

2019 年度日欧フォーラム
発表資料

加藤創太 東京財団政策研究所 常務理事兼研究主幹

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Populism and its impact in Japan and EU
countries

Sota Kato

Tokyo Foundation for Policy Research
International University of Japan

July 2nd, 2019

Is Japan populism free? (1)

2

“(if the liberal international order is to survive) Much will rest on the shoulders of Prime Minister Shinzo Abe of Japan and Chancellor Angela Merkel of Germany, the only two leaders of consequence left standing who support it.”

-John Ikenberry

“(PM Abe is) Trump before Trump.”

-Steve Bannon

Is Japan populism free? (2)

3

Current Japanese politics under the 2nd Abe Administration

Common attributes of populism

- For the people, against elites
- Denial of cultural, racial, and religious diversities
- Authoritarian tastes (aspiration for strong leaders)
- Anti-globalization sentiments
- ✓ Myopic tendencies (on economic policies)
- Polarization?

Is Japan populism free? (3)

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Japanese politics in the late 1990s to 2000s (Yoshida 2019)

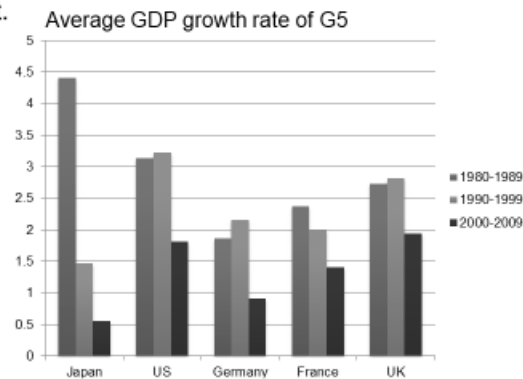
Common attributes of populism

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Japanese politics in the late 90s to 2000s (1) 5

Japan might have experienced populism movement in advance to the Western democracies. (If so, a lesson for the others?)

Trigger: The bubble economy collapsed in 1990 and Japanese financial crisis occurred in 1997/1998. It was a decade before the subprime crisis (2007~), one of the causes of recent populism movement in the West.



Japanese politics in the late 90s to 2000s (2) 6

✓ Anti-elite.

Public resentment against bureaucrats and bankers for mismanagement of economy and business. Breakup of Ministry of Finance.

Junichiro Koizumi promised to "destroy LDP" in 2001 and gathered enthusiastic support from the public.

Decline of LDP (except for the Koizumi era) and rise of DPJ that embodies left-wing populism (Funabashi 2017).

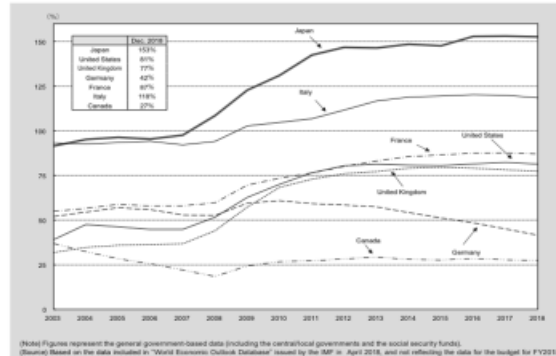
✓ Aspiration for strong leaders.

Strong leaders using short and strong words were enthusiastically supported by the public both at national and local levels (e.g., PM Koizumi, Osaka Mayor Toru Hashimoto).

Japanese politics in the late 90s to 2000s (3) 7

- ✓ Myopic tendencies (on economic policies)

The government kept on implementing expansionary economy, resulting in vast amount of public debt (“economic populism” (Yashiro 2018)). Since Japanese population is both ageing and shrinking, younger and future generations will likely to suffer from the de



Why the populism faded? 8

The populist movement hit a peak when a left wing populist party DPJ (Democratic Party of Japan) took over the administration in 2009 with a landslide victory in the Lower House. LDP failed to become the leading party in the Lower House for the first time since it was established in 1950.

“Debureaucratization (*datsu-kanryo*)” was the catchphrase for the DPJ during 2009 election.



DPJ administration’s miserable mismanagement of government (e.g., the Great East Japan Earthquake in 2011) invited the public’s disillusionment with the non-LDP government and voter apathy.

“Populism disillusion” led to consecutive but unenthusiastic landslide victories by LDP and demise of DPJ.

Consequence of rise and fall of populist movement in Japan – a lesson?

9

Democracy without meaningful opposition.

LDP domination without enthusiastic support.

Weak and divided opposition parties.

“One party dominance” to “one party system”? (Curtis 2016)

Voter apathy

2014 general election registered the lowest turnout rate in postwar era.

Nearly 40% of the voters expressed no support for a particular party in

2017 general election.



Weakened checks and balances and reduced political accountability.

Populism in Japan in contrast to EU countries 10

Very little anti-globalism sentiment (or even pro-globalism sentiment)

Constant current account surplus

Limited number of immigrants

Low unemployment rate

The majority of voters (mass) was supportive to TPP and TPP11.



