Comments on “The Great Trade Hack” by Richard Baldwin

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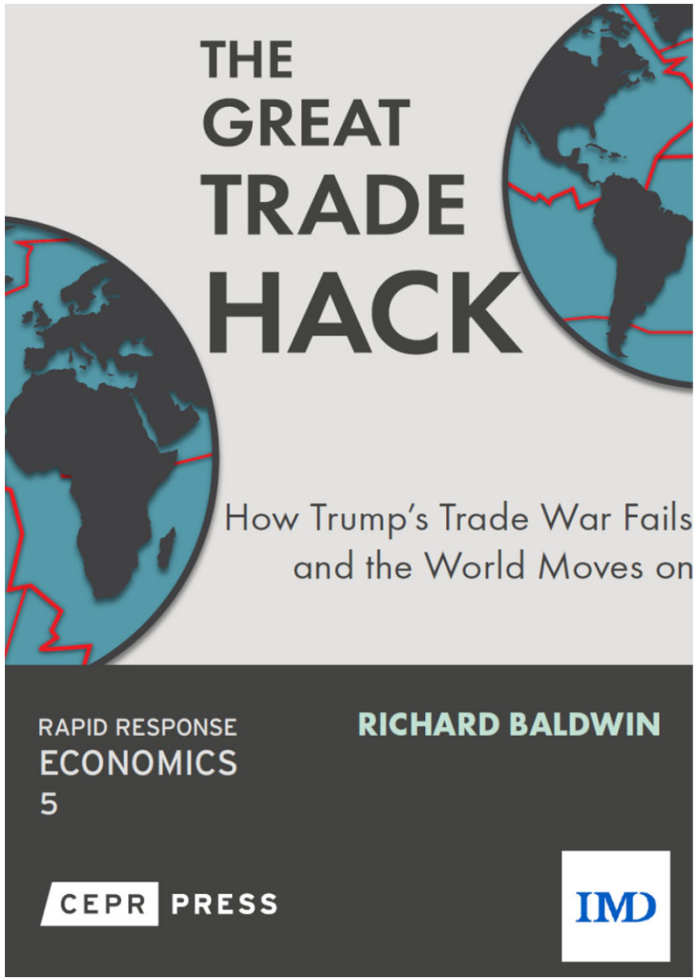


Outline of the book

- 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

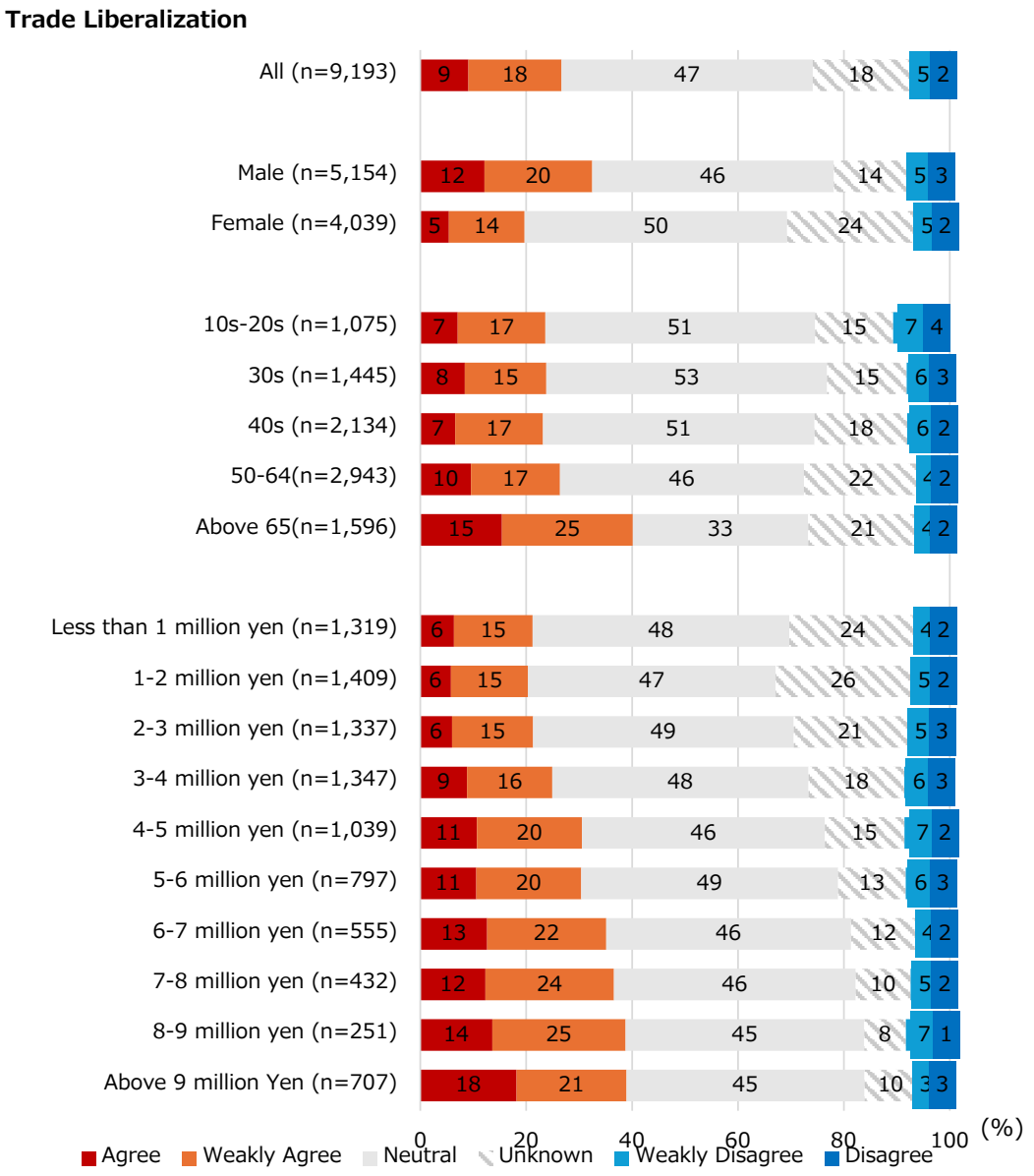
- Japan is a unique country
- **Deep trade liberalization** but **no immigration**
  - Less inward FDI (foreign investment in Japan)
- People have pro-trade and anti-immigration preferences

