

The US economy: topic of the month

Review of the Trump administration's First 100 Days

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April 29th will mark the Trump administration's 100th day since the so-called "American Carnage Speech" at the presidential inauguration. President Donald Trump set forth his stance to put "America First" and to "Buy American, Hire American".

While it is unclear whether President Trump would like to celebrate the 90th day, he issued an executive order on "Buy American and Hire America" on April 18th. The purport of the executive order is the maximum use of "goods, products or materials produced in the United States" through terms and conditions of Federal financial aids and procurements and a crackdown on frauds and abuses in the U.S. guest worker programs, in particular H1B visa programs.

A senior administration official explained in the briefing that by reforming current "random-lottery" awarding H1B visa system to a "skill-based" one, it makes it difficult for companies to bring in foreign workers at beneath the market wage. "There's ways that you could adjust the lottery system to give master's degree holders better chance of getting H1Bs relative to bachelor's degree holders," he said.

Since the day of the inauguration, we have been following President Trump's policy actions in accordance with his campaign pledges sorted into 12 areas: tax, energy security, transportation and infrastructure, defense and national security, deregulation, financial service, health care, trade, immigration, education, veterans affairs, and the U.S. constitution. Among economic policies in 9 areas, we consider first 6 areas from tax to financial service as having net positive economic effect. Trade and immigration are supposed to have a negative effect. We see healthcare as neutral because of President Trump's seemingly incompatible pledge to repeal and replace Obamacare.

Chart 1 is our current assessment, as of April 21(JST), of the state of progress of President Trump's 9 policy areas mentioned above.

Firstly, of the items expected to have a positive impact upon the economy, progress is evident in (2) energy security, (4) defense and national security, (5) deregulation, and (6) financial service. In **Chart 1**, (2) and (5) refer to the construction of the Keystone XL Pipeline to which former-President Obama was opposed, the review of "Water of the U.S." regulations, and the nullification of the "Clean Coal Plan" (CCP). In addition to the issuance of executive orders, the Trump administration is taking steps to repeal regulations finalized during the final days of the Obama administration by employing the Congressional Review Act (CRA).

Turning to items which are thought to have a negative economic impact, progress has been made with respect to trade reform ((8) in **Chart 1**) by withdrawing from the Trans-Pacific Partnership (TPP) on his 4th day. At his “Mar-A-Largo” estate in Florida, President Trump met Japanese Prime Minister Shinzo Abe on February 10th and 11th and the first round of the Japan-US economic dialogue was held on April 18th in Japan. President Trump ordered a study on the causes of trade deficits (March 31st) and the assessment of steel imports as a threat to national security (April 20th). In the USTR 2017 Trade Policy Agenda published on March 1st, USTR made clear that the administration will prioritize “national sovereignty” against World Trade Organization (WTO) rules.

Among the campaign pledges which have been started but have been subsequently derailed are the replacement of Obamacare ((7) in **Chart 1**) and immigration reform ((9) in **Chart 1**). On inauguration day, President Trump ordered a delay of the implementation of Obamacare to the maximum extent permitted within executive powers and to give states and corporations more discretionary powers. However, a more sweeping legislation by GOP imploded on March 23rd due to opposition mainly from the conservative caucus. As for immigration reform, two executive orders on the entry/travel restrictions possessing strong anti-Muslim features have been blocked by US federal district courts.

Progress on tax reform ((1) of **Chart 1**), one of main campaign pledges, is still in a “blank sheet” state due to strong opposition toward border adjustment which was expected to serve as a large revenue source and the delay in replacement of Obamacare. Virtually nothing has been revealed with respect to infrastructure investment.

Likewise, there has been no administrative movement with respect to NAFTA renegotiation and labeling of China as a “currency manipulator”. The former is pending until Senate approval of Robert Lighthizer’s nomination as USTR, and the latter was shelved due to diplomatic consideration in the North Korea crisis. But in the US Treasury Department’s foreign exchange report published on April 14th, “a large and disproportionate share of the overall U.S. trade deficit” was added as a new criterion for monitoring, indicating that the US has not eased its stance toward China.

As our review shows, President Trump’s pledges which need legislative action in Congress such as health care reform, tax reform, and infrastructure program remain mostly unresolved. And it is important to note that there are other challenges facing the administration: FY2018 appropriation (before October 1st) and debt ceiling (between October and November according to Bipartisan Policy Center). The congressional budget rule and political tug of war between the Republicans and Democrats or between conservatives and liberals could also increase uncertainties. The title of the coming spring-summer season can be dubbed “to-be-continued”.

[Chart 1: The Trump administration's campaign pledges (9 areas) and the state of progress]

9 areas and 11 items		State of progress and major actions		
Positive impact upon the economy	(1) Tax reform	✘	Blank sheet due to strong opposition toward border adjustment	
	(2) Energy security	○	Progress on pipeline construction, review of clean water regulations, global warming measures	
	(3) Transportation and infrastructure	✘	Blank sheet	
	(4) Defense and national security	○	Issued numerous executive orders	
	(5) Deregulation	○	Issued numerous executive orders (on the environment, manufacturers, and others)	
	(6) Financial services	○	Ordered review of the Dodd-Frank Act	
Neutral	(7) Health care	▲	Derailed due to the creation of those who would be uninsured and fiscal subsidy cuts	
Negative impact upon the economy	(8) Trade	Renegotiation of NAFTA	✘	Pending Senate approval of nomination of Robert Lighthizer as USTR
		Withdrawal from TPP	○	Executive order (January 23 rd), establishment of Japan-US economic dialogue
		Label China a "currency manipulator"	✘	Shelved due to the situation in North Korea. China proposes a 100-day plan
		Address unfair trade	○	Executive order (March 31 st)
	(9) Immigration	▲	Anti-Muslim immigration control, rigorous enforcement and administration of the H-1B visa program	

Note: State of progress as of April 21, 2017 (JST)

○ : Started ✘ : Not yet started ▲ : Started, but subsequently derailed.

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