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Global Risk Watch Newsletter

Will the reality TV show becomes your new reality?, etc.

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Will the reality TV show becomes your new reality? (Tsuyoshi Oyama, Partner/Head of Center for Risk Management Strategy (CRMS) at Deloitte Touche Tohmatsu LLC/Deloitte Asia Pacific Risk and Capital Management Leader)

The "Trump rally" is still going on in the markets and has yet to show signs of cooling down. In the meantime, Donald Trump took the oval office as the 45th President of the United State. The policy platform (or no policy) of new Trump administration has obscurely but little by little taken into a shape through appointment of key cabinet members and his messages through Twitter account. Going forward, President Trump's tweets can be forming more "policies", which will affect not only the American people but also the lives of people across the globe.

One of the factors making the outlook of the new administration's policy very difficult to see, is that some of those cabinet candidates who are pending their confirmation from the Senate displayed a very different rhetoric compared to President Trump himself. For example, in diplomatic policy with regards to Russia, President Trump has continuously vowed for pro-Russia policies, and even hinting to lift the sanctions against Russia. Whereas his Secretary of Defence, Secretary of State, and CIA (Central intelligence Agency) Director nominees have all remained holding a very cautious stance towards Russia. In terms of relations with China, President Trump has openly questioned the necessity of decades long-standing "one China" policy, while key cabinet members and both Democrats and Republicans believe the US should continue to keep this policy. In the trade areas, in contrast to the outright protectionist President Trump, the Secretary of Commerce and Secretary of State nominees are said to be believers in free trade. Somehow, the administration has so far maintained a consensus on topics such as the hardliner stance on China, exit from TPP (Trans-Pacific partnership) pact, and revision of NAFTA (North American

Free Trade Agreement). However, other concrete agenda such as raising tariffs will likely face constraints from the WTO (World Trade Organization) agreement, thus raise cognitive dissonance among the administration.

The birth of new Trump administration speaks for the discontent of white middle-class Americans from the Midwest who saw their downfall economically through the globalization process. The referendum in the UK has also played out the exact same way, where the burst of dissatisfaction from economic hardships among white middle-class British in the rural areas led to a Brexit result. In the case of Mr. Trump, rather than talking about sympathy for their feelings "from the top" like many Washington elites, he gained the support of these "abandoned" middle-class people by acting and speak like them, thus, allow people to see their actions and comments reflected through Donald Trump himself. These election tactics were mirror of President Trump's approach in the reality TV show where he has been a huge success so far. President Trump has been calling to introduce border tax between Mexico and the US, but at the same time also complained that the corporate tax border adjustment provision proposed by the House Republicans is "too complicated". This might manifest his preference from the "reality TV show" perspective, which needs to be easily understood by and tangible for the general public audience. In other words, rather than imposing a border adjustment tax with a complicated value-added calculation, President Trump prefers the introduction of 35% flat rate of border tax on Mexico or maybe a symbolic action such as when some US Congressman once upon a time crushed a Japanese made cassette recorder with a hammer.

The problem is whether theses reality TV show types of act can be formally or systematically adopted as "actual policies" or not. If the end result of the policy would only be to have stricter product origin related regulations on production in Mexico, and imposing anti-dumping taxes on some imports from China, then the impact on the US and world economy would be limited. On the other hand, if the administration is serious in regards to imposing a high flat rate of 35% or 45% tariffs on imported goods from Mexico and China, the US and world economy will fall into a major turmoil. The old Japanese horror movie :The Rings" had a famous epic scene where the ghost "Sadako" from a well almost jumped out of the TV screen, which terrified many audience across movie theatres in Japan. Now people all over the world are breathlessly watching how this reality show starring by President Trump may jump out of the TV screen and enter into our daily lives.

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