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

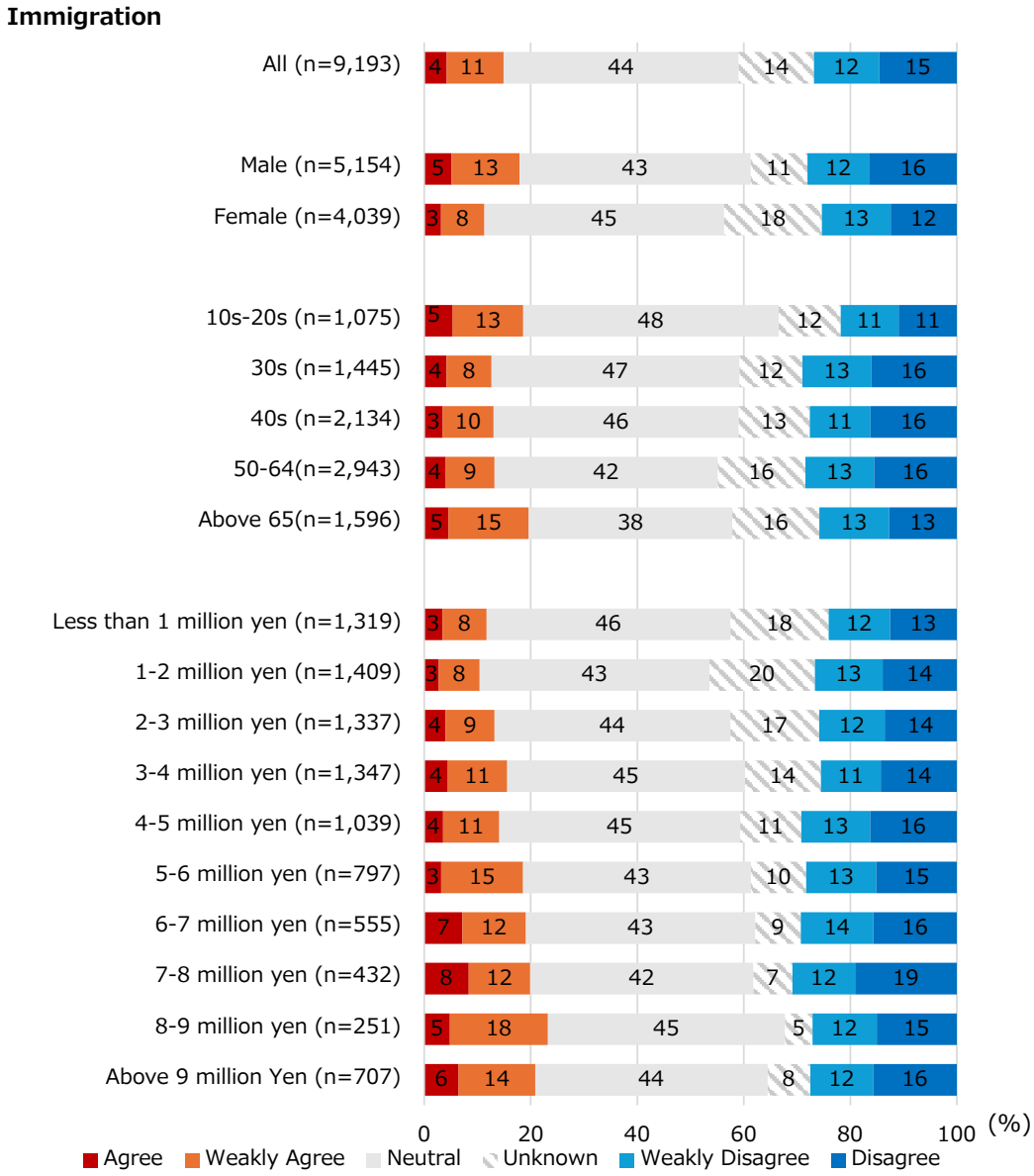
Positive to free trade

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