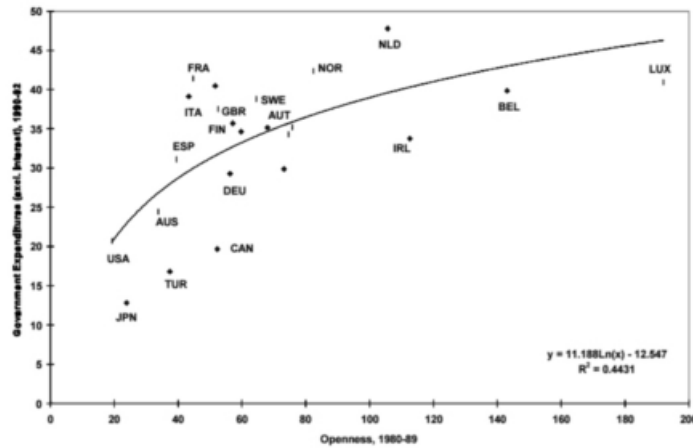
Under these conditions, populistic movement in Japan might even lead to the opposite direction, i.e., trade liberalization, of EU populism.

The power of the mass can overcome special interest oppositions from traditional LDP constituencies. This might be the case for Japan's leadership role in concluding TPP11.

Populism in Japan in contrast to EU countries 11

To ease anti-globalization sentiments and mitigate political polarization, redistribution to spread fruits of free trade seems effective.

Open economies have bigger governments (Katzenstein 1985; Rodrik 1998, 2001).



Populism in Japan in contrast to EU countries 12

Less political polarization and economic populism

LDP's strategy since Ikeda administration in 1960s is to avoid political polarization by focusing more on economic issues rather than national security issues that severely divided the country till Kishi administration.

Bitter memory of WWII has prevented extreme right parties and politicians to surge.



Expansionary macroeconomic policy and pork barreling of LDP administrations (economic populism) were successful in mitigating political polarization.

In the era of low growth and ageing and diminishing population, LDP's strategy that results in amounting public debt, seems unsustainable. Possible polarization between generations ("silver democracy").

Will populist movement resurge?

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Japan's most pressing challenge now is not populist threat but a democracy without meaningful oppositions.

Aspiration for strong leaders have not faded as shown in very short but enthusiastic support for Yuriko Koike, the Governor of Tokyo.



How long this "populism disillusion" lasts will be an interesting question not only for Japan but for other countries that might follow Japan's path.

Public attitude toward representative democracy (1)

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Populism in general has authoritarian taste (Norris & Inglehart 2017).

Several populist parties and their leaders are now criticizing representative democracy. Some successfully abandoned representative democracy (e.g. Venezuela's Chavez).



Recent 38 nations survey by Pew Research Center (2017) including Japan and EU countries shows that the public worldwide strongly supports representative democracy.

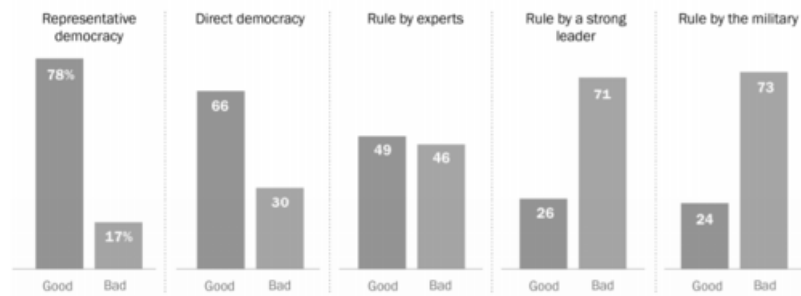
Public attitude toward representative democracy (2)

15

38 nations survey result (Pew Research Center 2017)

Widespread support for representative and direct democracy, but many are also open to nondemocratic alternatives

Would ___ be a good or bad way of governing our country?

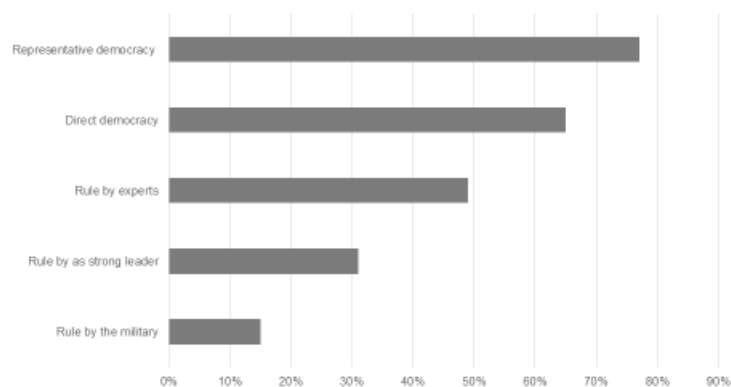


Public attitude toward representative democracy (3)

16

Japanese survey result (Pew Research Center 2017)

Japanese Support for Representative Democracy
(Pew Research Center 2017)



Public attitude toward representative democracy (4)

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Since the public strongly supports representative democracy, the key here is to provide them enough information to make sound decisions.

