015 survey. Since the original data is in panel data (several waves), is it possible to make use of the advantages of panel data?
- The individuals' characteristics might changed a lot between waves (2015-2017).
 - job, income, saving rate...
 - Happiness, health, social stance (in 2015 only?)...
- If there are some changes, do these changes affect the individual preferences on trade liberalization?

Minor comment

- In the analysis, there are 12 occupations (agriculture, fishery, mining, construction, manufacturing, wholesales...). These are industry affiliations, not occupations.
 - KHPS does has information on occupations such as production, sales, manager, etc.
- For Q1-Q4, it would be nice to show the distribution of the share of 5 answers/levels by prefecture/region. It helps the readers to better understand the regional variations.
 - Ito, Mukunoki, Tomiura and Wakasugi (2019, JJIE)
- Typos
 - Page 6: “Health condition is measured by 1 to 5 (1=very good to 5=very bad).” Page 8: “health condition (1-5), in whcih larger is healthier”

Reference

- Ito, Banri, Hiroshi Mukunoki, Eiichi Tomiura, and Ryuhei Wakasugi, 2019. "Trade policy preferences and cross-regional differences: Evidence from individual-level data of Japan," *Journal of the Japanese and International Economies*, Vol. 51, pp. 99-109. (RIETI Discussion Paper Series 15-E-003, 2015.)