



# How Japanese companies view the U.S. Presidential and Congressional election results

(Results of a Quick Business Survey from 630 Japanese Companies based in the United States)

**Japan External Trade Organization (JETRO)**

**New York**

**Chicago**

**San Francisco**

**Atlanta**

**Los Angeles**

**Houston**

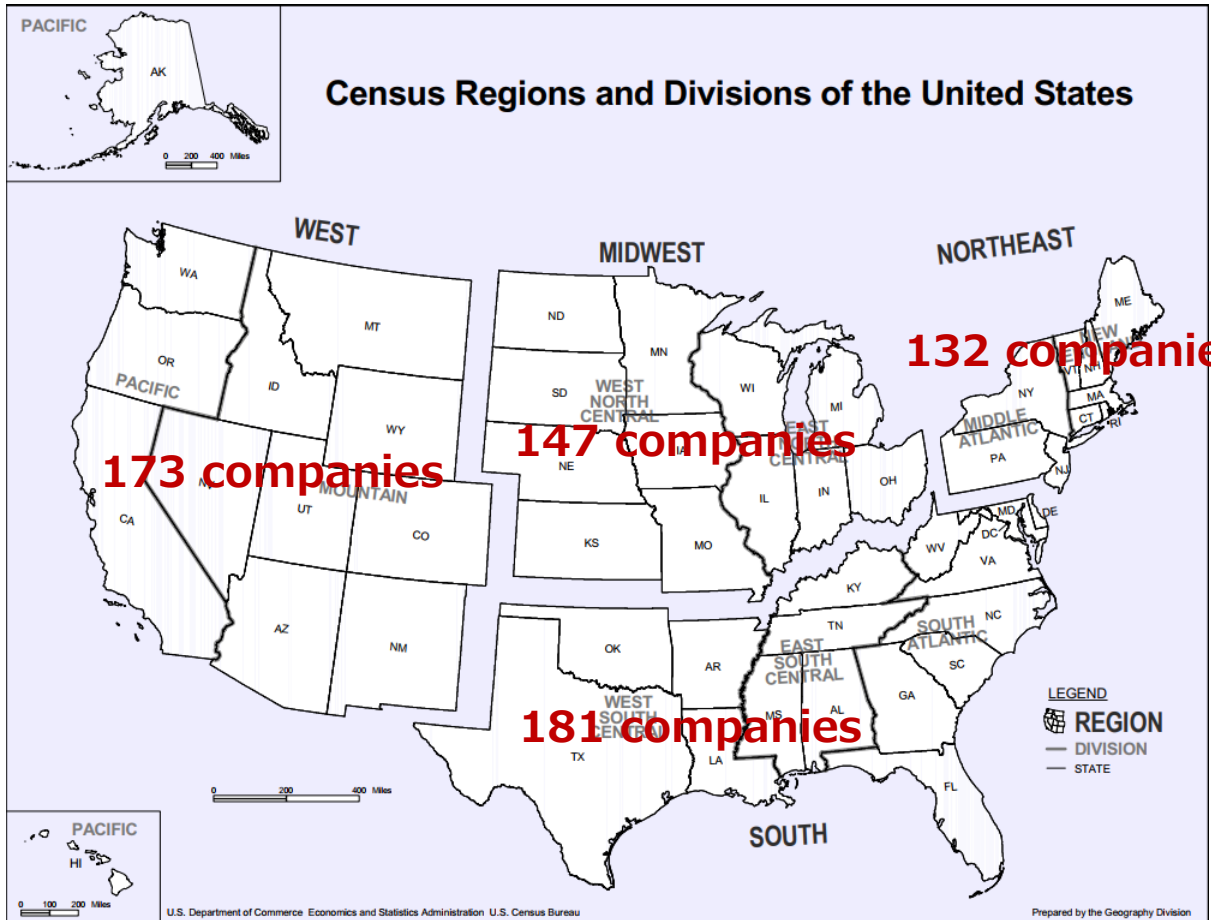
**January 14, 2021**

# Survey Overview

Survey Period: January 7 – 8, 2021

Valid Responses: 633 companies

(Respondents by Region)



