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# JAPAN'S ABE SITUATION PART 2: A PERSONAL VIEW FROM A JAPAN OLD HAND

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Many media reports are suggesting that Yoshihide Suga is leading the race to be Japan's next prime minister, with a main question being whether he, without a large faction of his own, will just be a temporary placeholder for new leader. In this regard, it is important to note that he is not just a safe pair of hands; rather, he has the same long-held vision as Abe and led his rise into his second stint as prime minister in 2012. He has stood by him as his chief cabinet secretary since then, which was a historical record along with Abe's record as prime minister, and pushed through all Abe's successful efforts, including many reforms that were deeply resisted. Indeed, he is considered to be a very effective policy leader within the party and bureaucracy. He never tried to outshine Abe, as some chief cabinet secretaries have done before to their prime ministers, and certainly was key to Abe's successful tenure, so Abe's large faction could well swing his way. One other large faction that supported Abe has already done so. Thus, it is highly likely that Suga will retain all of Abe's major policies, including regarding corporate governance.

Moreover, Suga's experience with the virus situation, including his appropriate pushback on complete shutdowns, is key, as this is Japan's greatest concern right now. If he is successful in this, especially in the months leading up to the Olympics and Paralympics decision, he will likely be considered less transient and could effectively dominate the October 2021 lower house election. Meanwhile, the LDP likely has reduced the urgency for constitutional change, so it does not need much more than a majority to rule, and thus does not likely need a tremendously charismatic leader for that election.

If Taro Aso, Abe's close friend and ally who just announced that he will not run for prime minister (he served about one year as such previously), remains as finance minister, such would be very helpful in preventing yen appreciation, as he has always been vocally adamant, as leader of the ministry that controls such policy, that it should not appreciate, and is closely aligned with BOJ Governor Kuroda on such. There is little reason to expect Suga-san would disagree with such, and perhaps might even push for more yen-weakening policies.

In sum, if Suga prevails, the markets should welcome not only a safe pair of hands, but also a person who has consistently held the same vision as Abe.

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