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# 'Trump Shock' Rattles Japan But Pharma Plays Wait And See

by **Ian Haydock**

The surprise decisive victory of Donald Trump in the US election has already been dubbed the "Trump Shock" by the mass media in Japan, where the pharma industry is largely waiting to see whether the new president's actions will match his rhetoric.

The overwhelming public reaction in Japan to Donald Trump's US election victory was surprise, followed by much uncertainty and some worry over whether he will carry through on statements relating to the country that he made during the campaign.

These ranged from talk of a review of security arrangements to make Japan pay more for the substantial US Pacific military presence it hosts, to increased US protectionism over the huge trade flow between the two countries.

Until more is known about who will be in Trump's foreign and trade policy teams and his actual policies begin to take shape, the US president-elect remains a "known unknown".

In a congratulatory message, Prime Minister Shinzo Abe described Trump as a "very successful businessman with extraordinary talents", but also highlighted the need to continue the "unwavering" bilateral alliance and to ensure continued peace and prosperity across the Asia-Pacific region.

In a brief statement, Japan's main business federation Keidanren also pointed to Trump's "extensive business experience". But again it stressed that "The maintenance and reinforcement of the strong US-Japan relationship has great significance for the economy of both countries."

## **TPP Worries**

Probably the biggest immediate political worry in Japan - and one with significant ramifications

for the pharma industry - is over the future of the hard-won Trans-Pacific Partnership (TPP) regional free trade agreement. This had been opposed by both Trump and Democratic rival Hillary Clinton during the campaign, and so was threatened whoever won.

The TPP - agreed by the US, Japan and 10 other APAC nations (excluding China) in February - includes key provisions on patentability criteria, with signatories agreeing for example to grant patents for new uses, methods and processes, which had led to concerns over "evergreening".

The TPP member states also agreed to adjust patent terms to make up for issuance and marketing approval delays, protect data exclusivity, and link product approvals to patent status. These and other measures in the pact were seen as benefiting mainly the research-based industry. (Also see "[OPINION: Impact Of The TPP On The Pharma Industry](#)" - Scrip, 18 Nov, 2015.)

While outgoing US president Barack Obama has said he will push for TPP ratification by the time he leaves office in January, this is looking increasingly unlikely, and Japan (and other participants) have also yet to ratify the trade deal.

Keidanren also stressed the importance of the TPP for Japan and Asia-Pacific regional prosperity, peace and stability, saying that it expects actual practical policies to be hammered out once Trump assumes the presidency.

### Corporate Impact

While the Nikkei stock index closed down around 5.4% on Nov. 9 as a Trump victory began to look most likely, it had already rebounded back in early trading on Nov. 10, rising around 6%.

Individual major pharma stocks had also regained lost ground, with [Takeda Pharmaceutical Co. Ltd.](#) for example up 4.4% and [Daiichi Sankyo Co. Ltd.](#) rising 5.1% in the same period.

Several major Japanese pharma companies contacted by Scrip declined to make any official comment on the Trump victory, other than that they will be watching US policy developments closely following the Jan.

### More In-Depth Election Analysis:

- (Also see "[Trump's ACA Repeal: What's In It For Biopharma?](#)" - Pink Sheet, 9 Nov, 2016.)
- (Also see "[What Does The Trump Victory Mean For Pharma In Post-Referendum EU?](#)" - Pink Sheet, 9 Nov, 2016.)
- (Also see "[Pharma Is Ready And Waiting For A Tax Holiday Under Trump](#)" - Pink Sheet, 9 Nov, 2016.)
- (Also see "[President Trump And Drug Pricing: What To Expect](#)" - Pink Sheet, 9 Nov, 2016.)
- (Also see "[China Keeping Eye On Key Regulatory Dialog After Trump Win](#)" - Pink Sheet, 9 Nov, 2016.)

20 inauguration. "We will try to understand more precisely the influence on the [US] healthcare system," one said.

There had also been no formal response from major Japanese pharma industry groups at the time of publishing.

### **Policy, Currency Impact**

What is clear however is that the business fortunes of the top Japanese pharma companies will be tied to whatever happens within the US healthcare system, given their reliance on this market in some cases for more than 50% of their revenues. (See box for links to stories on potential US policy changes.)

In an interview with Scrip held just before the election that will be published in the upcoming *Scrip 100*, Takeda president and CEO Christophe Weber said that he expected the US to "remain a country that is pro-innovation and that rewards innovation. That is a fundamental that will remain," he predicted.

However, he cautioned that: "On the other hand, I think there will be some pressure and accelerating debate around the cost and affordability of the healthcare system. It will be an agenda of the next president."

The other main business impact could come from the movement of the yen against the US dollar. While the Japanese currency strengthened immediately after the result - which effectively cuts yen-reported income from US operations - it had weakened again on Nov. 10.

*From the editors of PharmAsia News.*