

Match made in heaven

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Prime Minister Abe is poised to be the first global leader to meet with President-elect Trump, Thursday November 17 in New York. In our view, the meeting is likely to underscore a strong US-Japan alliance, with possible positive implication for US-Japan economic and financial relations.

A couple of points to keep in mind:

Prime Minister Abe and President-elect Trump share a basic “strongman” leadership philosophy, with a strong “my country first” basic ideology. In addition, both men have more or less explicitly build their popular support at least in part by trying to stand-up to the rise of China.

Team Abe has deep-rooted connections to the Republican Party. Barely a year in power, in September 2013, [Abe became the first non-American to be awarded the Herman Kahn Award from the conservative Hudson Institute.](#) (Within hours after the US election result was confirmed, Team Abe worked overtime to secure a meeting with the President-elect. Securing the first high-profile global leader meeting is poised to have many advantages: Abe’s first-mover visit will give the President-elect a high-profile chance to look Presidential on the global stage. The US-Japan economic and security relationship will mark the start of Trump’s global leadership.

Japan’s Prime Minister may very well be in a position to make the President-elect look good. Specifically, it is Japanese tradition to bring an “omigae” when you meet someone for the first time -- a welcoming gift. Here, Japan has much to offer to the President-elect. Specifically, the Trump-agenda seeks to boost US infrastructure. Whether “Shinkansen” bullet-trains, 21st-century logistics hubs and port facilities, smart & user friendly airports or hyper-efficient de-salination plants – Team Abe could easily make Trump look good by offering “Funded-by-Japan” but “Built-by-America” infrastructure projects.

In addition, Team Abe already has an excellent track-record of promoting direct foreign investment by industrial Japan. It is not unreasonable, in our view, to foresee a commitment to build added US factories and raise Japan’s investment into America as a result of this meeting. The point of an “Omigae” is to make your host look good and, in our view, Team Abe know full well that creating US jobs and into-America investment may well be the best way to boost Trump’s credibility at home. “Japan funded, US Built” could be an attractive deal for both sides, in our view.

Of course, there may still be many unknowns about the exact policy agenda and the day-to-day reality of America’s next President and his style of leadership. However, the fact that Japan’s Prime Minister wants to be a “first mover” indicates a strong desire from Japan to become an integral part of America’s future, both in terms of economic partnership as well as security partnership. At the very least, the Japan-US relationship has been moved to the top of Trump’s global agenda.

If, as we suspect, Thursday's meeting goes well, the implications for Yen risk-asset markets are poised to be positive, in our view.

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