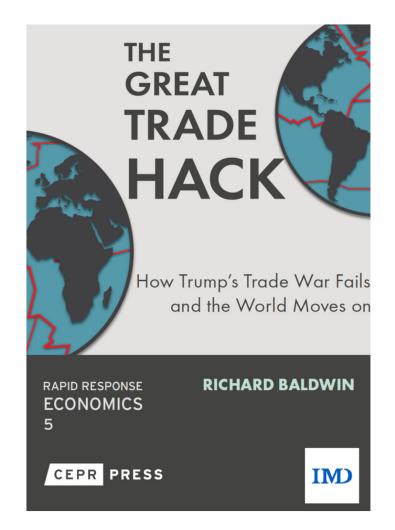
Comments on "The Great Trade Hack" by Richard Baldwin

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Outline of the book

- Introduction: The Great Trade Hack is historic.
- How should we think about Trump's motives?
- Why will Trump's trade war fail economically but win politically in USA.
- How will the world move on?
 - Four scenarios.
- How leaders can avoid the worse outcomes?

Discussion: Aspects from Japan

- 1. How should Japan react to the Great Trade Hack?
 - Remind Japanese unique globalization stance (trade liberalization, no immigration, small inward FDI)
 - Public preferences are important.
- 2. Where does the grievance (anti-globalism, myth, and story) come from in Japan?
 - Younger generation and SNS: social division by age
 - Not from middle income class
- 3. "Leadership Herds": How could Japan join it? Any difficulties?

Japanese globalization

- Japan is a unique country
- Deep trade liberalization but no immigration
 - Less inward FDI (foreign investment in Japan)
- People have pro-trade and anti-immigration preferences

Facts

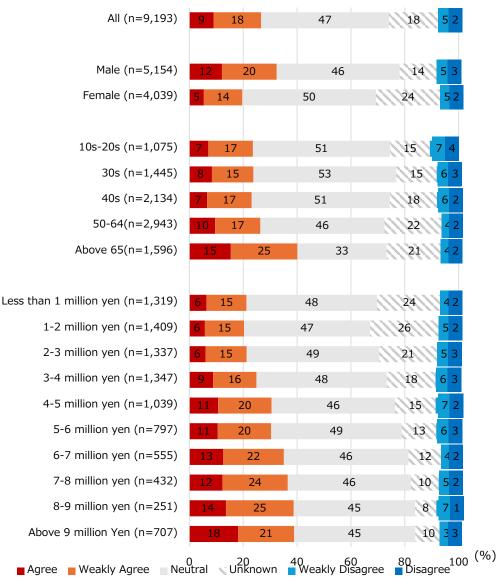
Okubo=NIRA Digitalization Survey

- "Questionnaire Survey on the Effects of the Spread of COVID-19 on Telework-based Work Styles, Lifestyle, and Awareness" since 2020 January
- 10,000 JPN workers, Quasi-panel
- Use wave 12: December 2024 to January 2025

Positive to free trade

- 27%: agree and 7%: disagree
- Older people tend to agree (40%)
- Richer people tend to agree

Trade Liberalization



Negative to Immigration

- 15%: agree
- 27%: disagree

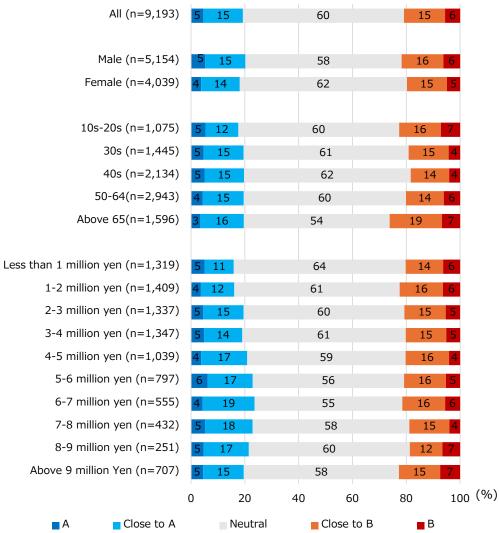
inigration				
All (n=9,193)	4 11	44	14 12	15
Male (n=5,154)	5 13	43	11 12	16
Female (n=4,039)	<mark>3</mark> 8	45	18 13	12
10s-20s (n=1,075)	<mark>5</mark> 13	48	12 11	11
30s (n=1,445)	4 8	47	12 13	16
40s (n=2,134)	<mark>3</mark> 10	46	13 11	16
50-64(n=2,943)	4 9	42	16 13	16
Above 65(n=1,596)	<mark>5</mark> 15	38	16 13	13
Less than 1 million yen (n=1,319)	3 8	46	18 12	13
1-2 million yen (n=1,409)	<mark>3</mark> 8	43	20 13	14
2-3 million yen (n=1,337)	4 9	44	17 12	14
3-4 million yen (n=1,347)	4 11	45	14 11	14
4-5 million yen (n=1,039)	4 11	45	11 13	16
5-6 million yen (n=797)	<mark>3</mark> 15	43	10 13	15
6-7 million yen (n=555)	7 12	43	9 14	16
7-8 million yen (n=432)	8 12	42	7 12	19
8-9 million yen (n=251)	5 18	45	5 12	15
Above 9 million Yen (n=707)	6 14	44	8 12	16
📕 Agree 📕 Weakly Agree 📄 Ne		0 40 known <mark>=</mark> Weakl	60 80 y Disagree ∎ Dis	100 (%) agree