❖ Respondents by Industries

Manufacturing: 343  
 Non-Manufacturing: 290

❖ Respondents by Number of Employees

1~10: 183  
 11~100: 226  
 101~500: 144  
 More than 501: 80

# Key Findings of the Survey

## 1. Over half of companies view the election results as “Positive for Business”

- 28.5% of the surveyed companies stated the Presidential and Congressional election results have both a positive and negative impact on their businesses that are comparable, while 24.8% expect to see a positive impact overall. Both responses totaled 53.3%, with more than half of companies expecting some kind of a positive impact.
- On the other hand, 22.0% stated they are not certain, as these companies cannot measure the impact at this time.

## 2. Positive impact: Removal of visa restrictions and improved predictability

- More than half of respondents stated the leading reasons for a positive impact were removal of restrictions for non-immigrant visas and improved predictability in trade policies. Expectations are high to reverse some of the policies implemented by the Trump administration.
- Additionally, 40% of companies expect the Biden administration to take action responding to COVID-19 and implementing environmental and energy-related policies.

## 3. Negative impact: Rising costs such as higher taxes and increased burden of healthcare

- On the other hand, 80% of respondents foresee a negative impact due to tax hikes including corporate taxes. This was followed by an increased burden of healthcare costs, increased costs due to strengthening of environmental and energy regulations and strengthening of labor legislation. Overall, rising business costs were the major concern.

## 4. Policies affecting management under the new administration

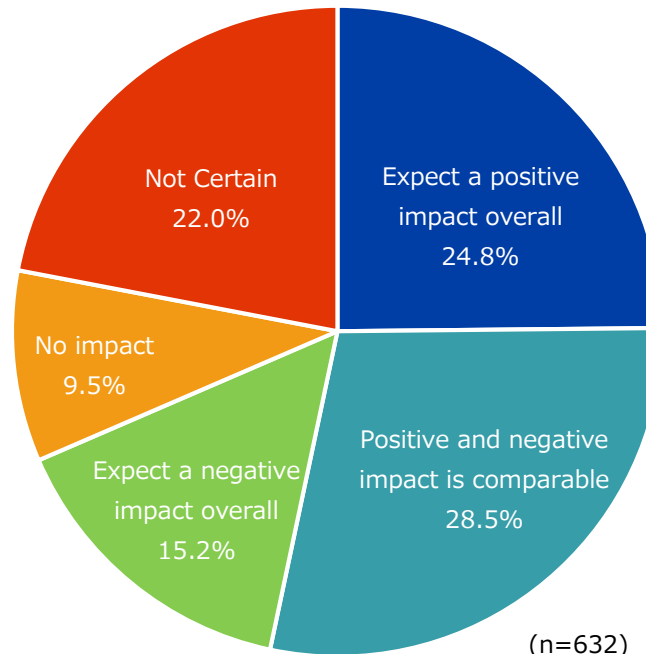
### (Corporate tax, response to COVID-19, immigration and visa)

- The leading policy areas affecting management for companies include the US corporate taxes system(61.1%), followed by response to COVID-19, immigration and visa policies, policies with China, and environmental and energy regulations (climate change countermeasures).
- Based on the results of the election, many companies are planning to take action in the fields of environment and energy, as well as infrastructure, while some companies are closely monitoring the progress on specific policies.

# 1 | Impact of the Presidential and Congressional election results on businesses

- A majority of the surveyed companies (28.5%) stated the Presidential and Congressional election results have both a positive and negative impact that are comparable, while 24.8% expect a positive impact overall.
- The total for the responses above adds up to 53.3%, with more than half of the companies expecting the election results will have some kind of a positive impact on their business. On the other hand, 22.0% stated they are not certain, as these companies cannot measure the impact of the election results at this time.