Problem: In any advanced democracies, careful empirical research reveals that average voters have very limited amount of political information. Voters are rationally ignorant (Downs 1957).



An average voter is unlikely to possess enough information to soundly decide whether a populist leader might seek to abandon representative democracy.

The role of parties, media, and local communities as an information mediator is critical for democratic success.

Temporal takeaways

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Failure of a populist party administration may fade populist movement. Such “populism disillusion” has enduring side effects such as voter apathy.

LDP’s expansionary economic policies and pork barreling, which some calls economic populism, has mitigated political polarization but are not likely to be sustainable.

Populism may lead to totally opposite policy options depending on political economic conditions of each country. For example, populism in pro-globalism society might even enhance free trade.

Representative democracy is strongly supported by the public in most of democratic societies. The key to sustain it is to provide the public enough information. Information intermediaries such as parties play crucial roles.

Japan's Strategy to US-China Trade War & Japan-EU Cooperation

2 July 2019

JEF-ASPEN France Forum

HIDEO SUZUKI

Crisis of Global Trade System & US-China Cold War

- 3 decades since collapse of Berlin Wall and the Soviet Union and PAX-AMERICANA
- **Decline of the USA** after Financial Crisis in 2008
 - ⇒ America First and unilateralism
- **Rise of China** ⇒ World No1 GDP (ppp)
 - ⇒ President Xi's ambition for the global superpower
- Collision of **globalization** and **sovereignty**
- Crash of completely different political regimes:
Democracy and the Communist Party Rule ⇒ **a new Cold War**
- Rise of 2 superpowers: **Big China & Big Tech**
 - ⇒ economic & security risks

Big China & Big Tech

➤ Big China

- ✓ New Power Games between the USA & China
- ✓ Integration and interdependence of global economy may be seriously damaged
- ✓ Challenge to the economic growth model through free trade and global investment.
- ✓ Possible collision or cyber war?

➤ Big Tech Superpowers (GAFA, BAT)

- ✓ Digital trade increased 45-fold between 2005 and 2015 & 12% of consumer goods trade is by e-commerce
- ✓ They take it all and their anti-competitive behavior
- ✓ Cyber capability is crucial to military capability
- ✓ Global economy and digitalization
 - ⇒ Decline of middle class & bipolar society between the rich and the poor
 - ⇒ Populism

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US Strategy

➤ National Security Strategy in Dec 2017

- ✓ China and Russia challenge American power (the revisionist powers)
- ✓ Rethink the policies based upon the assumption that engagement with rivals and their inclusion in international institutions and global commerce world turn them into benign actors and trustworthy partners
- ✓ Ensure that American military superiority endures
- ✓ Insist upon fair and reciprocal economic relationships to address trade imbalances (with UE, Japan, and others beside China)

➤ Vice President's speech on China in Oct 2018

- ✓ Reasons & Evidences of future US actions against China

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US Actions

➤US actions

- ✓Imposition of high tariffs on steel and aluminum products and imports from China and other trade partners
- ✓Foreign investment control on important technologies (FIRRMA)
- ✓Export control on 14 emerging technologies (ECRA)
- ✓Individual sanctions against Chinese high-tech companies
- ✓Increase Defense Budget
- ✓Outreach application of the above regulations

➤**Japanese business** change their global strategies on production in China, supply chain etc.

➤Possible **de-coupling** of ITC technologies and field

➤Speed up China's indigenous R&D or weaken China?

China's Strategy(1)

➤China Manufacture 2 0 2 5

- ✓Foster targeted 8 important industries
- ✓Member of powerful manufacturing countries in 2025
- ✓Medium level among powerful manufacturing countries in 2035
- ✓The most powerful manufacturing country in 2049

➤China Internet Plus

- ✓Integration of manufacturing industries and internet, crowd computing, big data, IOT and AI
- ✓Become Global leaders in the 11 important areas in 2030
- ✓China's AI, 5G, QC technologies are already very competitive and serious threat to the US security

➤Internet Security Act

- ✓Enclosure of ITC technologies in China under Gov't surveillance

China's strategy(2)

➤ **BRI : Creating a New World Order**

- ✓ Covers wide issues including infrastructure, finance, energy, human exchanges
- ✓ Connecting and Integrating Asia, Europe and Africa
- ✓ Mechanism: AIIB, Silk Road Fund, Shanghai Cooperation Organization, China-Africa Summit
- ✓ China recently emphasizes the commitment to international standards, respect of recipient countries' laws, transparency and denies debt trap.
- ✓ New Foreign Business Investment Act

G 2 0 Contribution

- **G20 was ineffective** to tackle with new challenges recently
- **G20 Trade and Digital Ministers Meeting** had new developments
 - ✓ G20 strive to realize a free, fair, non-discriminatory, transparent, predictable and stable trade and investment environment, to keep our markets open.
 - ✓ the need to strengthen international rules on industrial subsidies.
 - ✓ WTO reform with a sense of urgency including transparency, strengthening the activities of the WTO regular committees, the functioning of the dispute settlement system.
 - ✓ G20 note the ongoing discussion under the Joint Statement Initiative on electronic commerce.
 - ✓ Chairs' statement stated that many Ministers expressed serious concerns about the current tensions surrounding trade, and that the wide majority of members expressed their willingness to join an emerging consensus to recognize the further efforts are necessary to reduce excess steelmaking capacity and to call for the extension of the GFSEC's duration beyond its current term and continuation of its work.
- **G20 Summit in Osaka**

