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ELECTIONS HAVE CONSEQUENCES: WHAT TO EXPECT WITH TRUMP'S UNEXPECTED WIN

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ELECTIONS HAVE CONSEQUENCES. DONALD J. TRUMP, PRESIDENT-ELECT, SHOULD BE SWORN IN AS THE 45TH PRESIDENT OF THE UNITED STATES ON JANUARY 20, 2017. THREE MAJOR PROMISES HE CAMPAIGNED FOR INCLUDE (1) TRADE REFORM, (2) IMMIGRATION REFORM, AND (3) TAX AND REGULATORY REFORM.

TRADE REFORM

We expect there be major policy shifts on trade. Specifically, US companies that attempt to move their manufacturing abroad and to outsource jobs will be penalized through tariffs or other punitive measures or, if such laws cannot pass the US Congress, by reputational risk. The President-elect has already focused on this issue as exemplified through the widely reported "Carrier" deal, in which the President elect and his Vice President negotiated a deal for some of the jobs originally announced by Carrier to be outsourced to Mexico to remain in the United States. In addition, trade deals may be re-negotiated and we expect the current trade deal known as the "TTP" (at least, in its current form) to be axed. It is unclear whether his intended punitive polices will be limited to existing companies located in the United States which intend to move offshore in the future or companies that have already left.

IMMIGRATION REFORM

One of the campaign promises President-elect Trump made was significant immigration reform by, in particular, building a wall at the southern border (and making Mexico pay for it) and to get tough on perceived immigration abuses (e.g., illegal immigration, visa overstays, and the hiring of non-lawful workers). While we expect a lot pressure on the President-elect to keep his campaign promises, we expect the President-elect to be flexible when it is in the interests of the US. In particular, we expect his original stance on highly-skilled workers (which such stance was moderated throughout his campaign) to not come to fruition; instead, we expect highly-skilled workers to continue to have paths to US visas in order to support the tech and other industries. Such visas, may, in fact, be expanded.

TAX AND REGULATORY REFORM

The President-elect has touted tax and regulatory reform throughout his campaign to stimulate job creation in the United States.

With regards to taxes, two major components of such promises are business tax reform and individual tax reform. The President-elect has promised to cut corporate tax rates significantly (to 15 percent), to provide a repatriation holiday of foreign earnings of US companies locked offshore, and to eliminate the estate tax in the case of individuals. We expect these promises to be kept to some significant degree; if these polices are enacted, taxpayers are well advised to take advantage and to restructure current holdings as some of the polices may be temporary. For example, the estate tax (and its rates) has historically shifted when Republicans and Democrats change power. With regards to regulatory policy, based on his initial cabinet and other appointments, we expect the Trump administration to initially focus first on the United States to become more energy independent; this includes reducing regulations on the oil, gas, and coal industries. Their focus will likely shift to other industries to make it easier to do business in the United States as time progresses.

While some of these changes are more than welcome, in particular, easing the ability to invest in the United States, others have some cause for concern. We recommend to pay careful attention to the first 100 days of the new administration.

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