

# Why was Japan not engulfed by the antiglobalist tide?

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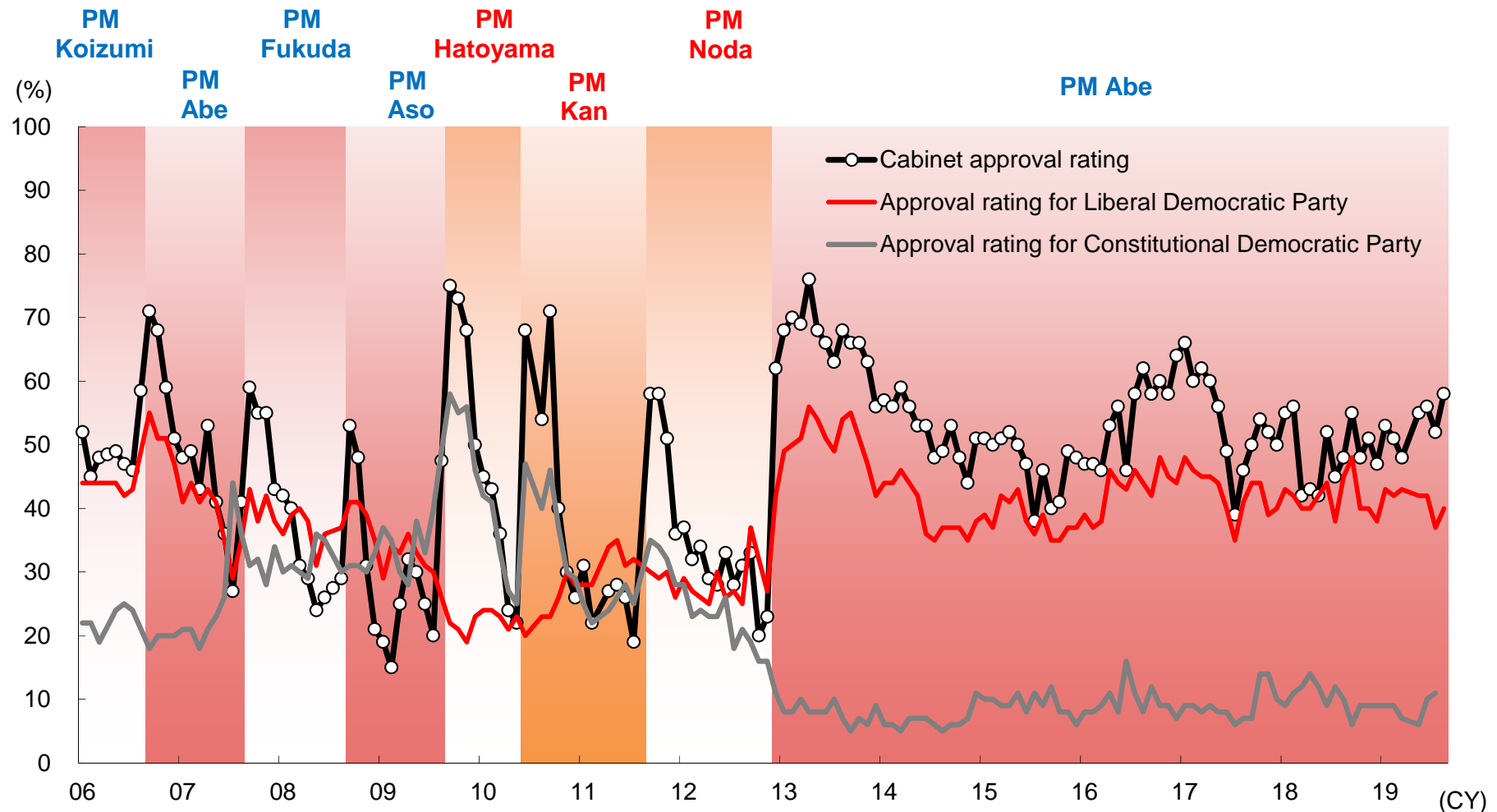
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# Introduction

Japanese politics have been largely free of the populism behind much of the antiglobalization elsewhere

## Approval ratings of Japanese cabinets and ruling and opposition parties



Note: (1) The names are those of the prime ministers that headed each administration. (2) The names in red are those of non-LDP prime ministers (Yukio Hatoyama, Naoto Kan, Yoshihiko Noda). (3) Data for months when no survey was carried out have been extrapolated from previous and subsequent surveys. (4) The approval ratings of the Constitutional Democratic Party are for the period since November 2017, when the party's approval rating was first surveyed. The data for the period before then are for the Democratic Party and the Democratic Party of Japan.