Japan's Strategy (1)

➤ Reactivate Multilateral Rules by WTO Reform

- ✓ More effective monitoring system with transparency and notifications
- ✓ The functioning of the dispute settlement system with solutions of overreach
- ✓ Rule setting mechanism through plurilateral initiatives
- ✓ Control US unilateral actions by activate multilateral rules
- ✓ Cooperation with the EU is very important

➤ Creation of 21st Century Trade and Investment Rules

- ✓ Scope : industrial subsidies, SOE disciplines, transfer of technology, non-market economy, e-commerce
- ✓ Method : Cooperation among Japan, EU, US under the plurilateral initiatives with business driven rule making process
- ✓ Start negotiations under the Joint Statement Initiative on **e-commerce**
 - G20 Osaka Track
 - Guiding principal: **FFDT**
 - Platform providers (GAFA, BAT), application producers, and hardware manufacturers each has to be under different disciplines.

Japan's Strategy (2)

➤ Promotion of Regional Integration and Creation of New Rules

- ✓ CPTPP, JEUEPA created new and innovative rules for new challenges including protection of IPR, SOE rules, e-commerce
- ✓ Expansion of CPTPP to Asia and Europe
- ✓ Higher ambitions for RCEP

➤ Strategy on China

- ✓ **Fight against Chinese Hegemony**
- ✓ **Healthy and stable growth of China** is vital to Japan
China & HK consist of 24% of Japanese export, US consists 19%. Japan is the biggest direct investor in China
- ✓ **Mixture of 3 strategies**
 - Strengthening Japan-US Security relationship
 - Creating new trade and investment rules to restrict Chinese abuse of subsidies, SOEs, transfer of technologies
 - Deepening further cooperation with China
- ✓ **Cooperation with EU and US on rule making**

Japan's Strategy (3)

✓ **Government policies**

- Conclude RCEP negotiations and expand CPTPP members
- Consider possibility of future participation of China to CPTPP and OECD
- Cooperate on future solutions of aging society, reform of social welfare system to contribute the stable development of the Chinese economy
- Cooperate on innovation in mutually complementary area
- Refrain from directly joining to BRI, but cooperate case by case basis on projects based on principals of transparency, international standards and economic viability etc.

✓ **Japanese business** change their global strategy, shift their production sites, and review supply chain. China's role of world manufacturing center has ended.

✓ **Medium and long term slow down of Chinese economy** due to slow innovation, fewer labor and aging is eminent and will affect Japanese economy more seriously

山本 マサヒコ 三菱商事株式会社

地域総括部部长代行兼グローバル調査チームリーダー

Institut Aspen France - Japan Economic Foundation Forum



Revisiting Europe and Japan from a business perspective

2 July, 2019

Masahiko Yamamoto

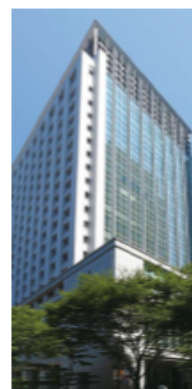
Acting General Manager

Global Strategy and Regional Management Department

Mitsubishi Corporation

Mitsubishi Corporation (MC)

- Date established
July 1, 1954 (Date registered: April 1, 1950)
- Number of MC group companies (as of December 31, 2018)
1,454 (Subsidiaries: 1,008, Affiliates: 446)
- Number of employees (consolidated, as of March 31, 2018)
79,994
- Revenue (FY2018, IFRS)
16.1 trillion yen (≒USD 150 billion)



What is a "Sogo Shosa"?

総合商社

総 (so) General
 合 (go) Combine
 商 (sho) Business
 社 (sha) Company



- Multi-faceted enterprises with wide ranging **size, scope & diversity**
- A business model largely **unique to Japan**
- Reflective of **Japanese economic development**
- Generally non-consumer facing: **limited awareness** outside of Japan

3

MC's Business Model: Then & Now

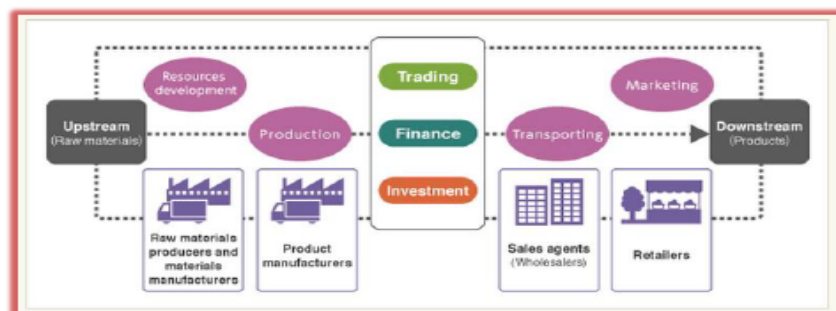
Past: Intermediary

- Acted as intermediary for transactions, mainly earning commissions for intermediary and financial services.
- Also increased commissions through investments.