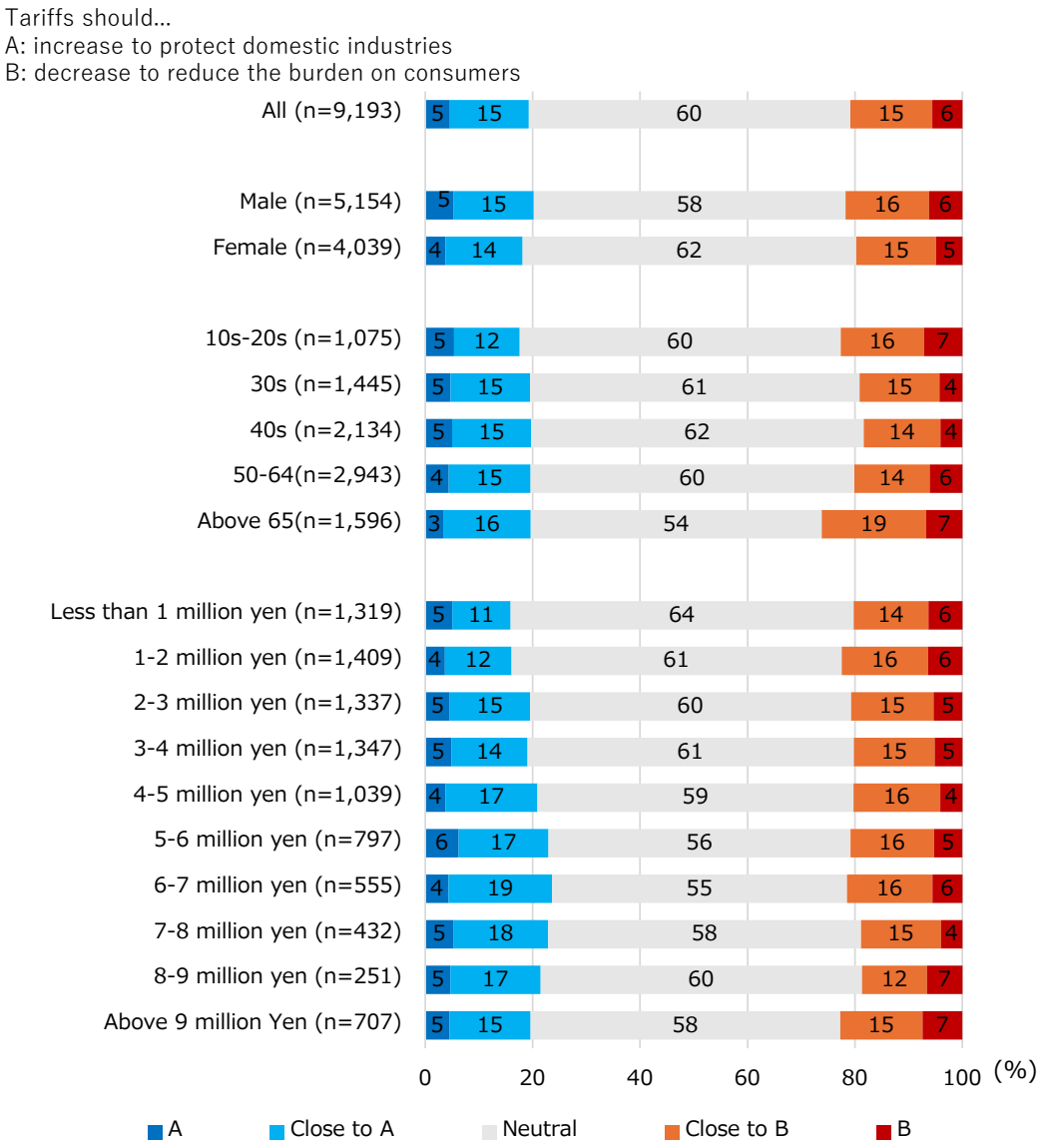
Negative to Immigration

- **15%**: agree
- **27%**: disagree



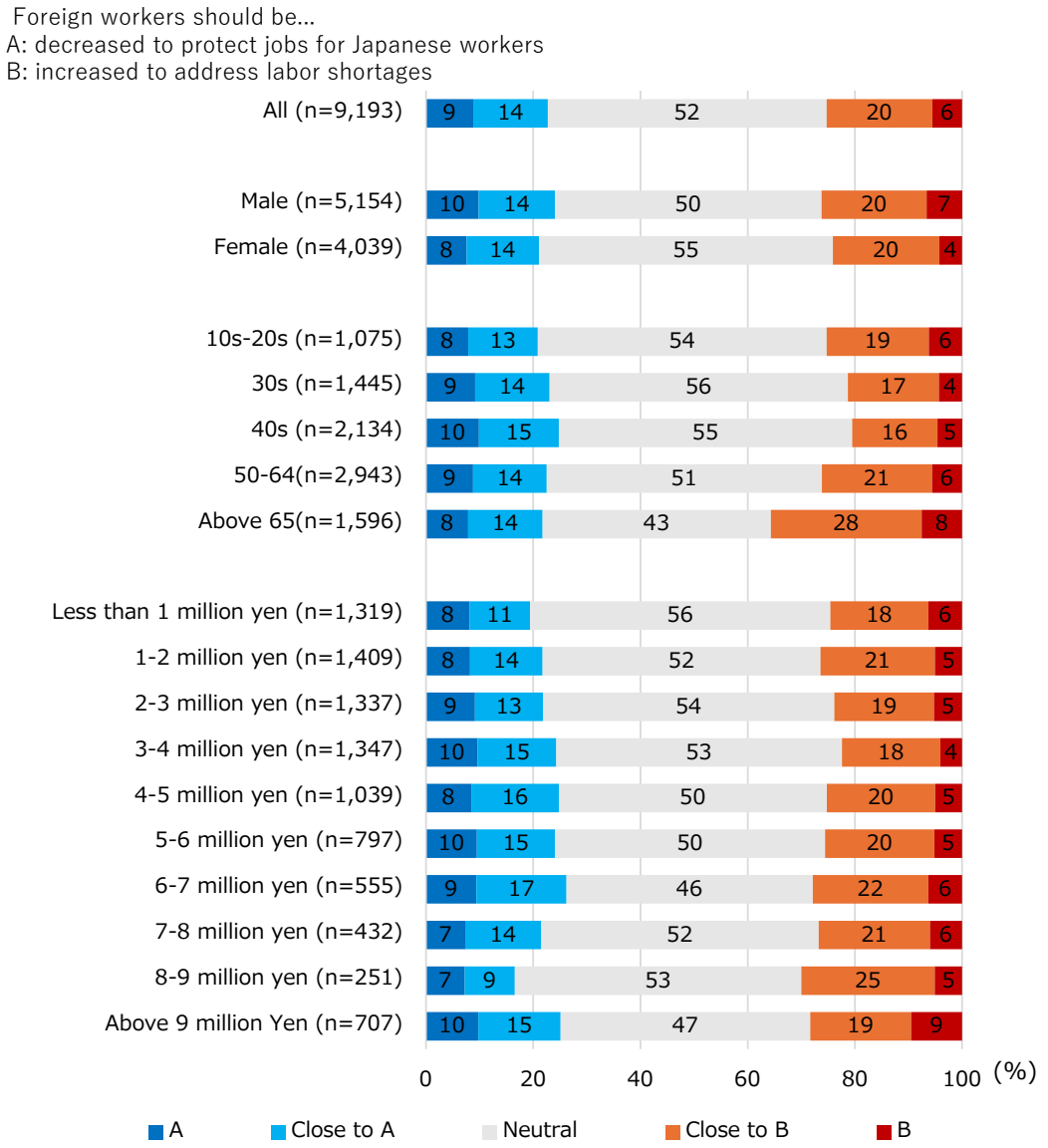
Policy: Tariff (pros-cons)