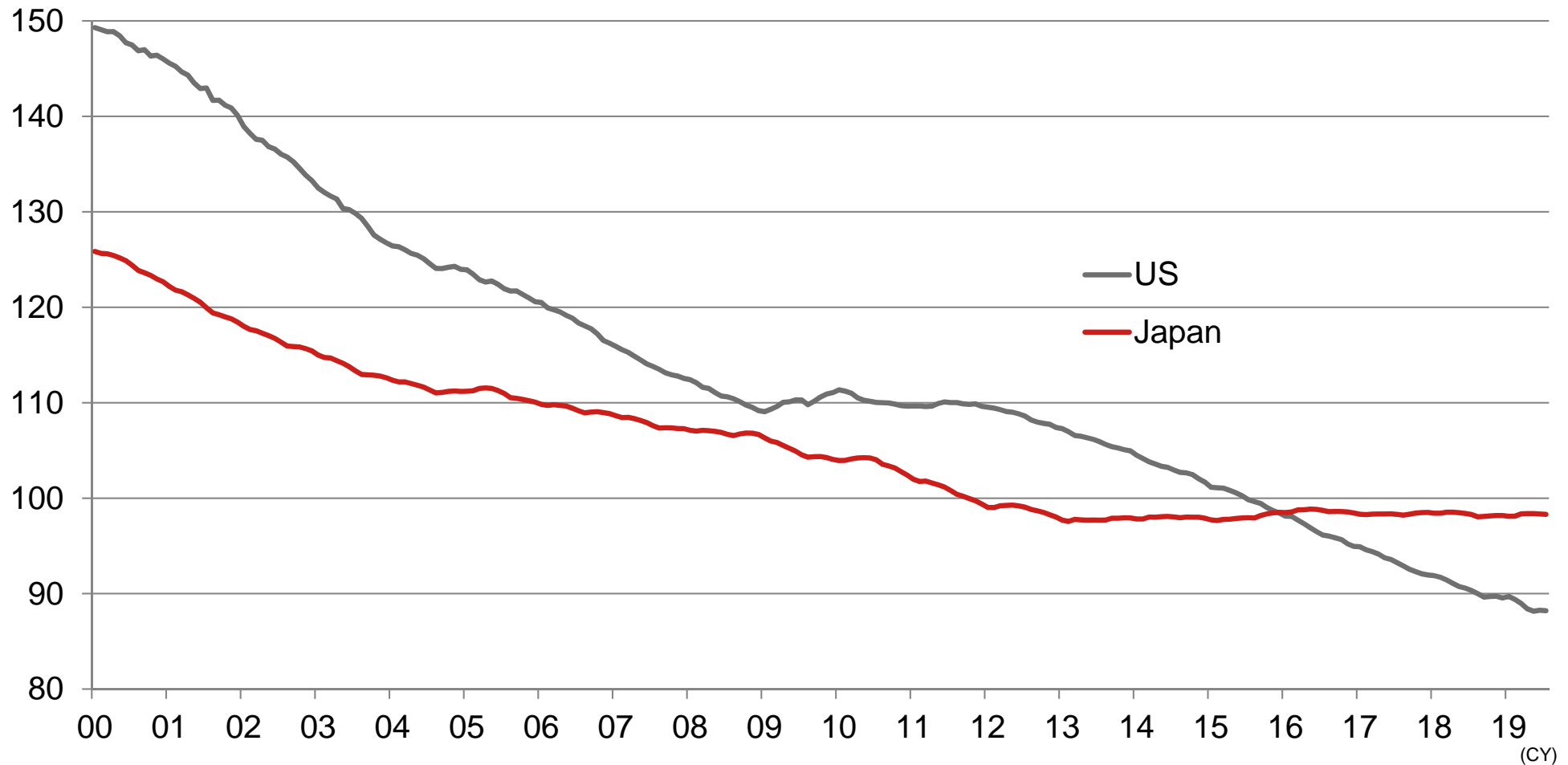
Source: Nomura, based on Nikkei data

# The origins of antiglobalization (1): real economic aspects

**A supply shock which resulted from globalization of production capacities had various negative effects on employment and income conditions in developed countries**