Present: Global Integrated Business Enterprise

- Look at entire value chain to increase competitiveness and corporate value of suppliers and business investees.
- Aim to increase dividends and equity in earnings from business investees, while also receiving consideration for our services.



4

Introduction to Business Groups (1)



Natural Gas Group

Natural Gas Div.
(Asia Pacific)

Natural Gas Div.
(Americas, Europe and ME)



Industrial Materials Group

Carbon Div.

Steel Business Div.

Performance Materials
Div.



Petroleum & Chemicals Group

Petroleum Div.

Petrochemicals
Div.

Basic Chemicals
Div.



Mineral Resources Group

Mineral Resource Investment
Div.

Mineral Resource
Trading Div.



Industrial Infrastructure Group

Industrial
Machinery Div.

Plant Engineering
Div.

Ship & Aerospace
Div.

5

Introduction to Business Groups (2)



Automotive & Mobility Group

Automotive Business
Div.

Isuzu Business
Div.



Food Industry Group

Food
Science
Div.

Food
Resources
Div.

Fresh Food
Products
Div.

Consumer
Products
Div.



Consumer Industry Group

Retail
Div.

Apparel &
S.P.A. Div.

Healthcare &
Food
Distribution
Div.

Logistics
Business Div.



Power Solution Group

Environmental Business Div.

New Energy & Power
Generation Div.



Urban Development Group

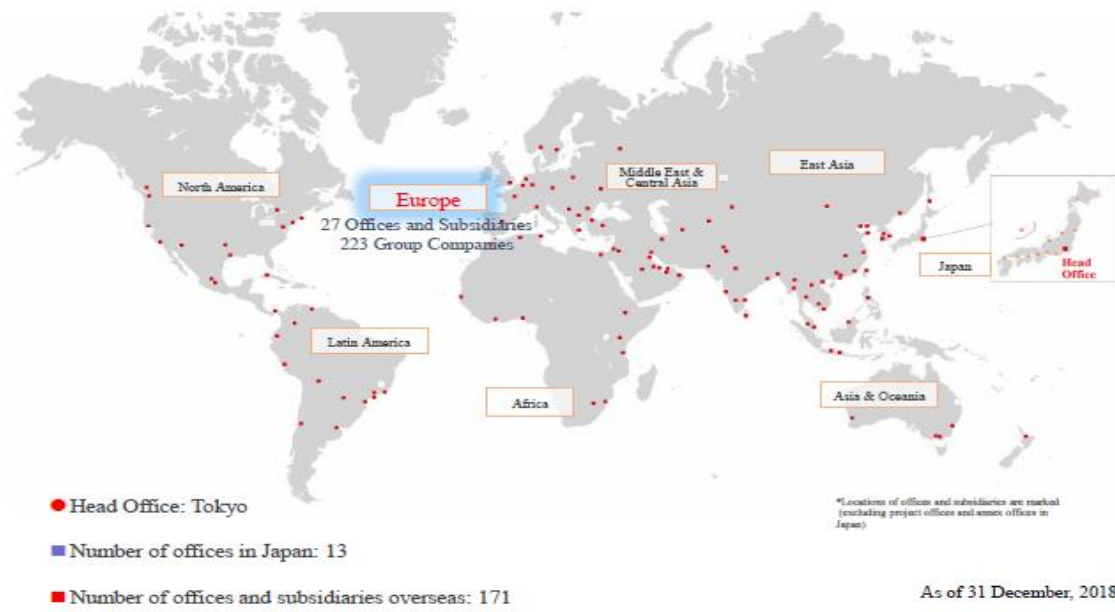
Urban
Infrastructure
Div.

Urban
Development
Div.

Asset Finance
Div.

6

MC's Global Network



MC's Subsidiary Companies in Europe

Mitsubishi Corporation



Princes Limited



- Founded in Liverpool in 1880, wholly owned by MC since 1989.
- One of the UK's largest food and drink groups with a global supply network and a portfolio of branded and customer own brand products.
- Head office based in Liverpool. Has a growing presence across continental Europe, which is operated from office in the Netherlands. Also has a tomato processing site and a sales office in Italy, an oil production site and a sales office in Poland, as well as two tuna processing sites in Mauritius.