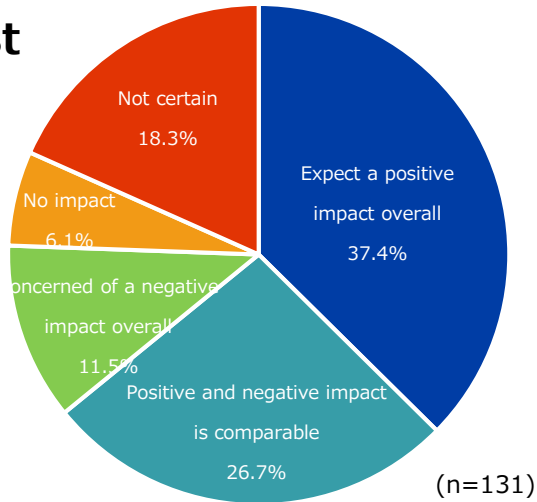
Impact of the Presidential and Congressional elections on businesses  
(Single-answer)



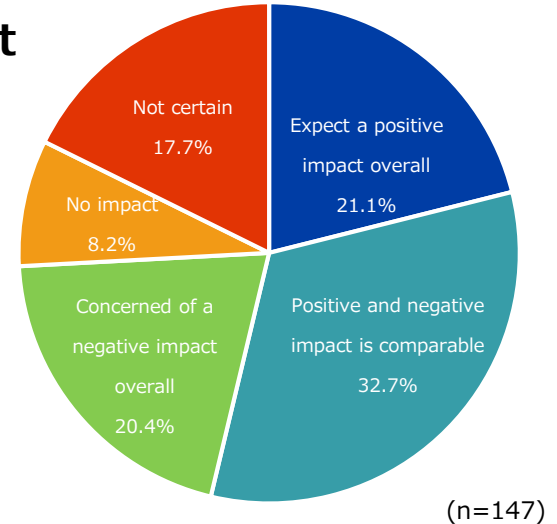
# 1 | Impact of the Presidential and Congressional election results on businesses (By Region)

- Regionally, many survey respondents in the Northeast expect a positive impact (37.4%), while about 30% of respondents in the Midwest and West stated the positive and negative impact is comparable.