The price of goods relative to services (CPI basis, ex food and energy)

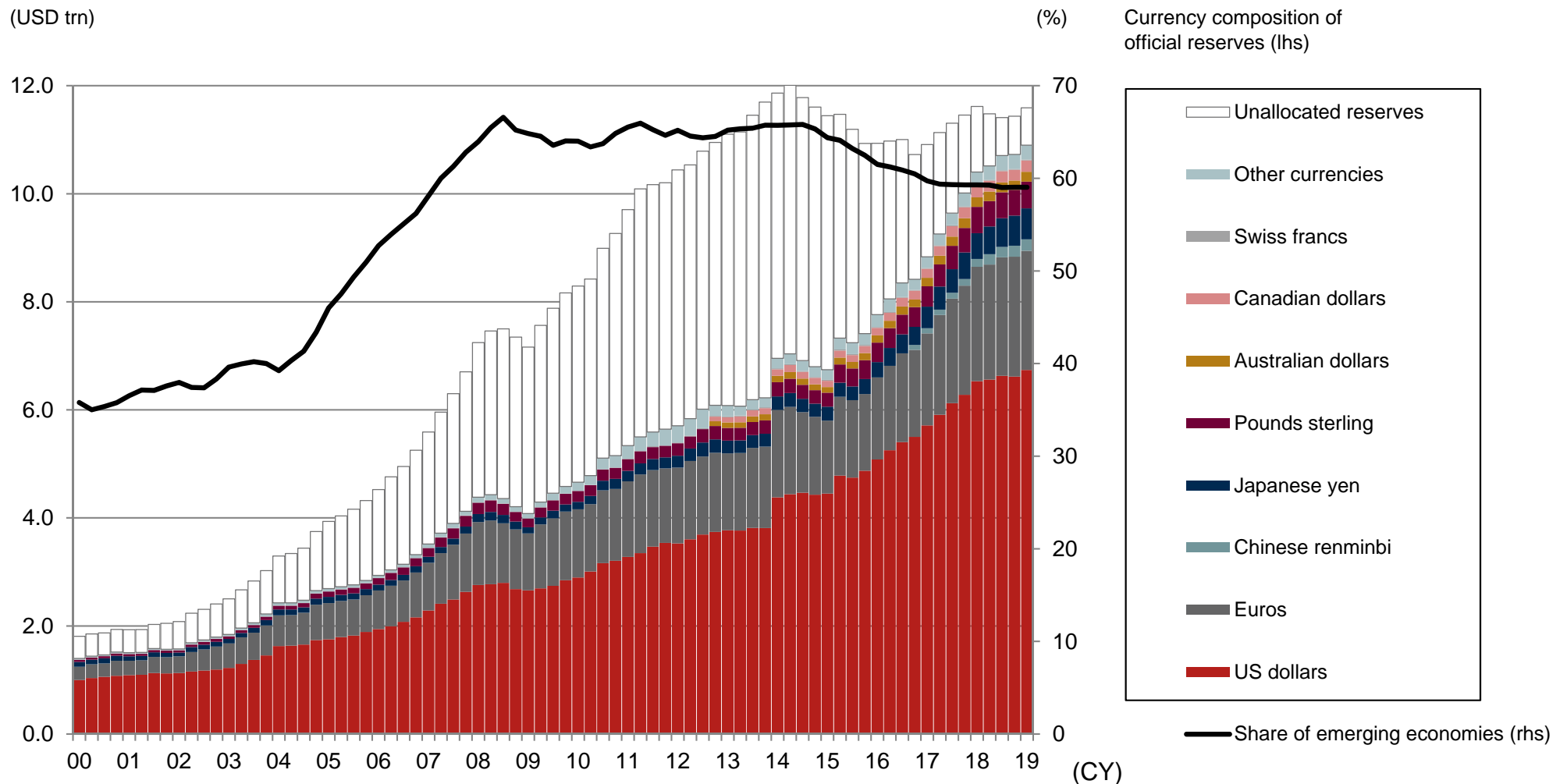
(2015 average = 100)



# The origins of antiglobalization (2): financial aspects -1-

Along with their export-led growth, emerging economies have built up USD denominated reserves...

