



Morning Alert - Monday, July 3, 2017

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HEADLINES

Morning news

All networks and newspapers led with reports on the results of the Tokyo Metropolitan Assembly election on Sunday, in which the ruling LDP suffered a historic defeat and Tokyo Governor Koike's party gained the largest number of seats in the assembly.

POLITICS

Koike's party wins big in Tokyo election

All papers reported heavily on the landslide victory of Tokyo Governor Koike's Tomin First Party in Sunday's Tokyo Metropolitan Assembly election, noting that together with the seats obtained by Komeito and other political groups, forces friendly with the governor won a large majority, or 79 seats, in the 127-seat Tokyo legislature. In contrast, the LDP suffered its worst defeat ever, losing more than half of its current seats to capture only 23. The papers attributed the LDP's dismal performance to the Abe administration's poor handling of the Kake Gakuen scandal, Defense Minister Inada's gaffe about the SDF and the Tokyo election, a "power harassment" scandal involving a junior LDP lawmaker, and a dubious political donation allegedly received by a senior LDP official close to Prime Minister Abe.

End to Abe's "power monopoly" in sight

All papers wrote that the election results dealt a heavy blow to Prime Minister Abe, noting that this was the first major election setback suffered by the Abe administration, which has successfully solidified its power base by winning big in one national election after another since the LDP returned

to power in 2012. Senior party officials reportedly called the magnitude of the election defeat in Tokyo “unbelievable.” Most party politicians agreed that the LDP was “punished” by Tokyo voters for Abe being “too arrogant.” They said the Tokyo voters were probably critical of the prime minister’s “high-handed” policy management, such as circumventing a committee vote when enacting the controversial anti-conspiracy law. The prime minister huddled hastily with Deputy Prime Minister Aso, Chief Cabinet Secretary Suga, and other senior administration officials last night to analyze the election results, concluding that he should not be held accountable for the election setback.

However, the dailies projected that the election results are bound to weaken Abe’s grip on power and upset his key policy agenda items, including his intention to present an LDP draft constitution by the end of this year for proposal to the Diet and a national referendum for constitutional amendment as early as June 2018. The papers also explained that it has now become uncertain whether it will be possible for the premier to be reelected as LDP president in September, predicting that Foreign Minister Kishida, former Defense Minister Ishiba, and other potential rivals who have been politically “dormant” until now in the face of high public support for the premier, will perhaps be emboldened to try to unseat him. While the prime minister will probably be looking to reshuffle the cabinet in August or earlier to turn around the situation by giving cabinet portfolios to such popular LDP legislators as Shinjiro Koizumi, Abe’s detractors in the LDP will perhaps call for the immediate resignation or dismissal of Defense Minister Inada. The papers also projected that the partnership between the LDP and its junior partner Komeito may become strained as Komeito chose to join forces with Tomin First in the Tokyo race by citing the LDP’s obstruction of Koike’s reform initiative.

Democratic Party’s presence fading

All papers wrote that the largest opposition Democratic Party won only five seats, noting that although it stepped up its criticism of the Abe administration in the campaign in a bid to galvanize voters critical of the prime minister and the LDP, most of them supported candidates fielded by the Japanese Communist Party. Pointing out that many DP candidates abandoned the party and joined Tomin First right before the election campaign, the articles speculated that the DP is no longer viewed by many Tokyo voters as a viable alternative to the LDP. The Tokyo election results demonstrated to the DP leadership headed by President Renho the paramount difficulty of reconstructing the largest opposition group.

Koike to return to national politics?

All papers wrote that triumphant Tokyo Governor Koike may be tempted to return to national politics eventually. The dailies noted that Koike’s close associates are looking to form in the near future a national political party comprised of several Diet members, including Akihisa Nagashima who was expelled by the DP and Yoshimi Watanabe who was ousted from the Japan Innovation Party, as a springboard for her to seek premiership. The papers said since Koike achieved landslide victories in

the Tokyo gubernatorial and assembly races, she is now viewed as a very competitive campaigner. LDP officials fear that many party candidates in Tokyo would be defeated easily by Tomin contestants in the next general election.