- **20%**: “increase”, **21%** “decrease”
- Middle income: “increase” (21-23%)



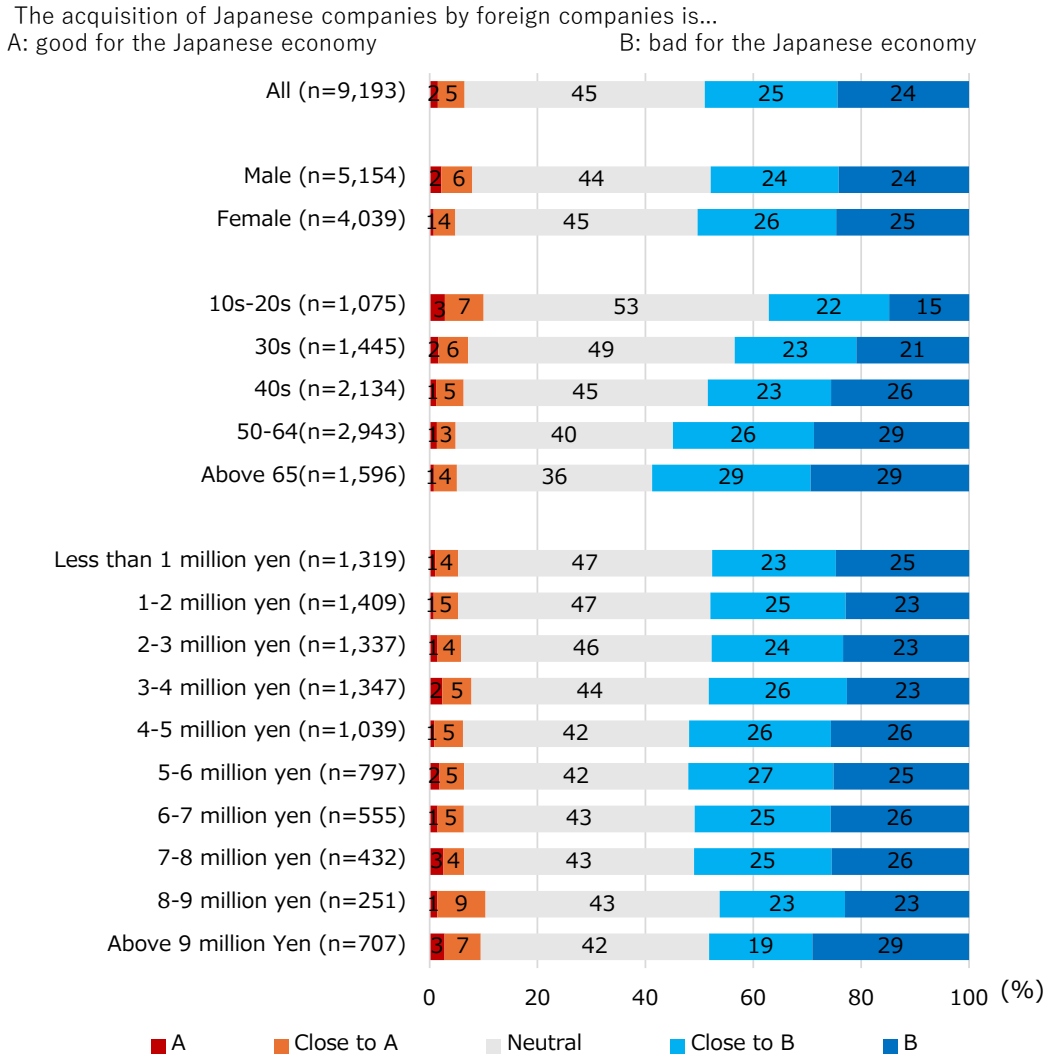
Policy: Foreign workers (pros-cons)