Currency composition of global foreign exchange reserves and the proportion belonging to emerging economies

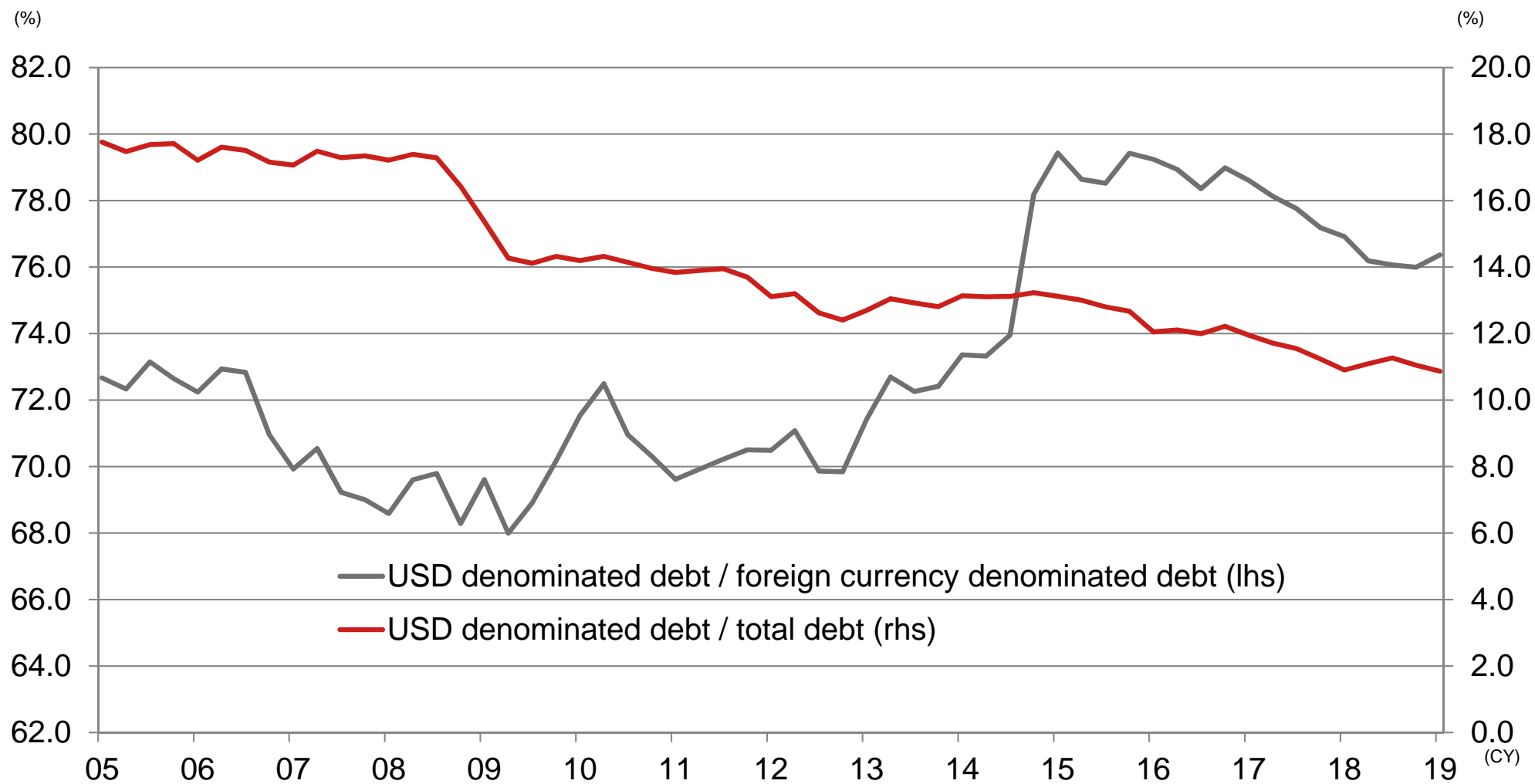


Source: Nomura, based on IMF data

# The origins of antiglobalization (2): financial aspects -2-

...as well as USD denominated debts

US dollar debt as a proportion of emerging economy debt