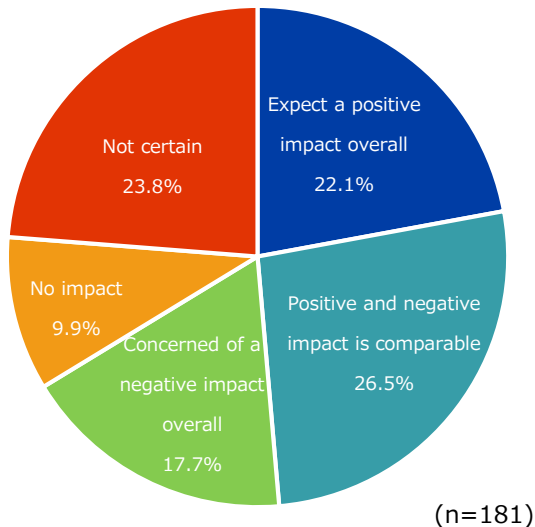
## Northeast



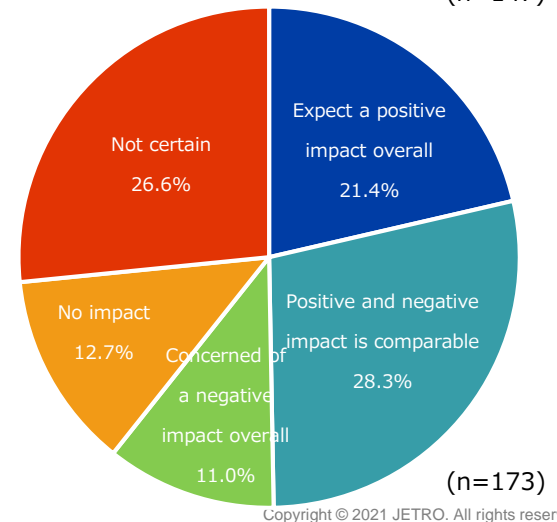
## Midwest



## South



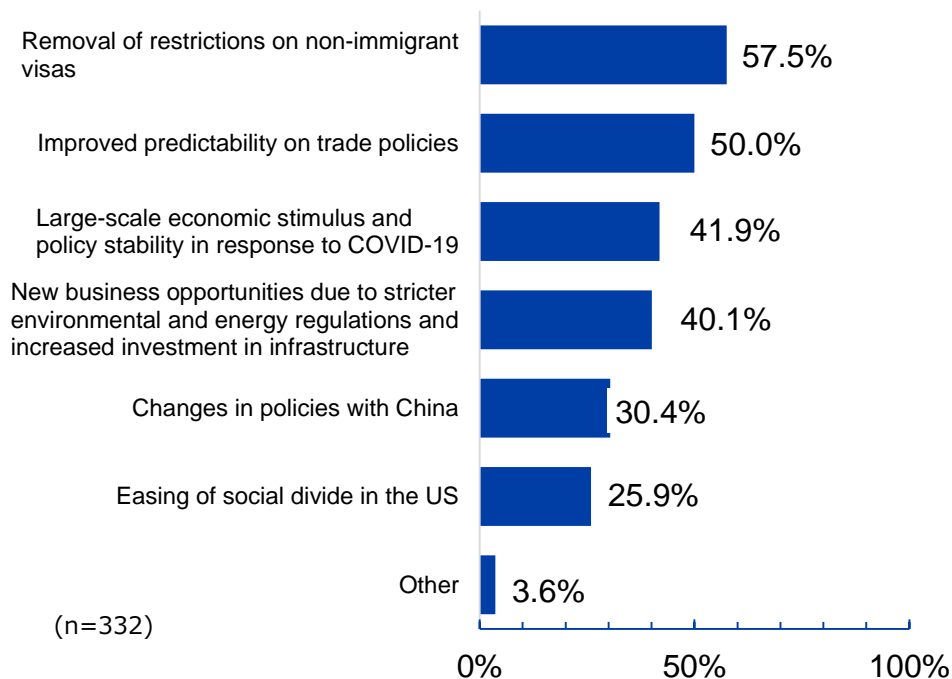
## West



## 2 | Reasons to expect a positive impact

- More than half of the respondents stated the leading reasons for expecting a positive impact is the removal of restrictions on non-immigrant visas and improved predictability on trade policies, indicating high hopes to reverse some of the policies implemented by the Trump administration.
- Additionally, the Biden administration's response to COVID-19 as well as environmental and energy policies both accounted for about 40% of respondents stating reasons to expect a positive impact.

### Reasons to expect a positive impact (Multiple Responses allowed)



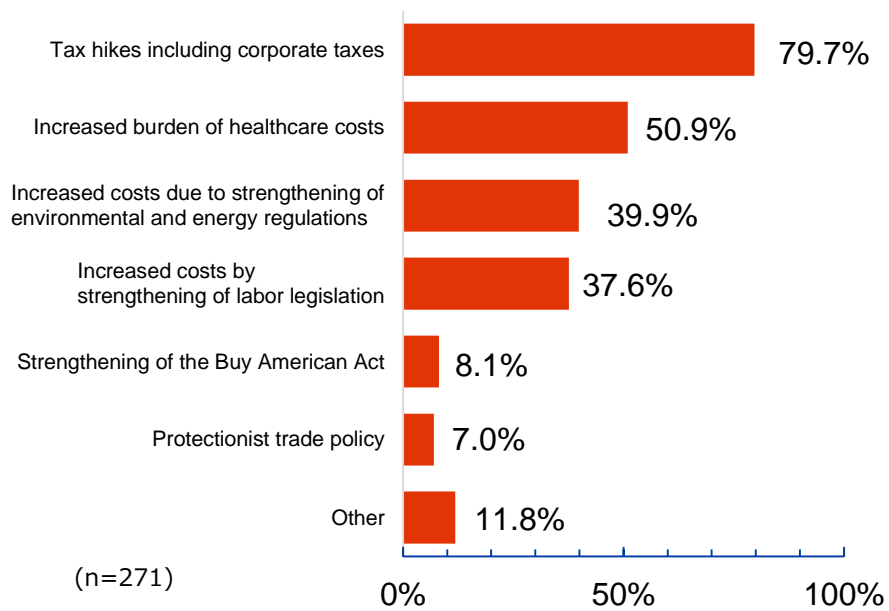
### (Other Responses)

