

U.S. and the World One Year after Trump Inauguration

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One year has passed since Donald Trump took office as U.S. president and launched his administration. What happened or failed to happen in the past year in the United States that remained at the center of global governance as the world's strongest economic and military power? How have U.S. developments in the past year influenced the world? I here would like to review and make my personal comments on developments in the past year.

For making smooth progress in domestic politics, Republican President Trump has not been successful to take advantage of the domestic political environment where his fellow Republicans have controlled both the Senate and the House of Representatives since his inauguration. Plagued with severe disputes with his fellow Republican lawmakers as well as Democrats enhancing their anti-Trump attitude, Trump has had difficulties in Congressional coordination over key bills including the Obamacare reform. His performance seemed to have deviated from what he could have achieved by taking full advantage of Republicans' control of the administration and Congress representing a unified Republican government. He has failed to fully exploit the advantageous political capital. Late last year, however, Trump won the passage through Congress of a tax reform (massive tax cuts) bill as one of his key campaign promises and signed it into law at last. In a sense, the tax cut enactment was one of his achievements in domestic politics.

Since his inauguration, President Trump frequently replaced core members of his administration. He remarkably reshuffled key White House posts including the chief of staff, the national security adviser and the chief strategist. Particularly, Steven Bannon resigned as chief strategist and left the administration after playing a key role in developing election and policy strategies since the presidential election campaigns. Repercussions from this high-profile departure are attracting attention. Key administration officials surrounding Trump include his relatives such as his daughter and presidential adviser Ivanka Trump and her husband and senior presidential adviser Jared Kushner, former military officers such as Defense Secretary James Mattis, White House Chief of Staff John Kelly and national security adviser Herbert McMaster, and former business leaders such as State Secretary Rex Tillerson and Treasury Secretary Steven Mnuchin. Attracting attention after Bannon's departure from the administration is who would have influence on President Trump's policy consideration and planning, and how.

The Russian scandal including Russia's suspected intervention in the presidential election campaigns and Trump administration officials' inadequate relations with Russia has remained unresolved over the past year since the inauguration of the Trump administration, staying as one of uncertainty factors surrounding the administration. Would the scandal become a factor to shake the Trump administration? We must pay attention to future relevant developments. In diplomacy, the United States' international isolation has been pointed out on various occasions in the past year.

Based on his anti-Obama stance, President Trump exited from the Trans-Pacific Partnership free trade agreement, offered to withdraw from the Paris Climate Accord and recognized Jerusalem as Israel's capital, shaking the world with his inward-looking attitude based on his "America First" stance since the presidential election campaigns, rather than the attitude of a world-leading superpower.

In January this year, however, President Trump indicated the possibility of United States' return to the Paris agreement. In an interview with a U.S. media organization on January 25, he also hinted at his readiness to return to the TPP agreement as well. Whether there could be a policy turnaround is attracting global attention. However, the real intentions behind these indications and whether they are backed by specific contents are still unclear and must be checked carefully.

President Trump has enjoyed a robust domestic economy in the past year. The Dow Jones industrial average on the New York Stock Exchange surpassed 20,000 just after his inauguration and continued to hit a record high, reaching 26,393 on January 25, 2018. From the beginning of 2017, the stock average soared by about 6,500 points or 32%. Stock price hikes in the Trump market accelerated in response to the enactment of the abovementioned massive tax cuts. As a matter of fact, how specifically and quantitatively President Trump's economic policies have contributed to the briskness must be analyzed. However, the Trump administration is likely to emphasize the stock market upsurge as his achievement toward a midterm Congressional election later this year. However, some analysts see bubble factors behind the stock market upsurge. We must pay attention to future stock market developments. Given the emergence of a virtuous circle in which the robust U.S. economy exerts positive effects on the global economy, the future course of the U.S. economy will attract attention from the viewpoint of its great influence on the global economy and energy market.

In the energy field, President Trump since his inauguration has implemented policies to pursue energy dominance which he emphasized in his energy policy address last June, based on his "America First" stance. To step up the development of shale and other oil and gas resources, the Trump administration has promoted the opening of oilfields for development in the Gulf of Mexico and others and the construction of pipelines and other infrastructure and reviewed environmental regulations including those on methane emissions and hydraulic fracturing and upstream development. While the administration has promoted and supported oil and gas development and use, U.S. oil and gas production has continued expanding, enhancing the United States' position as the world's largest oil and gas producer. Supported by expanding production, oil and gas exports have increased. Particularly, LNG exports have gained momentum. However, attention must be paid to the extent to which Trump administration policies have contributed to oil and gas production expansion. Rather than administration policies, the shale oil and gas industry's cost reduction and productivity improvement efforts and crude oil prices' upward trend throughout 2017 have greatly contributed to the expansion. This means that market forces have made greater contributions than government policies.

This point is valid for other energy areas. The Trump administration has given policy priority to the revival of coal but the path to the revival has not been easy. While U.S. coal production has slightly recovered thanks to increase in coal export, coal has faced severe competition from gas and renewable energy. It is seen as difficult to use policy support for the full revival of coal. In the face of coal and nuclear power plant closures, the Department of Energy requested the Federal Energy Regulatory Commission to consider a regulatory reform plan to allow baseload power costs to be recovered. Eventually, however, FERC concluded that it would be

difficult to find any legitimate grounds for introducing any mechanism or premium to allow such costs to be recovered. In this respect, coal and nuclear energy will remain exposed to market competition. While some state governments have considered or implemented support measures for nuclear power plants as zero-emission power sources, federal support measures are still uncertain. Future relevant developments will attract attention. As for renewable energy power generation that has attracted global attention with rapid cost reduction, state-level support and cost cuts, rather than federal-level policies, have led renewable energy to expand in the past year.

In the environmental field, President Trump shook the world with his offer to withdraw from the Paris agreement, before indicating his possible return to the agreement as mentioned above. Future relevant developments will attract attention. U.S. GHG emissions could naturally decline thanks to gas and renewable energy expansion. The replacement for the Clean Power Plan that Trump has vowed to repeal is subject to future attention.

Regarding energy diplomacy, Trump policies' impact on the Middle East might have been the worthiest of attention. In the Middle East that has always been characterized by geopolitical uncertainties, President Trump's policies in the past year seem to have apparently accelerated destabilization and crises, instead of stabilizing the situation, as indicated by problems caused by his recognition of Jerusalem as Israel's capital and his hardline attitude against Iran over the nuclear agreement. We must pay attention to future U.S. energy policy developments including those related to the Middle East as a major factor exerting great influence on the world and the international energy situation.

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