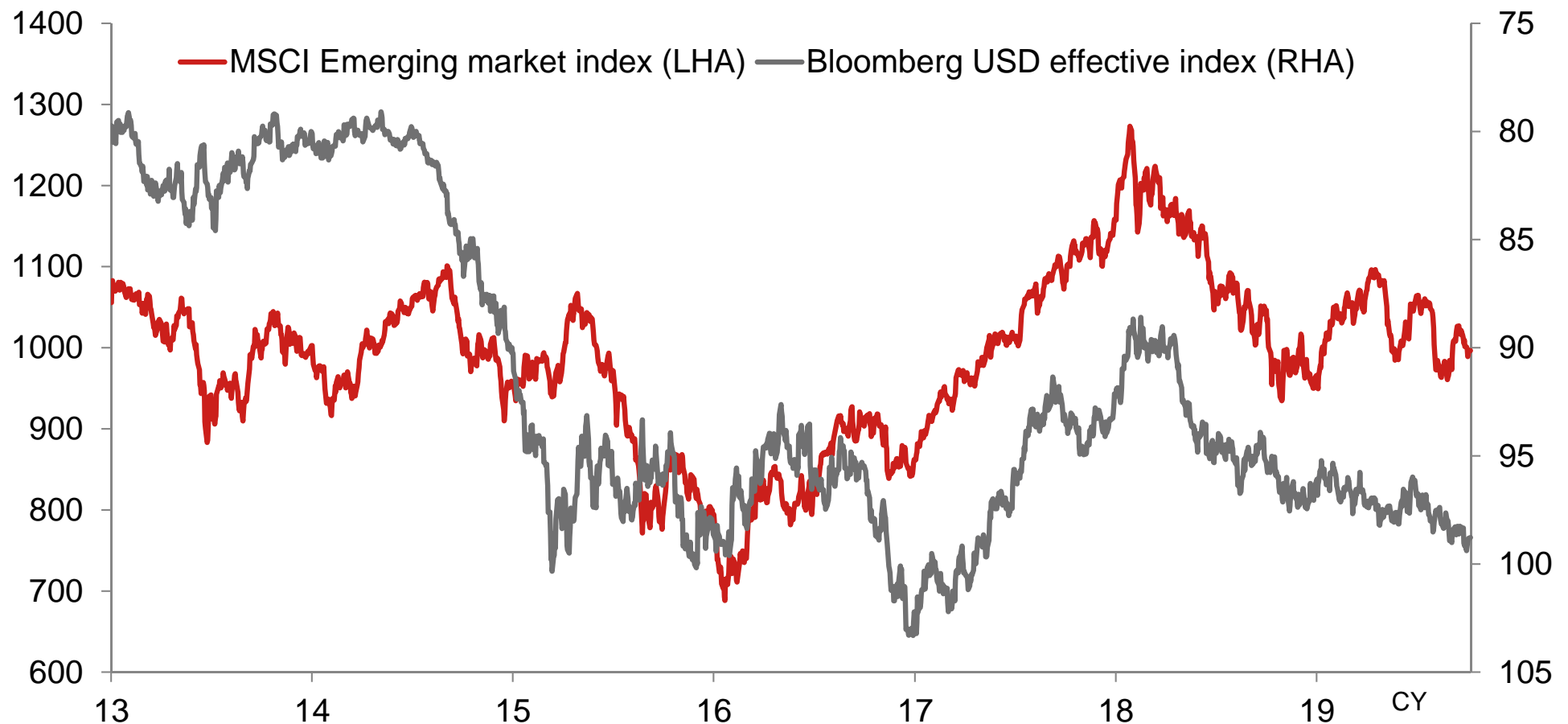
Source: Nomura, based on IIF data

## The origins of antiglobalization (2): financial aspects -3-

**Dollarization of emerging economies' balance sheets made their monetary policy dependent on US Fed, which, on the other hand, should take greater account of overseas economies in its policy decisions**

