

TRUMP AS TEDDY ROOSEVELT

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Unpredictability and abruptness are disliked in the Japanese culture, but Trump, while predictable in many ways if one knows his character and various motivations, can be very unpredictable in his abrupt manner of delivery. He certainly is non-conventional, in many ways similar to Teddy Roosevelt, who was a very controversial and iconoclastic Republican president during the early 20th century. Teddy was an anti-big-business, free-market populist. He broke up corporate monopolies and many traditions of the Presidency by stripping power from other elite groups, all in the interest of liberalizing the economy and lowering prices and improving employment for the "common man." For this, he became immensely popular and was thus eventually embraced by the Republican establishment. Besides being such an ardent reformist domestically, he was also an aggressive nationalist in international affairs with a "do or die" mentality that surprised many elites. That said, he was also the first American recipient of the Nobel Peace Prize for negotiating the end of the Russo-Japanese War.

Although no analogy is ever perfect, investors should similarly expect Trump not to be laissez faire about US large corporations and the global trading system. Firstly, he wants to protect the populace and the economy from the abuses of oligopolies and what he considers unfair international trade competition. He will likely attack oligopolistic price hikes and loosen regulatory approval of high-priced consumer items like pharmaceuticals, while preventing anti-competitive mergers.

As regards Japan, I never thought that a Trump victory would ensure a crisis between the countries, and fortunately, the Abe Administration has quickly become pro-active in developing a new relationship based upon fairer trade and burden-sharing. In order to maintain Japan's primacy in the US framework for Asia, Japanese companies need to build on this initiative to develop new commercial ties. Softbank announced an investment plan that Trump has praised, but others should

follow, because although it may seem selfish, after years of hollowing-out and large trade deficits, Trump has promised US voters to create more factory jobs and must deliver such quickly or else he could lose his job in four years and perhaps even lose control of the Senate in two years.

Of course, Chinese and Mexican production are Trump's main targets, but Japan should lead by example, not necessarily by cutting production in Japan, but perhaps by cutting production elsewhere and shifting such to the US. Expanding current factories in the US or taking stakes in US companies' factories and upgrading or expanding them are other clear options. A preference should be for non-automated factories that pay fairly decent wages, especially in the "rust belt." The Japanese government, especially METI, can help Japanese companies benefit from this trend, pointing out that concentration of production in one country like Mexico or China is risky, especially when trade agreements are being re-negotiated. Indeed, if NAFTA is re-negotiated or if tariffs rise on Chinese products, there could be major advantages to be the company with the most production in the US.

Hopefully, Japan can adapt to this new reality, and instead of blocking his initiatives, be able to have acceptable compromise "deals" ready. If he asks for more access for American produced goods, which American manufactured goods can Japan substitute from other countries? Can US multinationals assist in such shifts? Which Japanese exports to the US have negligible profitability and thus be de-emphasized?

Finally, one good sign for Japan is that most of Trump's cabinet are military men, all of whom understand the importance of Japan and the threat from China. Most of these men support TPP, and it is far from impossible, that with some "deal" perhaps including a name change, it could end up passing. In sum, unorthodoxy is not Japan's strongest suit, but with the right philosophy and prompt actions, Japan can benefit from the new reality.

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