

Trump's America & Abe's Japan—Concrete Proposals

Published February 6, 2017

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Japanese prime minister Shinzo Abe is poised to be the first global leader to present President Trump with a concrete policy proposal designed to shape and promote Trump's "America first" agenda and, at the same time, to advance the U.S.–Japan alliance. After meeting the then-president-elect for the first time on November 17 of last year, Abe will meet Trump for the second time on February 10–11; and the prime minister appears very determined to impress the president by offering a concrete "deal" so that both countries can move from talk to action. If, as we suspect, the meeting goes well, the implications are bound to be positive for U.S.–Japan economic and financial relations.

In our view, [Trump's America and Abe's Japan are a match made in heaven](#), not just because both leaders share a basic strongman leadership and "my country first" philosophy but because their economic and financial agendas are very much aligned: Team Abe is determined to make Trump look good by offering "funded by Japan but built by America" infrastructure projects. At the same time, Abe is expected to propose that the U.S.–Japan bilateral trade and investment relationship become a blueprint for a new global trade and investment agenda. Make no mistake: this could be a bold and forward-looking agenda that should help markets understand how a Trump-led global economic and financial agenda will unfold.

Here Is the Deal

Specifically, according to Japan's largest-circulation newspaper, Yomiuri Shimbun February 2, Abe is preparing to offer a comprehensive "Japan–U.S. economic cooperation plan." Bottom line: This deal is designed to create a US\$450 billion market in the U.S. through railway and infrastructure investments and create up to 700,000 U.S. jobs over 10 years¹. Japan would offer to seed-fund these projects with low-interest loans, mobilizing resources from Japan's public pension fund and other public lenders. In addition, the plan proposes that the U.S. and Japan work together to create new cross-border trade rules covering all aspects from e-commerce, intellectual property, government procurement, labor and finance, etc. In other words, after President Trump killed the Trans-Pacific Partnership (TPP), Abe proposes that the bilateral U.S.–Japan framework assert itself as the new forward-looking model for President Trump to lead global economic developments.

In detail, Abe's deal for Trump reportedly focuses on five common goals for the U.S. and Japan²:

1) Develop the world's most advanced infrastructure in the United States

- 2) Use U.S. infrastructure development as a platform for joint leadership in supplying global infrastructure demand
- 3) Lead the development of robots and artificial intelligence and their applications
- 4) Collaborate in new areas such as space development
- 5) Cooperate more closely on defense and security systems development and security strategy

While items 2 to 5 are more strategic at this stage, there are concrete project proposals for U.S. infrastructure, as reported by the Yomiuri Shimbun³:

- High-speed railway projects in Texas, California and the Washington–Boston Northeast Corridor
- A commitment from Japan to replace 3,000 railway train and subway cars currently in use in the U.S.
- Build more highly efficient gas-fired power plants in the U.S.
- Build more nuclear power plants
- Jointly develop robots to decommission old nuclear power plants
- Jointly develop robots to inspect and maintain infrastructure (pipelines, powerlines, etc.)
- Jointly develop the global standard for self-driving trucks, ships and planes

How Will Trump React?

At this stage, we still need to see more concrete details of the exact proposal Prime Minister Abe will offer President Trump. However, the fact that a concrete deal is likely to be offered to Trump is poised to open a new chapter in the Trump presidency—how will he react? Who on his team will engage and lead a constructive dialogue?

In my personal view, Abe deserves a lot of credit for taking the risk and for wanting to be the first global leader to engage America's new president in a proactive and constructive way that, yes, is designed to make Trump look good and puts "America first." Certainly, Japan's top-level engagement contrasts with most other global leaders, who appear to be more reluctant to engage the new leader in Washington.

Viewed from Tokyo, the possibility of a dynamic "win-win" development between the U.S. and Japan is high. Moreover, among Team Abe here in Tokyo, the energy and enthusiasm with which they want to engage with the new team in Washington is extremely impressive—I have not felt this much positive energy among key policy makers here in Tokyo in a very long time.

At the same time, Japan's all-out "America first" engagement drives a further wedge into the relations with China. A worst-case scenario could be President Trump turning around and seeking greater engagement with China, although that possibility appears extremely low at this stage, in our view. Here, the U.S.–Japan security alliance assures an extraordinarily strong base for positive economic relations.

Investment Implications

The most immediate and concrete part of the proposal focuses on infrastructure projects as well as investment into applied robotics. Japan's capital goods sector is thus poised to potentially benefit most directly. In addition, the greater and deeper the Trump–Abe relationship develops, the lower the risk of erratic bilateral frictions should become. Specifically, the more positive U.S.–Japan economic cooperation, the less likely it should get for Japan to be accused of manipulating its currency.

1The Yomiuri Shimbun, “Abe to Propose Plan for Creating 700,000 U.S. Jobs,” The Japan News, 2/2/17.

2Source: The Yomiuri Shimbun, “Abe to Propose Plan for Creating 700,000 U.S. Jobs,” The Japan News, 2/2/17.

3Source: The Yomiuri Shimbun, “Abe to Propose Plan for Creating 700,000 U.S. Jobs,” The Japan News, 2/2/17.

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