INTERNATIONAL

Abe, Trump to discuss North Korea

Monday's Yomiuri and Sankei took up a White House announcement on Sunday that President Trump will speak by phone with Prime Minister Abe today (Japan time), speculating that the two leaders are likely to exchange views on North Korea. According to the White House, the U.S. leader is expected to also hold a teleconference with Chinese President Xi.

U.S., ROK agree to enhance bilateral alliance

All weekend papers reported extensively on a U.S.-South Korea summit held in Washington on Friday, noting that President Trump and President Moon confirmed the need to strengthen the bilateral alliance to cope with North Korea's nuclear and missile development. The papers added, however, that the two leaders "papered over" their differences, such as discord over the THAAD deployment, in order to play up mutual rapprochement.

Asahi said President Trump chose not to focus on bilateral discord over North Korea and instead applied pressure on the trade front, which is one of his foremost concerns, by openly calling for renegotiation of the existing bilateral FTA. Noting that opposition to renegotiation is very strong in South Korea, the daily said possible trade discord between the two allies may complicate trilateral cooperation with Japan to deal with North Korea's provocations. Yomiuri wrote that Washington is concerned that the Moon administration is being too conciliatory toward the DPRK, pointing out that although Moon stressed the need for dialogue with Pyongyang in a post-summit press availability, President Trump used stern rhetoric against the dictatorial regime.

U.S. ratchets up pressure on China

All Saturday morning papers took up financial sanctions imposed by the U.S. on a Chinese bank and company that have been involved in transactions with North Korea. The papers wrote that in addition to its decision to sell arms to Taiwan, the Trump administration appears to be abandoning its conciliatory approach toward China and is now poised to apply pressure on Beijing to take a harder line against the Kim Jong Un regime ahead of a planned summit between President Trump and President Xi in Hamburg on the margins of the G20 summit this week. Nikkei said Washington is inclined to step up its economic pressure on Beijing by hinting at possible sanctions on Chinese steel imports in the belief that China has not done enough to restrain its defiant neighbor. Yomiuri projected that the Trump administration may also choose to take up human rights issues, such as the hospitalization of Liu Xiaobo, a human rights activist who had been imprisoned since 2009.

In a related story, Yomiuri said the GOJ is expected to impose sanctions on the same Chinese bank and company to apply more pressure on China in coordination with the U.S.

Meanwhile, most Monday papers took up a Fox News story on the disclosure by a Pentagon source that the USS Stethem sailed within 12 nautical miles of Triton Island, part of the Paracel Islands in the South China Sea, on Sunday, noting that this was the second freedom of navigation operation carried out under the Trump administration. The dailies conjectured that the latest operation represents Washington's policy of stepping up pressure on China.

Sino-Japanese maritime dialogue makes little progress

Saturday morning's Yomiuri took up the conclusion on Friday of two-day high-level talks in Fukuoka between Japan and China on maritime issues, including the establishment of a maritime and aerial communication mechanism and joint gas field development in the East China Sea. While the two sides agreed to swiftly launch the proposed maritime communication channel, China rejected Japan's request for resuming the bilateral consultations on gas field development that have been suspended since 2010.

Japan displeased with Busan ordinance on comfort woman statue

All Saturday morning papers reported on Japan's reaction to an ordinance approved by the municipal assembly of Busan enabling the municipality to provide for the upkeep of the comfort woman statue built in front of the Japanese Consulate General in January by a civic organization. The GOJ is displeased because this will make the removal of the memorial even more difficult. Foreign Minister Kishida said: "The enactment is not compatible with Japan's position since it is intended to make the memorial permanent." Chief Cabinet Secretary Suga said: "The enactment is extremely regrettable because the comfort women issue has already been settled finally and irreversibly."

Second comfort woman memorial unveiled in America

Saturday morning's Sankei wrote that a ceremony was held on Friday in Brookhaven, Georgia, to unveil a comfort woman statue built by a South Korean civic group, noting that this is the second memorial of its kind to be installed in the U.S. following the one erected in Glendale, California. Noting that the Consulate General in Atlanta and local Japanese residents had campaigned against the statue, the daily said Chief Cabinet Secretary Suga voiced strong displeasure over the development during a press conference on Friday.