9

Diamond Generating Europe Limited (DGE)



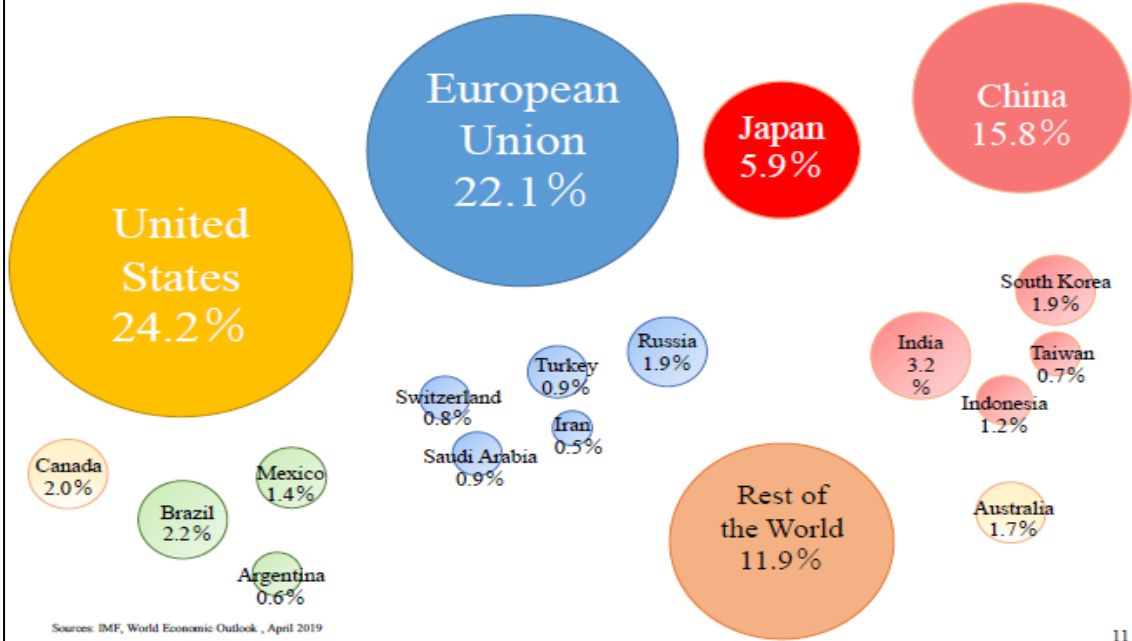
- Capacity : 5GW (gross) in EMEA, 1.5 GW (net) in EMEA
- UK presence: Participation to (Moray Firth) Scottish off-shore wind project
 - ❑ 1 GW project size, 3 Billion Pounds Capex
 - ❑ DGE takes 34% of the project Equity
 - ❑ UK installed off-shore wind is 6.8 GW, ie 5% market share by DGE



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World GDP

Nominal GDP (2018): contributions to world GDP (%)

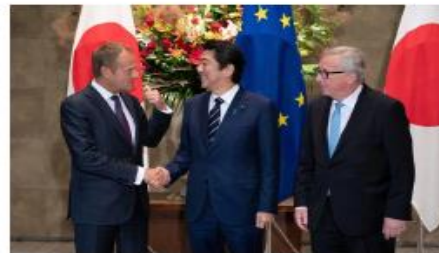


11

The EU and Japan's Economic Partnership Agreement



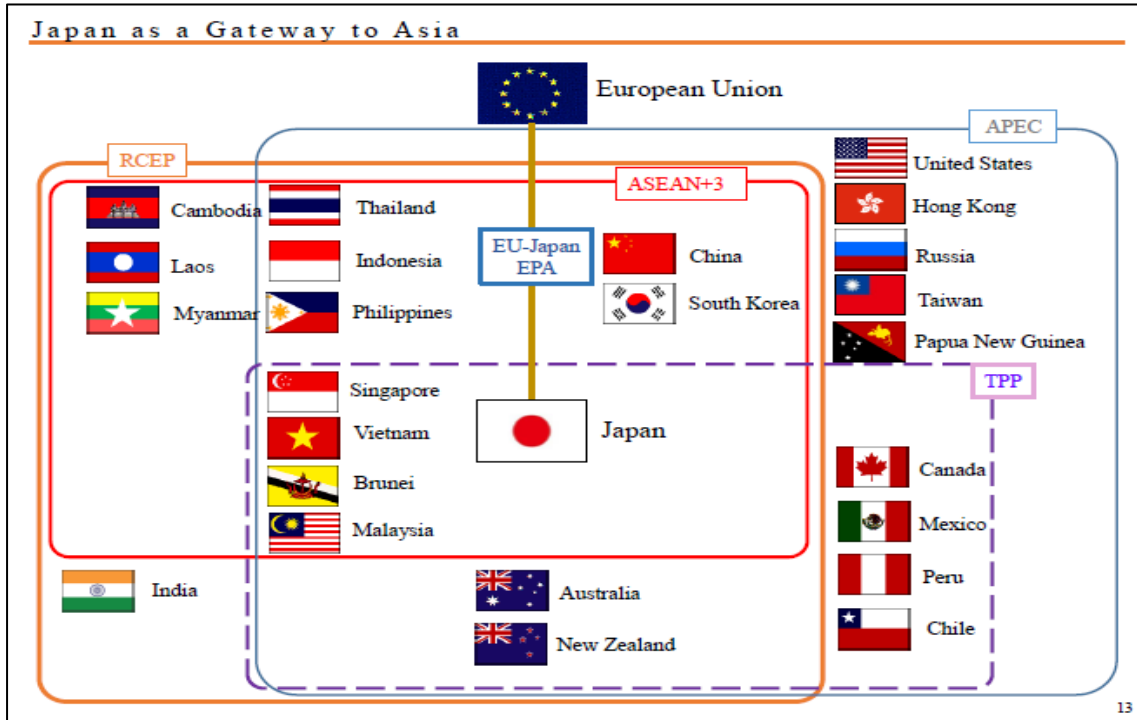
Sources: European Commission, February 2019