- Higher demand for clinical tests due to health insurance reform
- Short-term rise in stock prices
- Positive impact on higher education
- Although there may be a negative impact in the short term, by restoring the US to the way it should be, it will be more desirable to develop a more sustainable future
- Consumption is expected to recover from low interest rates and economic stimulus provided by the MMT (Modern Monetary Theory)
- With less rapid and radical changes, it will be easier to predict the future
- Positive impact on New York City
- Expected increase in research budget
- Improved relations with EU
- Increased travel between Japan and the US through COVID-19 measures and economic cooperation

### 3 | Concerns of a negative impact

- On the other hand, 80% of respondents foresee a negative impact due to tax hikes including corporate taxes. This answer was followed by an increased burden of healthcare costs, increased costs due to strengthening of environmental and energy regulations and strengthening of labor legislation. Overall, rising business costs were the major concern.

#### Reasons for concerns of a negative impact (Multiple responses allowed)



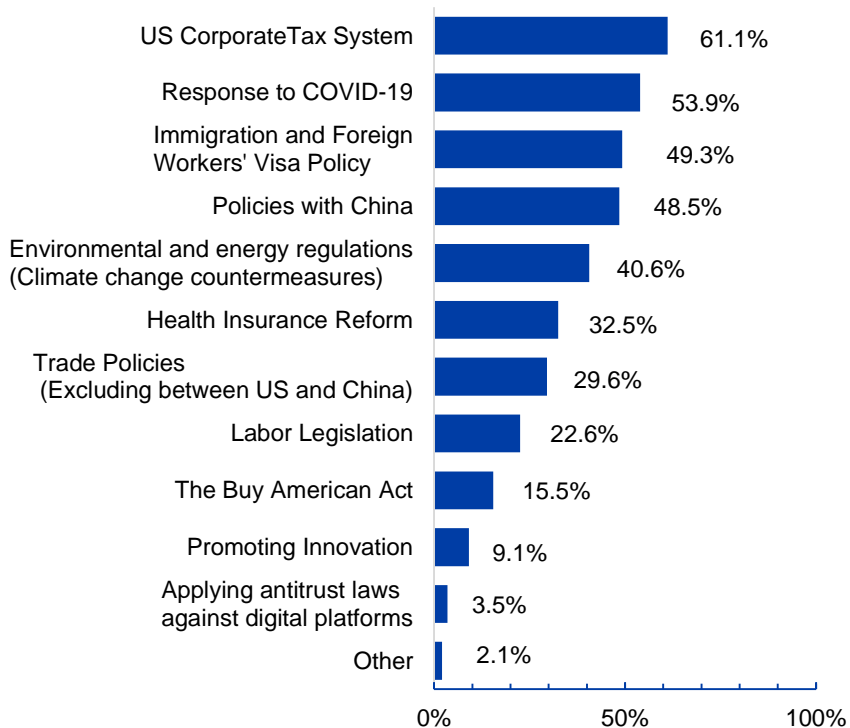
#### (Other responses)

- Confusion if the transition to a new administration is not conducted smoothly
- Deterioration of public order due to riots, etc. (including reduction in police power)
- Concerns over deterioration in the economy and public security due to the social division
- Shift in demand due to transition to EVs
- Impact on oil-related industries due to shift to renewable energy
- Expecting intensified competition due to the removal of sanctions on Chinese products
- Procurement pressure from minority-certified companies
- Strengthened regulations in various areas (Financial Services, Personal Information Protection, etc.)
- Application of antitrust laws and other regulations to foreign companies will become more strict
- Delay in economic recovery due to tighter regulations on COVID-19 measures
- Rise in long-term interest rates
- Foreign Exchange Balance: Concern over the Yen's appreciation
- Reduction in defense spending

# 4 | Policy areas affecting management under the new administration

- The leading policy areas affecting management under the new administration were the US corporate tax system (61.1%), followed by response to COVID-19, immigration and foreign workers' visa policy, policies with China, and environmental and energy regulations (climate change countermeasures). Many companies are awaiting further details on what kinds of policies the Biden administration will implement.