Immigration

Policy: Tariff (pros-cons)

- 20%: "increase", 21% "decrease"
- Middle income: "increase" (21-23%)

Tariffs should... A: increase to protect domestic industries B: decrease to reduce the burden on consumers



Policy: Foreign workers (pros-cons)

- 23%: should decrease
- 26%: should increase
- Aging people: "increase" (36%)
- Middle income: "decrease" (25%)

Foreign workers should be... A: decreased to protect jobs for Japanese workers B: increased to address labor shortages

All (n=9,193)	9	14		52		20	6	
Male (n=5,154)	10	14		50		20	7	
Female (n=4,039)	8	14		55		20	4	
10s-20s (n=1,075)	8	13		54		19	6	
30s (n=1,445)	9	14		56		17	4	
40s (n=2,134)	10	15		55		16	5	
50-64(n=2,943)	9	14		51		21	6	
Above 65(n=1,596)	8	14		43	2	.8	8	
Less than 1 million yen (n=1,319)	8	11		56		18	6	
1-2 million yen (n=1,409)	8	14		52		21	5	
2-3 million yen (n=1,337)	9	13		54		19	5	
3-4 million yen (n=1,347)	10	15		53		18	4	
4-5 million yen (n=1,039)	8	16		50		20	5	
5-6 million yen (n=797)	10	15		50		20	5	
6-7 million yen (n=555)	9	17		46		22	6	
7-8 million yen (n=432)	7	14		52		21	6	
8-9 million yen (n=251)	7	9		53		25	5	
Above 9 million Yen (n=707)	10	15		47		19	9	
	0	20) 4	10	60	80	100	(%)
A Close to A		Neu	ıtral	Close	e to B	B		

Foreign company buys JPN company

less

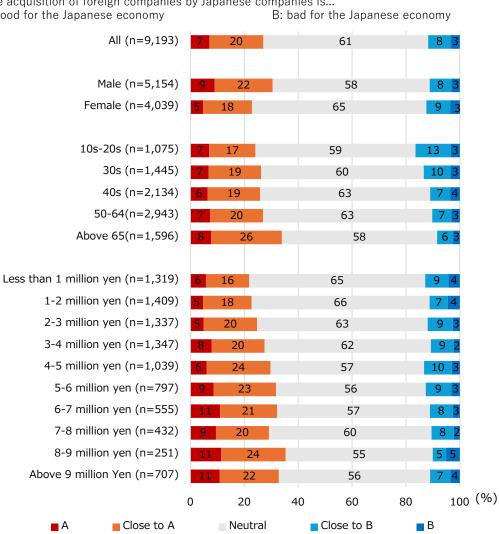
- 49%: negative, 7%: positive
- Older people tend to be negative (58%)

The acquisition of Japanese companies by foreign companies is... A: good for the Japanese economy B: bad for the Japanese economy

	All (n=9,193)	<mark>2</mark> 5	45		25	24	
	Male (n=5,154)	26	44		24	24	
Fe	emale (n=4,039)	14	45	2	6	25	
10	s-20s (n=1,075)	<mark>3</mark> 7	53		22	15	;
	30s (n=1,445)	26	49		23	21	
	40s (n=2,134)	15	45	2	23	26	
	50-64(n=2,943)	13	40	26		29	
Abo	ove 65(n=1,596)	14	36	29		29	
than 1 millio	n yen (n=1,319)	14	47		23	25	
1-2 millio	n yen (n=1,409)	15	47		25	23	
2-3 millio	n yen (n=1,337)	14	46		24	23	
3-4 millio	n yen (n=1,347)	2 5	44		26	23	
4-5 millio	n yen (n=1,039)	15	42	20	5	26	
5-6 mill	lion yen (n=797)	2 5	42	2	7	25	
6-7 mill	lion yen (n=555)	15	43	2	5	26	
7-8 mill	lion yen (n=432)	34	43	2	5	26	
	lion yen (n=251)	19	43		23	23	
Above 9 mill	ion Yen (n=707)	37	42	19		29	
		0	20 4			80	₁₀₀ (%)
A	Close to A		Neutral	Close to	о В	B	