Prime Minister Shinzo Abe shakes hands with European Council President Donald Tusk as European Commission President Jean-Claude Juncker looks on before signing a free trade pact in Tokyo on 17 July, 2019. CAP

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Japan as a Gateway to Asia



The EU-Japan Strategic Partnership Agreement

EU - JAPAN STRATEGIC PARTNERSHIP AGREEMENT

- A LEGALLY BINDING FRAMEWORK OF COOPERATION
- STRATEGIC DIRECTION AND COHERENCE FOR EU - JAPAN RELATIONS
- BROAD RANGE OF AREAS: CLIMATE CHANGE, ENERGY SECURITY, CYBER CRIME
- FACILITATED ALIGNMENT IN MULTILATERAL FORA
- PROMOTION OF SHARED VALUES LIKE HUMAN RIGHTS AND DEMOCRACY



EU High Representative, Federica Mogherini and Foreign Minister of Japan, Taro Kono concluded negotiations for an EU-Japan SPA in Brussels in April 2018.

Sources: European Union External Action, April 2018

The relationship between the European Union and Japan is based upon longstanding cooperation and shared fundamental values and principles such as **democracy, the rule of law, human rights, good governance and a market-based economy**, benefits to citizens in Europe and Japan.



STRATEGIC PARTNERSHIP AGREEMENT

The EU and Japan will strengthen their already very close relationship through the new Strategic Partnership Agreement, which will be signed during the 2018 summit in Tokyo.

Negotiations of the Strategic Partnership Agreement **started in 2013** and were concluded on **25 April 2018**. This agreement, together with the new Economic Partnership Agreement will take the EU's long-standing Partnership with Japan to a new strategic level, triggering considerable benefits to citizens on both sides. Before entering into force, a large part of the Strategic Partnership Agreement will already be provisionally applied.

As the first-ever bilateral framework agreement between the EU and Japan, the Strategic Partnership Agreement greatly strengthens the overall partnership by **PROMOTING POLITICAL AND SECTORAL COOPERATION AND JOINT ACTIONS** on issues of common interest, including on regional and global challenges.

Some of these challenges are in the areas of:

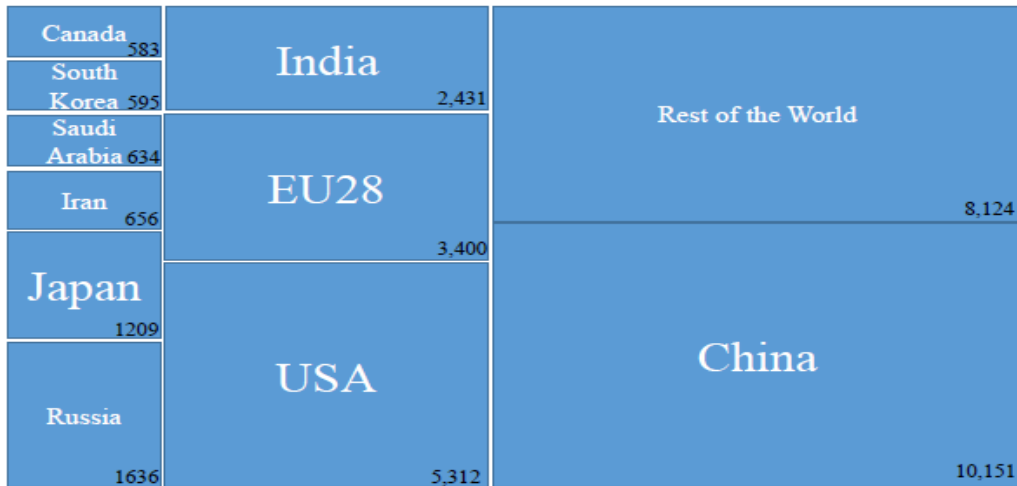
- CYBERCRIME
- DISASTER MANAGEMENT
- ENERGY SECURITY
- CLIMATE CHANGE
- AGEING POPULATIONS

While the Strategic Partnership Agreement will cover all of the areas of our existing bilateral cooperation, it will also open up the possibility for cooperation in new areas.