### US dollar effective exchange rate and emerging economy share prices

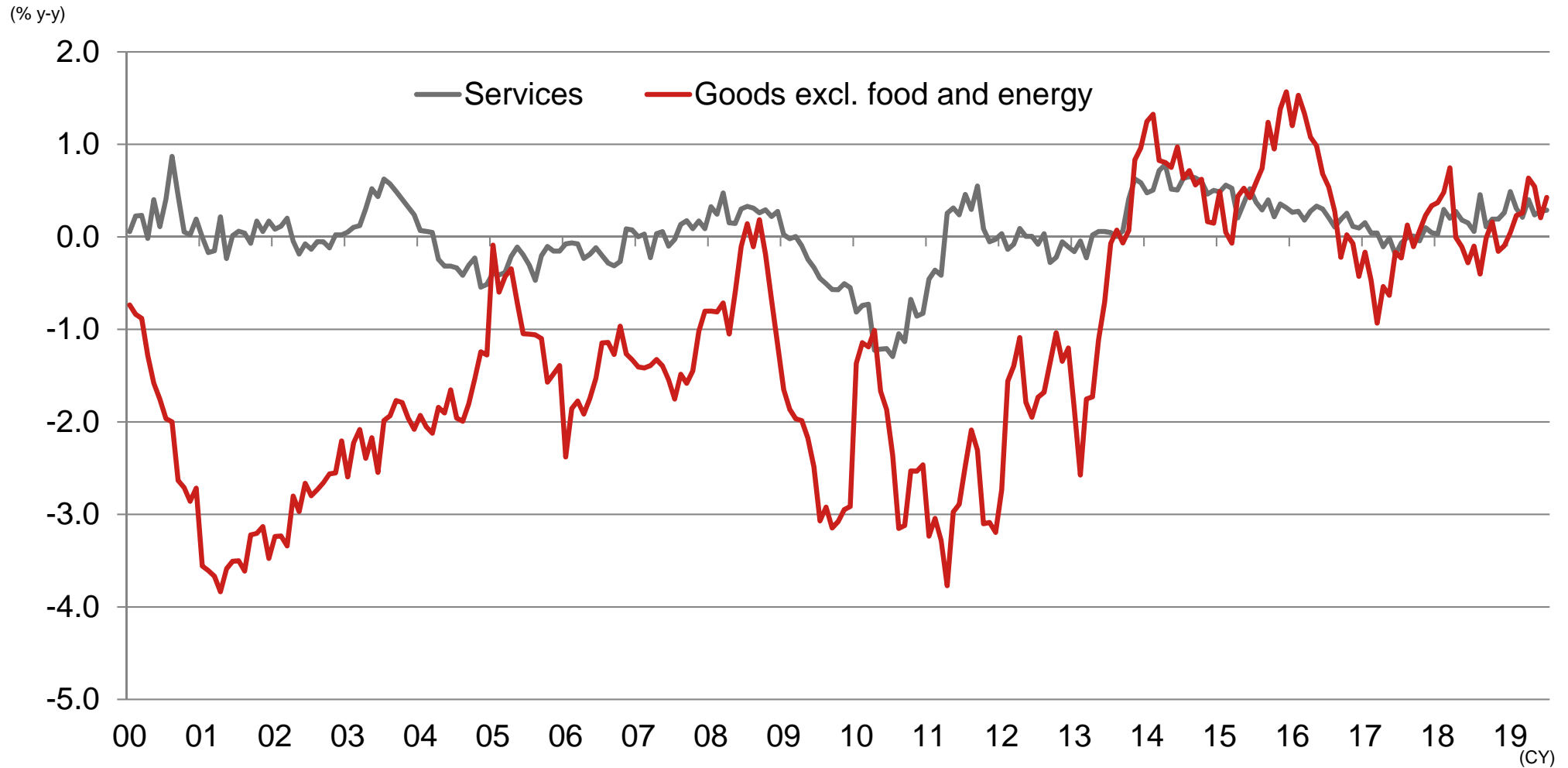
December 31, 1987 = 100



# The reasons Japan has remained largely free of antiglobalization

## Earlier arrival of deflation ironically saved Japan from antiglobalization

### Japanese CPI-based goods and service prices

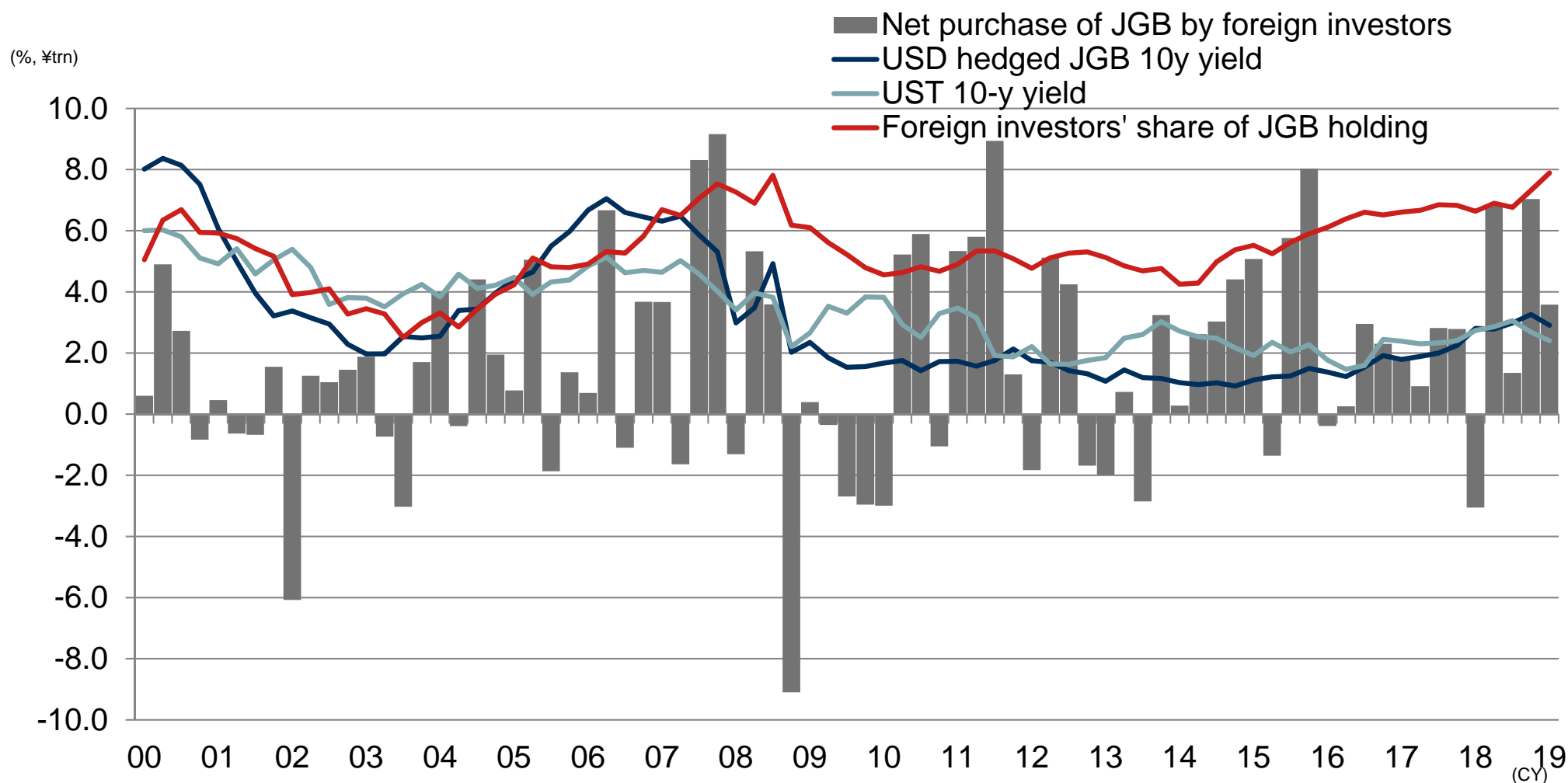




# Is Japan likely to remain free of antiglobalization?

Besides the risk of opening its market in the midst of the antiglobalization trend, Japan is also losing its control of monetary policy

Nonresident investors' JGB holdings and comparison of US Treasury yields and US dollar-hedged JGB yields



Source: Nomura, based on BOJ and Bloomberg data

- **The favorable conditions that have kept antiglobalization at bay in Japan may one day cease to exist.**
- **This could be triggered by;**
  - a. the outsourcing of service industry jobs, allowing more foreign workers to enter the country with the new status of "specified skilled workers" in stages, and**
  - b. a rising dependence of yen interest rates and monetary policy on the US dollar resulting from nonresident investors holding more JGBs.**

***Thank you very much!***