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



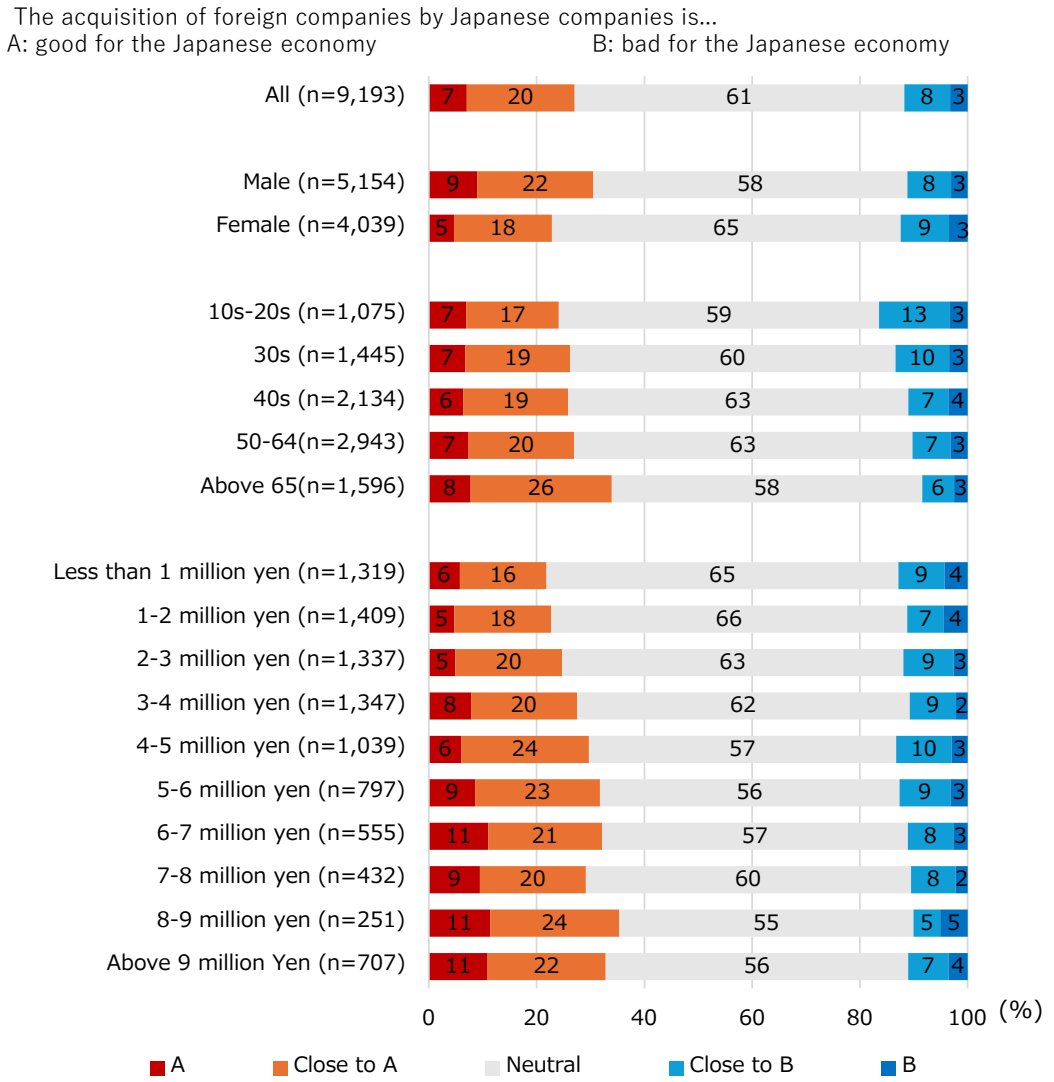
Foreign company buys JPN company

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



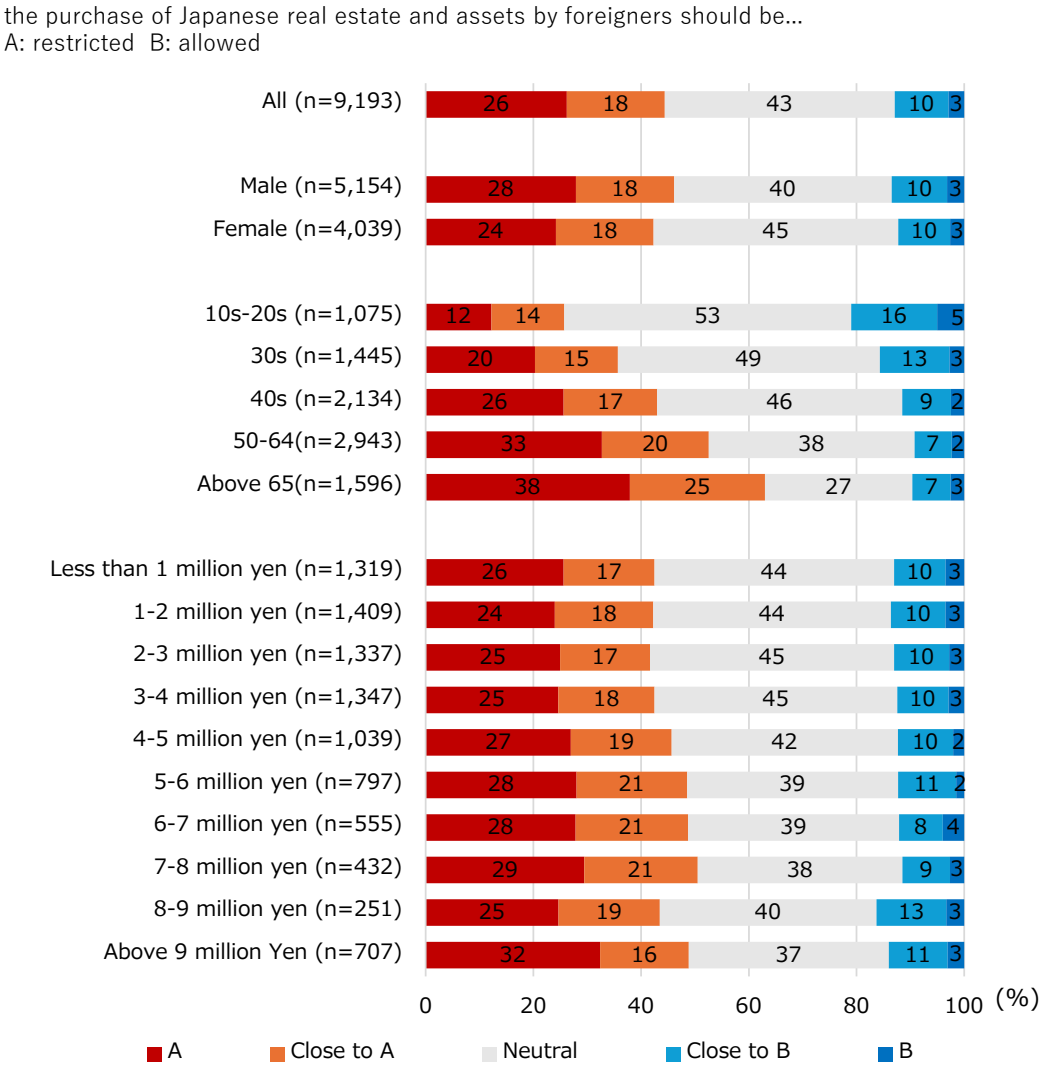
JPN company buys Foreign company

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



Foreigners buy Real estate