## Policy areas affecting management under the new administration (Multiple responses allowed)



(n=625)

## (Other Responses)

- Green New Deal Policy
- Financial regulations and personal information protection regulations
- Tax reform to individuals rather than corporations
- Tax hikes
- Promotion of policies in the IT field (AI, Robotics, 5G)
- Police Reform
- Revival of Medical Device Tax
- Exchange control policy
- Short-term stimulus towards infrastructure investment
- Promotion of travel demand
- US Energy independence
- Labor unions (Union wage increases impact US manufacturers)



## 4 | Policy areas affecting management under the new administration (By Region)

- Corporate tax and COVID-19 measures were the leading areas that companies from all regions believed would affect their business. In addition, visa policies were also an area of high concern in the Northeast and West, while policies with China remained at the top in the Midwest, and environmental and energy regulations in the South.

(Multiple responses allowed, %)

	Northeast (n=130)	Midwest (n=146)	South (n=178)	West (n=171)
US Corporate Tax System	63.8	61.6	58.4	61.4
Response to COVID-19	56.9	47.9	53.4	57.3
Health Insurance Reform	23.1	39.0	32.0	34.5
Applying antitrust laws against digital platforms	3.8	1.4	4.5	4.1
Policies with China	48.5	50.0	46.6	49.1
Trade Policies (Excluding between US and China)	26.9	34.2	29.8	27.5
Environmental and energy regulations (Climate change countermeasures)	45.4	39.7	50.6	27.5
Immigration and Foreign Workers' Visa Policy	56.2	39.7	47.2	54.4
Labor Legislation	20.0	22.6	20.8	26.3
The Buy American Act	16.2	19.9	11.8	15.2
Promoting Innovation	11.5	3.4	9.6	11.7
Other	1.5	1.4	1.7	3.5

(Note: The highlighted cells indicate the top three categories in each region)

# 5 | Measures based on the Presidential and Congressional election results (1)

- When asked about measures companies are taking based on the election results, a majority stated responses relating to fields in environment, energy and infrastructure. Many companies plan to closely monitor the progress for each of the policies until specific details are outlined.

## (Sample Responses)

### ■ Tax System

- Due to the transition to a new administration, we foresee a potential tax reform and are considering how this will impact our clients.

### ■ Labor Legislation

- We are not considering any specific measures at this time but there is a possibility that policies under the Obama administration will be revived such as giving preferential treatment to labor unions and strengthening the EEOC (Equal Employment Opportunity Commission). We are closely watching the situation including compliance measures.
- We plan to enhance communication among expatriates, local staff and our HQ in Japan. It will be necessary to further promote having strong relations among all employees.

### ■ Trade Policy

(Continues to the upper right-hand side ↗)

- We must have a clear idea for our new sales expansion before the punitive duties are removed.
- Depending on how the tax rates with China will change, we may need to review and reconsider our suppliers.

- We will consider what actions we will take based on how the administration plans to steer its policy with China. If the policy outlook with China is weak, we may need to review our production bases.
- The expansion of the foreign manufacturing industry in the US accelerated under the Trump administration but this trend is expected to halt. We will focus on our collaborative project with a company that has decided to build manufacturing plants in the US.
- Though there is a strong view that there won't be any immediate changes in trade policies (including China), it may be necessary for us to take action depending on the direction of these policies.

### ■ Promoting Innovation

- While there are concerns about the impact of shale gas regulations on new LNG projects, there are also opportunities to promote innovation in hydrogen and decarbonization. We will strive to gather information and take advantage of new opportunities.
- We are looking to strengthen activities involving the promotion of sustainable innovations, such as CO2 reduction.
- We are looking to strengthen our focus on innovation in the environment and energy fields.

