



Japan To Invest Its Pensions In US Railroad Infrastructure

Public-Private Partnerships are a key element of advancing Sustainable Development, and they are rapidly expanding in the US, in particular with infrastructure. Establishment of high-speed rail is also a key element in the implementation of Technocracy, and can be seen in the writings and lectures of Dr. Parag Khanna. □ TN Editor

Having decided to actively increase its risk [exposure over the past few years](#), including venturing into high beta stocks and junk bonds - a gamble that has led to a big jump in quarterly volatility not to mention significant downside risk should global markets suffer a crash - Japan's Government Pension Investment Fund, or GPIF, the world's largest pension fund, has decided to invest in US infrastructure projects next.

According to [Japan's Nikkei](#), **infrastructure investments in the U.S. by Japan's GPIF will feature heavily in the economic cooperation package to be discussed at next week's summit in Washington between the two countries' leaders.** The stated goal is to create

“hundreds of thousands of American jobs”, in keeping with U.S. President Donald Trump’s agenda, and deepen ties between the two countries. The unstated goal is to avoid Trump lashing out at Japan as a currency manipulator, and putting in peril Japan’s QQE “with curve control” experiment, which is the bedrock of all Abenomics (as further explained in the [following Nikkei piece](#)).

Japan has grown nervous that after Mexico, China and Germany, it may be next nation to find itself in Trump’s spotlight, something Trump hinted at [yesterday during his meeting with pharma CEOs](#) when he said that “other countries take advantage of America by devaluation,” and then directly named China and Japan as “planning money markets,” presumably implying manipulation.

As such, Japan’s prime minister may be simply offering up billions in pension fund capital as a source of capital for the upcoming Trump infrastructure projects to placate the president and avoid a far more dire outcome, should Trump launch currency or trade war with Japan. Whatever the logic behind Abe’s thinking, new cabinet-level talks discussing trade policies and economic cooperation agreements are also on the table.

Japan’s contingent headed to the US would likely include Finance Minister Taro Aso, Economic Minister Hiroshige Seko, and Foreign Minister Fumio Kishida, the Nikkei reported. The U.S. is expected to send incoming Commerce Secretary Wilbur Ross and incoming U.S. Trade Representative Robert Lighthizer to that meeting. Japanese Prime Minister Shinzo Abe and Trump will aim for agreement on that framework during their Feb. 10 meeting.

“I wish to discuss [Japanese] contributions toward improved productivity and competitiveness in the entire U.S. industrial sector, or a large framework that includes aid for infrastructure development,” Abe told members of the lower house Wednesday. His government has started to lay out a comprehensive initiative addressing job growth.

The draft proposal will feature infrastructure investments in the U.S. by Japan, joint robotics and artificial intelligence research by the two sides,

and countermeasures against cyberattacks.

How will the Japanese megafund allocate pension capital? According to the Nikkei, the GPIF will purchase debt - using the funds of retired Japanese citizens - issued by American corporations to finance infrastructure projects. Up to 5% of the roughly 130 trillion yen (\$1.14 trillion) in assets controlled by the megafund can go toward overseas infrastructure projects. Currently, only tens of billions of yen are invested in that asset class, leaving room for expansion. Additionally, long-term financing for high-speed rail projects in Texas and California would be provided through such avenues as the Japan Bank for International Cooperation.

While we doubt Japanese pensioners are aware that the returns on public infrastructure are some of the lowest in the world, if not outright negative, we are confident they will learn soon enough, although since the full IRR will become evident only over a period of years, they may have bigger concerns should the Nikkei and/or global stock markets, where the GPIF is now heavily invested, crash first.

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