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



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?

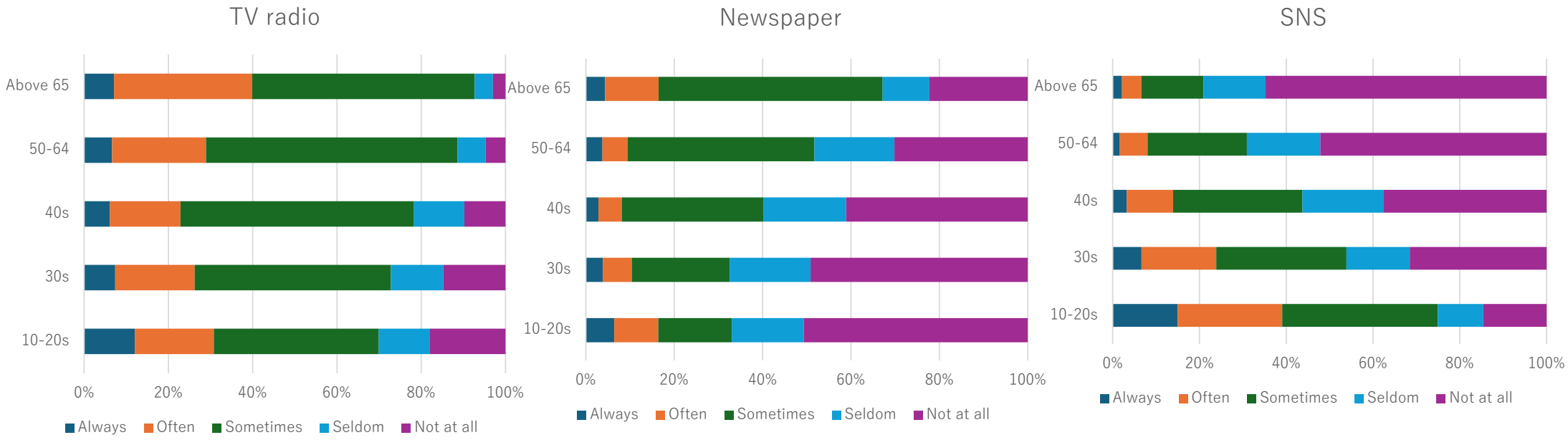
1) JPN people have enjoyed benefits of trade liberalization

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)
- + **SNS** (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 **+ SNS**
- 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