JPN company buys Foreign company

- 27% positive, 11% negative
- Older tend to be positive (34%: positive)

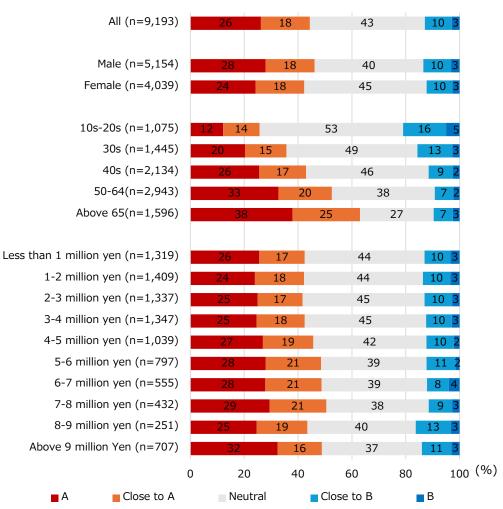


The acquisition of foreign companies by Japanese companies is... A: good for the Japanese economy

Foreigners buy Real estate

- 44%: negative 13%: positive
- Older are more negative (63% negative)

the purchase of Japanese real estate and assets by foreigners should be... A: restricted B: allowed



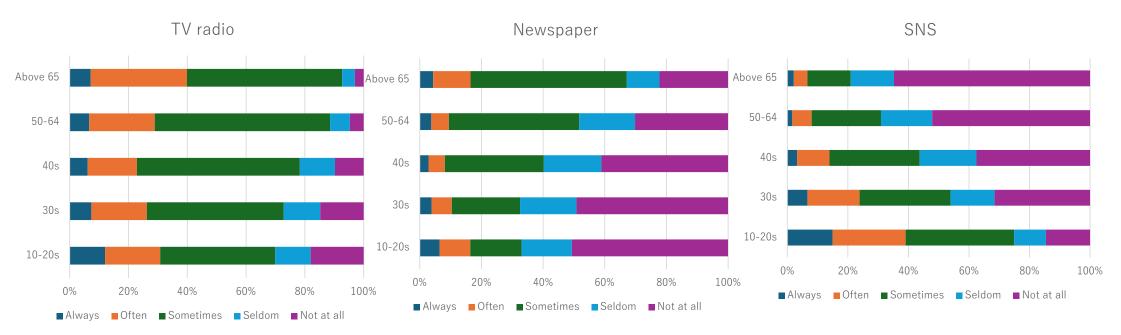
Japanese stance in "Great Trade Hack"

- Japanese globalization stance (older generation preference)
 - Trade liberalization: positive
 - Immigration: negative
- Tariff: pros and cons (20% and 20%)
 - Age factors are more dominant than income factors
- Foreigners buy JPN companies and JPN real estate: more than 50% is negative
- This indicates
 - Trump Tariff: Japanese will not prefer tariff retaliation: No retaliation
 - If US (foreign) buys JPN firms and land and immigrate to Japan: **Negative**
- Why?
- 1) JPN people have enjoyed benefits of trade liberalization
- 2) Individual's psychological/non-cognitive factors matter
 - Endowment effect, status-quo bias
 - e.g. Older tends to prefer traditional JPN globalization

2: Where grievance (anti-globalism, myth, and story) comes from in Japan?

- Three aspects in the homogeneous society of Japan
 - Social norm (many unwritten rules)
 - Social identities ("Japanese", "university alumni", "school tie")
 - Social capital (bonding society, trust in government)
- <u>+ SNS</u> (cherry-picking information and emotional rather than theoretical)
 - Create anti-globalization sentiments
 - Foreigners' behaviors against social norm ("social penalty")
 - Foreigners buy Japanese firms and lands immorally ("threat" "grievance")
 - Grievance based on biased/fake information ("stories", "paranoia")

Information sources by age (Okubo-NIRA survey)



- Older generations prefer TV and newspapers
- Younger generations prefer SNS

Possibilities

- High social norm, High Social identity, High Social capital <u>+ SNS</u>
- Younger generation
 - Believe myth and prefer story rather than theory/data (narrow and naive)
 - Support Trump-like thinking and behaviors (performance and hero)
- Anti-globalism might come from highly homogenous society + SNS in case of Japan

3: Japan could join "leadership herd"?