Fact-finding delegation returns from Northern Territories

All Sunday papers reported that a Japanese delegation tasked with conducting feasibility studies on "joint economic activities" in the Northern Territories returned home yesterday after surveying some 60 locations, such as tourist spots, fisheries processing plants, and hospitals. Although the Japanese side is hoping to identify specific projects for business collaboration quickly with the hope

of eliciting Russian concessions on the territorial dispute, the Putin administration is not very enthusiastic and has insisted that any economic initiatives on the islands must be undertaken under Russian rules and regulations. Yomiuri said the Russian side was not very cooperative with the delegation and rejected a Japanese request for a visit to a local power plant, speculating this perhaps represents President Putin's cautious position on the territorial dispute as evidenced by his recent remarks voicing concern about the possibility of deploying U.S. troops to the islands if they are returned to Japan.

Nikkei projected that when Prime Minister Abe meets with President Putin in Hamburg this week on the margins of the G20 summit, he will press him to identify potential joint projects swiftly with the goal of finalizing them in September when a major economic conference will be held in Vladivostok.

Japan to sign defense cooperation memorandum with Kazakhstan

Sunday's Sankei wrote that Japan and Kazakhstan are expected to exchange in mid-July notes regarding the launch of mutual confidence-building programs, such as exchanges between defense civilian and uniformed officials, with the goal of reining in China's influence in Central Asia.

SECURITY

Fitzgerald's return to U.S. to impede Japanese investigation

Saturday morning's Nikkei took up the disclosure by a U.S. Navy source on Friday that the USS Fitzgerald will depart for the U.S. to undergo repairs in the near future, noting this will make it impossible for the Japan Coast Guard to conduct an onsite survey of the damage to the vessel. Although it remains to be seen whether the crew will also return to America aboard the Aegis destroyer, the source indicated that the Navy will cooperate with the Japanese investigation by saying, "Records of interviews with the crew will be shared if necessary."

Chinese warship intrudes into Japan's territorial waters in the Tsugaru Strait

All papers reported on a MOD announcement yesterday that a PLA Navy intelligence collection vessel entered into Japan's territorial waters in the Tsugaru Strait between Honshu and Hokkaido for about 90 minutes on Sunday morning. Although this was the third intrusion into Japan's territorial waters by PLA warships, SDF surveillance aircraft did not see any peculiar activities taking place aboard the Chinese ship while it passed through Japanese waters. The GOJ reportedly conveyed concern to the Chinese government through a diplomatic channel.

ECONOMY

Trump administration divided over proposed restrictions on steel imports

Saturday morning's Asahi wrote that the Trump administration has not been able to make a decision on countervailing measures against foreign steel imports due to strong opposition from not only Japan and other trading partners, but also from U.S. manufacturers, members of Congress, and even senior officials within the administration, including Treasury Secretary Mnuchin and National Economic Council Director Cohn. The daily said Trade Minister Seko on Thursday urged Commerce Secretary Ross not to invoke Section 232 of the Trade Expansion Act, which allows the president to limit imports of cheap steel products due to a security threat. The paper added that the punitive measures would have a serious impact on products from Japan, South Korea, Canada, Europe, and other U.S. allies, since steel imports from China have already plunged due to anti-dumping tariffs.

Japan, EU free trade talks to continue

On Sunday all dailies reported that Japan and the EU failed to conclude a free trade deal over the weekend despite intense negotiations in Tokyo by cabinet ministers, including Foreign Minister Kishida and European Commissioner for Trade Malmström. Yomiuri and Nikkei said Kishida is likely to visit Brussels this week to iron out the differences over import tariffs on Japanese autos and European cheese and other dairy products with the goal of enabling Prime Minister Abe to reach a rough consensus on a bilateral EPA when he holds a summit with EU leaders there on July 6. The paper said both sides are reluctant to make significant concessions on these trade items in order to protect their domestic industries.

Today's Asahi said the chances are high that the two sides will reach a rough consensus on an EPA in Brussels. The paper quoted Malmström as saying on Saturday, "We are close to a final deal," and an unnamed senior LDP lawmaker as saying, "The EPA talks are not expected to break down."