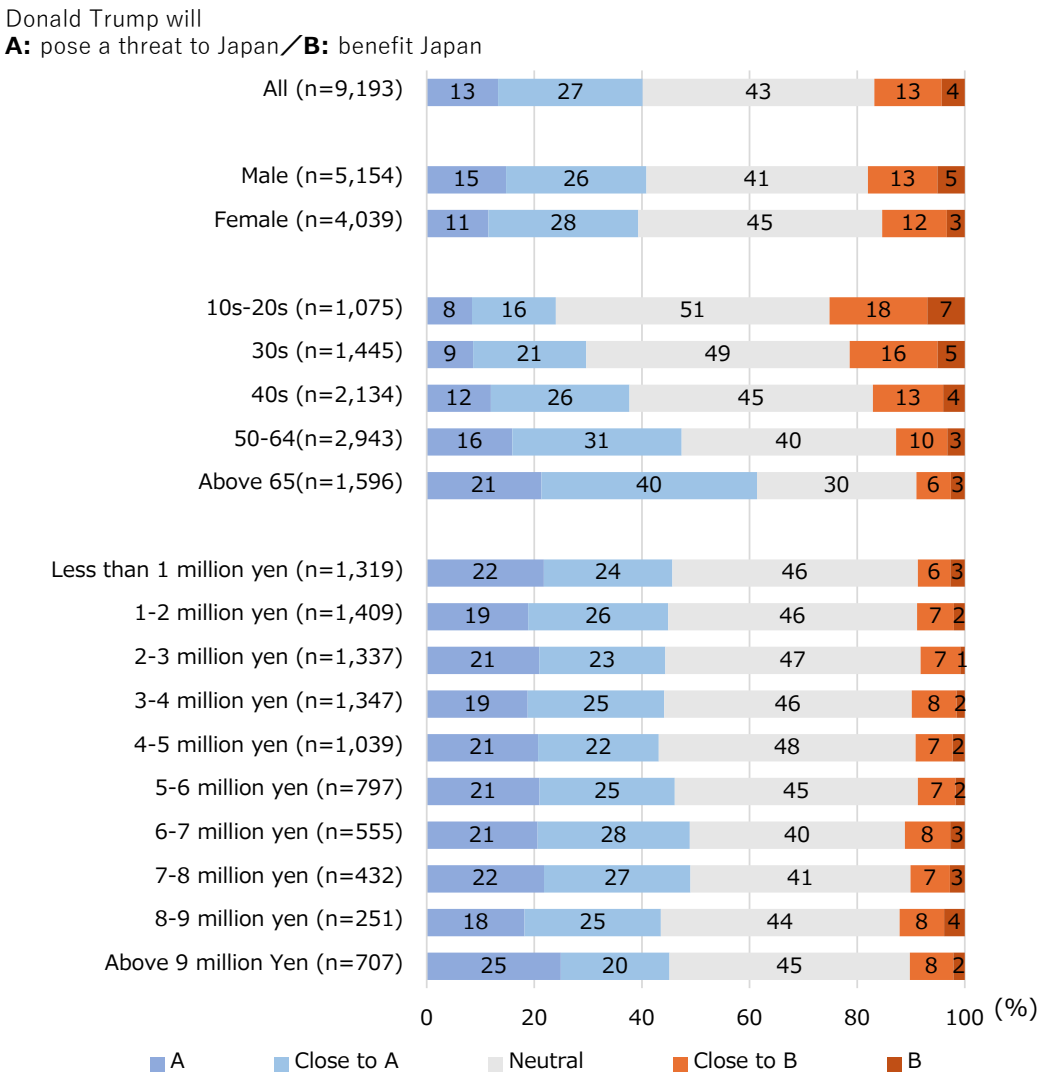
3: Japan could join “leadership herd”?

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

Impression Trump

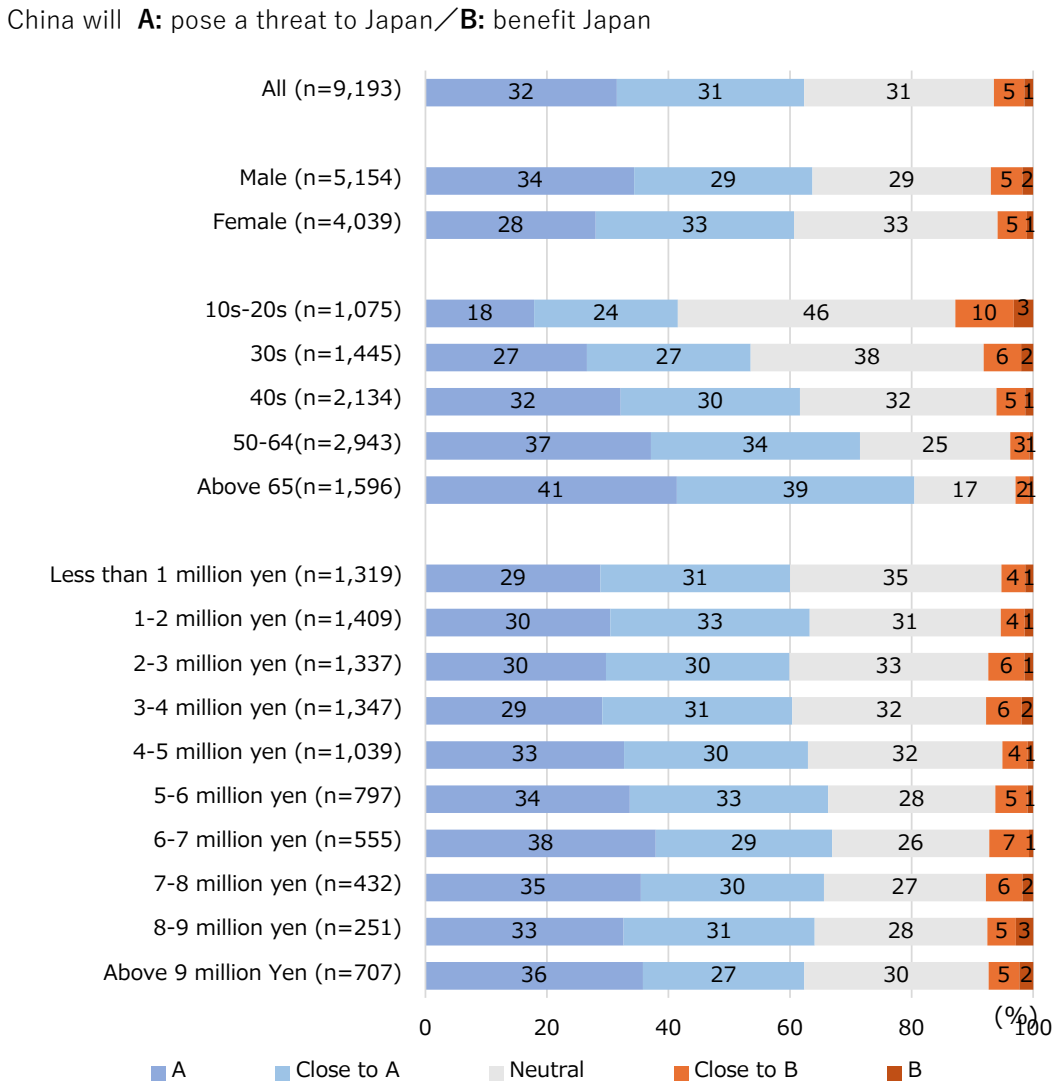
(Okubo-NIRA Survey)