- Japanese people have negative feeling to US
- More negative to China, Russia

Impression Trump (Okubo-NIRA Survey)

- 40% negative
- 17% positive

Donald Trump will A: pose a threat to Japan/B: benefit Japan									
All (n=9,193)	13	27	43	13 4					
Male (n=5,154)	15	26	41	13 5					
Female (n=4,039)	11	28	45	12 3					
10s-20s (n=1,075)	8 16		51	18 7					
30s (n=1,445)	9 2	1	49	16 5					
40s (n=2,134)	12	26	45	13 4					
50-64(n=2,943)	16	31	40	10 3					
Above 65(n=1,596)	21		40	30 6 3					
Less than 1 million yen (n=1,319)	22	24	46	63					
1-2 million yen (n=1,409)	19	26	46	72					
2-3 million yen (n=1,337)	21	23	47	7 1					
3-4 million yen (n=1,347)	19	25	46	82					
4-5 million yen (n=1,039)	21	22	48	72					
5-6 million yen (n=797)	21	25	45	72					
6-7 million yen (n=555)	21	28	40	83					
7-8 million yen (n=432)	22	27	41	73					
8-9 million yen (n=251)	18	25	44	8 4					
Above 9 million Yen (n=707)	25	20	45	82					
	0 2	0 4	0 60	80 100 (%)					
A Close to A	Ne	eutral	Close to B	B					

China will A: pose a threat to Japan / B: benefit Japan

Less

Impression China

- 63% negative
- 6% positive

	All (n=9,193)		32		31		31		51
	Male (n=5,154)		34		29		29		52
Fei	male (n=4,039)		28		33		33		51
10s	-20s (n=1,075)	18		24		46		10	3
	30s (n=1,445)	2	27	2	.7		38		6 2
	40s (n=2,134)		32		30		32		51
5	50-64(n=2,943)		37		34	1		25	31
Abov	ve 65(n=1,596)		41			39		17	21
than 1 million	ı yen (n=1,319)		29		31		35		41
1-2 million	yen (n=1,409)		30		33		31		41
2-3 million	i yen (n=1,337)		30		30		33		6 1
3-4 million	ı yen (n=1,347)		29		31		32		6 2
4-5 million	i yen (n=1,039)		33		30		32		41
5-6 milli	on yen (n=797)		34		33		28		51
6-7 milli	on yen (n=555)		38		29		26		7 1
7-8 milli	on yen (n=432)		35		30		27		6 2
8-9 milli	on yen (n=251)		33		31		28		53
Above 9 millio	on Yen (n=707)		36		27		30		5 2
		0	20		0	60	80		(%)0
A	Close to A		Neutra		Close t		B		100
			neutru						

Russia will A: pose a threat to Japan∕B: benefit Japan

Impression Russia

- 62%: negative
- 7%: positive

All (n=9,193)	32		30	31	5 2
Male (n=5,154)	36		28	30	6 2
Female (n=4,039)	28		32	34	52
10s-20s (n=1,075)	19	23		46	9 3
30s (n=1,445)	27	2	26	37	8 2
40s (n=2,134)	33		27	34	52
50-64(n=2,943)	37	'	34		25 <mark>31</mark>
Above 65(n=1,596)	4	14		37	15 <mark>31</mark>
Less than 1 million yen (n=1,319)	29		31	34	42
1-2 million yen (n=1,409)	32		30	32	51
2-3 million yen (n=1,337)	31		30	33	51
3-4 million yen (n=1,347)	30		29	33	6 2
4-5 million yen (n=1,039)	33		29	30	6 2
5-6 million yen (n=797)	33		32	29	9 51
6-7 million yen (n=555)	38	3	27	28	6 1
7-8 million yen (n=432)	38	3	27	26	5 71
8-9 million yen (n=251)	35		31	26	5 <mark>62</mark>
Above 9 million Yen (n=707)	35		27	30	53
() 2	0 4	10 6	0 8	0 100 (%)
A Close to A	Ne	utral	Close	to B	B

3: Japan can join "leadership herd"?

- Japanese people have negative sentiments to US, China, and Russia
- Need strategy, analysis, and idea (will be provided by RIETI)

Thank you for listening

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