# 5 | Measures based on the Presidential and Congressional election results (2)

(Sample Responses)

## ■ Environment, Energy and Infrastructure

(Collecting information)

- We plan to follow the latest trends on the strengthening of environmental regulations in California.
- We will closely follow how the oil and gas companies will respond under the Biden administration, and watch how quickly the energy transformation takes place.
- We plan to enhance our efforts in gathering information related to environmental and energy policies.

(Management strategy)

- I think the main area of focus will be on environmental policy, so we will be steering in this direction.
- With the advent of the new administration, we will need to accelerate our focus on clean energy.
- With environmental and energy regulations being strengthened, there are concerns our product users will restrain their investment levels. Additionally, considering the impacts from COVID-19, we will need to consider scaling down our business and reevaluate what actions we will need to take.
- We are considering implementing measures such as reducing greenhouse gas emissions to respond to environmental regulations. We will need to review the scalability of the fossil fuel business and potential investment in clean energy.
- We are looking into increasing investments in energy-related products.

- It will be critical for us to be original and creative when considering how to implement technological innovations in reducing CO2 emissions with the shift in energy policies. We plan to strengthen compliance measures with new environmental regulations such as the one for exhaust gas emissions.
- Because our business is focused on infrastructure maintenance, we must be prepared to meet the needs of an increased order demand that coincide with large-scale infrastructure investments.

(Production and sales)

- We are considering developing new products related to environmental needs.
- We are looking to strengthen our business for the EV industry and escalate our development of environmentally conscious products.
- It is necessary to strengthen cost competitiveness in the energy field.
- We are planning to follow the Biden administration's key posts (director-general class) and to build our network. We also aim to promote our environmentally advanced technologies and products.
- As environmental regulations become more stringent and the adoption of EVs accelerate, it is expected that the materials in need will change. We are not considering any specific measures at this time, but we will have to change our materials to adopt to this new environment.
- We will strengthen product development and marketing strategy for sustainability solutions in North America.
- Since we foresee that the adoption of green vehicles will accelerate, we will need to expedite ensuring an adequate supply of goods to meet those needs.

# 5 | Measures based on the Presidential and Congressional election results (3)

(Sample Responses)

## ■ Government Policy (Overall)

(Collecting information)

- We are looking to closely assess the policies of the new administration first.
- We are looking to see how the new administration's policies will differ from those of the previous administration.
- We are not planning to take measures at this time as we would like to determine the direction of the new administration.
- We will take a wait-and-see approach until the new President's policies are clarified.
- Since the new administration has yet to come up with specific details on the policies, we are taking a wait-and-see approach.
- We are closely following areas concerning the progress on public security, visa handling and the COVID-19 Relief Act.
- We have no plans to take any actions at this time. Our understanding is that the administration will prioritize COVID-19 measures and there will be no tax hikes for the time being. We will make plans based on the latest policy information.
- We understand the direction of the new administration, but details of specific measures are still unclear, and we do not know how quickly things will progress. It will be necessary to closely monitor details on specific measures.
- As we are not aware of the specific details for regulations at this time, we will closely monitor future developments.
- We plan to gather information through our network with our office based in Washington DC and analyze future trends.
- We plan to closely monitor business conditions by customer segment (E.g. If rising interest rates would change demand in the construction sector, etc.)

- We are closely monitoring the impact on the market since we are involved in market operation.
- Regardless of which administration takes office, our key areas of interest are economic and trade policies (especially with China). In this sense, we do not foresee there will be any significant negative impact in either of these areas, and we are not considering any specific measures at this time. We will closely monitor future developments.

(Strengthening Lobbying)

- We plan to strengthen relationships with officials since we expect the role of the Government and Congress will expand and be restored in the policy-making process.
- We plan to expand engagement with stakeholders under the new administration.
- Since we expect regulations at the federal-level will accelerate, we find it critical for the policy liaison unit to strengthen relations with federal government and committees.

(Other)

- Moving forward, we are concerned about being able to ensure safety for expatriates.
- We plan to speed up the process for decision making with accelerating policy implementation through the elimination of a divided parliament.

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