- 40% negative
- 17% positive



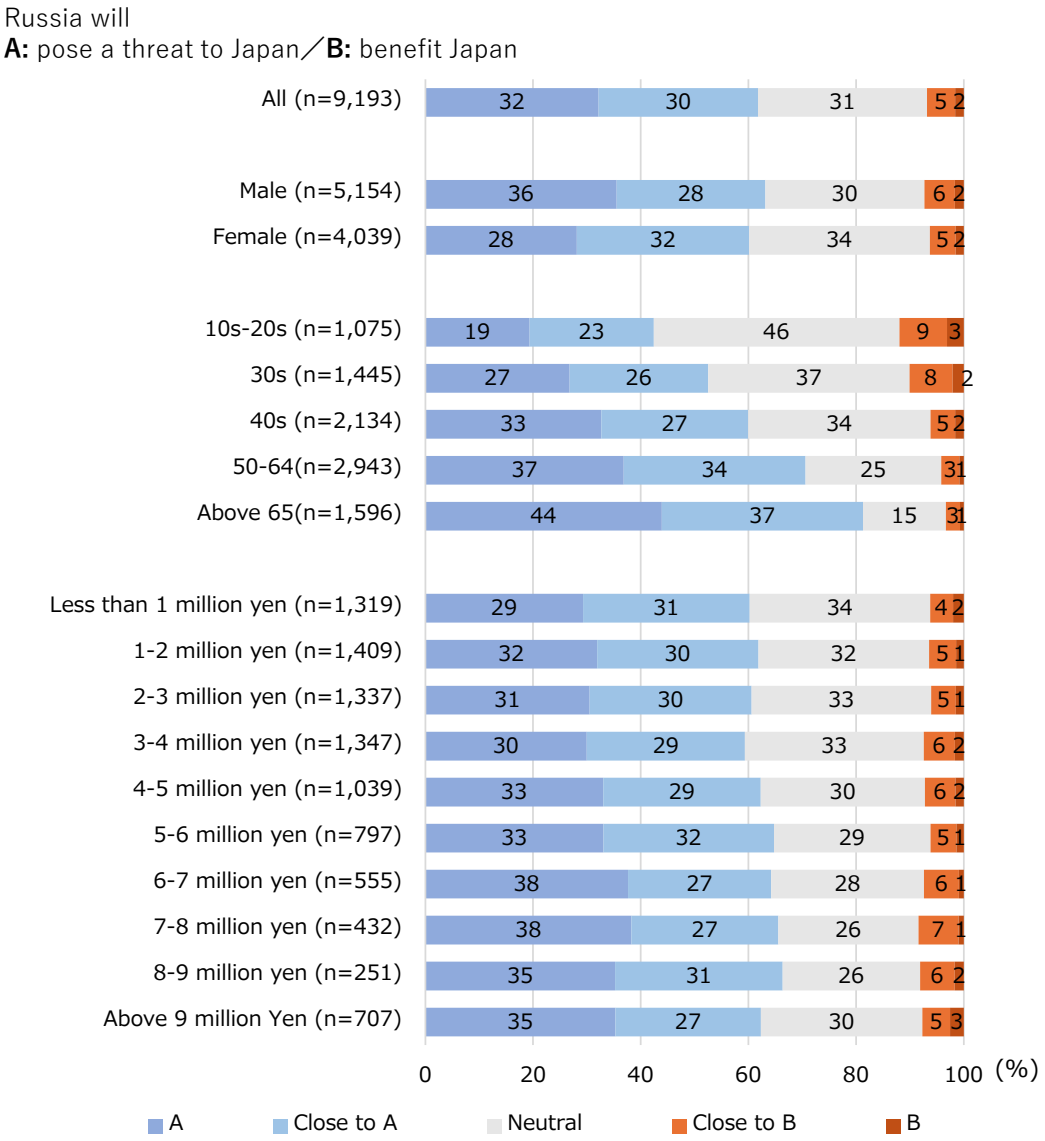
Impression China

- 63% negative
- 6% positive



Impression Russia

- 62%: negative
- 7%: positive



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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