
JAPAN'S ABE SITUATION: A PERSONAL VIEW FROM A JAPAN OLD HAND

It is attention-grabbing for some analysts and soothsayers to speculate on politics, but this is no casual matter. Very important times are ahead and Japan should not go down the slippery slope of political musical chairs again.

Not many investors likely realize that Japan's GDP performance in CY20, instead of being comparably poor, is actually about In my humble opinion, modern Japan has not had a better leader than Prime Minister Abe and no one should be eager to replace him. He maintains the respect of a major base of politicians and of the populace (although polls always reflect the omnipresent critical nature amongst the Japanese and most other country's psyches, while opposition partisans are always glued to the thought they can do better). Clearly, he doesn't deserve all the credit for Japan's improvements, and he has relied on a capable loyal team, but certainly he deserves much credit, including for being able to retain such a team. Not only his character, firm and yet not frightening, keeps trouble at bay, but also his clear purpose and beliefs, even if not everyone agrees with them.

Leading the country during this crisis, especially its darkest days, certainly has been extremely difficult and he deserves praise for enduring it. All the complaints for small faults regarding this unfathomable virus scare seem quite unfair. The virus situation in Japan is better than almost any other major country and his push against a total lockdown has helped the economy, both now and in the future, and the citizenry. He could be upset about political scandals by people close to him, as what occurred in his first term when he was first afflicted with health problems, especially for such thoughtless mistakes, but he has managed through a few similar scandals in recent years, and can likely do so again. He also may have become distraught about so far being unable to achieve the constitutional reform that he promised his elders and mentors. In almost every other way, however, he has made Japan a more respected global partner.

No one, nor any situation, is ever perfect and he ran up against persistent obstacles to reform over the years, but achieved many improvements. Although he had to enact a VAT hike that recently caused difficulties, economic growth and the peoples' livelihood has improved over the years. Optimism has certainly increased greatly since his leadership began. Internationally, he perfectly threaded the needle with the US and China. Besides keeping trade relations intact, this allowed a tourism boom that helped both the cities and many more rural parts of the country, which should rebound when the virus subsides. Relations with South Korea are difficult, but perhaps they were destined to be so with its left-of centre President, while those with the rest of the world are fine, if not excellent.

The market may try to push the Yen stronger, especially if it thinks Messrs. Abe as well as Kuroda and Aso, both also strongly anti-Yen- appreciation, will retire. It is hard to imagine any replacements being able to be so forceful, domestically and internationally, about refusing Yen strength, but such certainly is not impossible if they state such in an extremely forceful manner, with countermeasures proposed ahead in advance. Indeed, it might seem a convenient time to Messrs. Kuroda and Abe to retire, as all the crises are in a bit of a lull, but the threat of a strong Yen, that so hamstrung Japan for the last 30 years that China uses such as a case for preventing an overly strong Yuan, and other threats certainly remain.

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