EU-Japan Cooperation on Climate Change

Global CO2 emissions

(metric tons in 2016)



Sources: Global Carbon Atlas, December 2017

15

Mitsubishi Corporation's Corporate Vision and Sustainability

The MC Group will deliver sustainable growth by fulfilling societal needs



16

Global Internet Companies

Internet companies ranked by market valuation

Rank	2018 Company	Region	Market Value (\$B) 5/29/18
1	Apple	USA	\$924
2	Amazon	USA	783
3	Microsoft	USA	753
4	Google/Alphabet	USA	739
5	Facebook	USA	538
6	Alibaba	China	509
7	Tencent	China	483
8	Netflix	USA	152
9	Ant Financial	China	150
10	eBay + PayPAI*	USA	133
11	Booking Holdings	USA	100
12	Salesforce.com	USA	94
13	Baidu	China	84
14	Xiaomi	China	75
15	Uber	USA	72
16	Didi Chuxing	China	56
17	JD.com	China	52
18	Aribnb	USA	31
19	Meituan-Dianping	China	30
20	Toutiao	China	30
			\$5,788

Sources: Bloomberg

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EU-Japan Cooperation on Digital Industry

Global manufacturing competitiveness index: country rankings

2016 (Current)		Index score
Rank	Country	(100=High) (10=Low)
1	China	100.0
2	United States	99.5
3	Germany	93.9
4	Japan	80.4
5	South Korea	76.7
6	United Kingdom	75.8
7	Taiwan	72.9
8	Mexico	69.5
9	Canada	68.7
10	Singapore	68.4
11	India	67.2
12	Switzerland	63.6
13	Sweden	62.1
14	Thailand	60.4
15	Poland	59.1
16	Turkey	59.0
17	Malaysia	59.0
18	Vietnam	56.5
19	Indonesia	55.8
20	Netherlands	55.7

Sources: Deloitte, Global Manufacturing Competitiveness Index, 2016



European Commission - Press release

European Commission adopts adequacy decision on Japan, creating the world's largest area of safe data flows

Brussels, 22 January 2019

The Commission has adopted today its adequacy decision on Japan, allowing personal data to flow freely between the two economies on the basis of strong protection guarantees.

This is the last step in the procedure launched in September 2018, which included the opinion of the European Data Protection Board (EDPB) and the agreement from a committee composed of representatives of the EU Member States. Together with its equivalent decision adopted today by Japan, it will start applying as of today.

Věra Jourová, Commissioner for Justice, Consumers and Gender Equality said: "This adequacy decision creates the world's largest area of safe data flows. Europeans' data will benefit from high privacy standards when their data is transferred to Japan. Our companies will also benefit from a privileged access to a 127 million consumers' market. Investing in privacy pays off; this arrangement will serve as an example for future partnerships in this key area and help setting global standards."

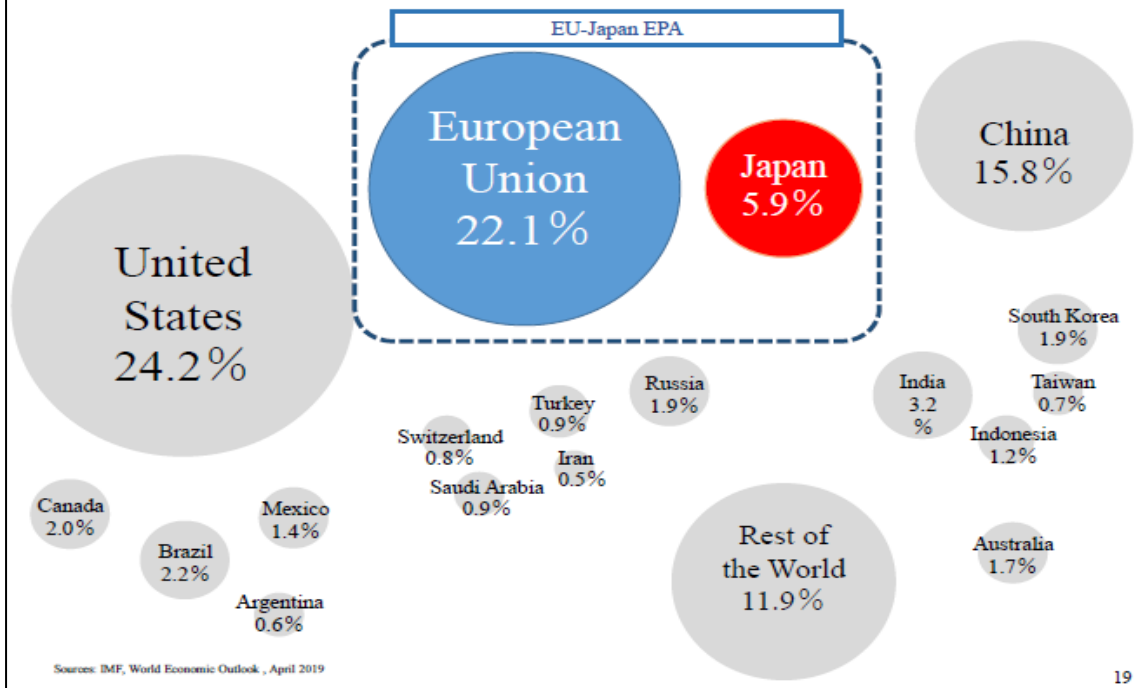
GDPR

(effective from 25 May, 2018)



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The World



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Thank you.

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