



Morning Alert - Monday, May 14, 2018

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HEADLINES

Morning news

NHK, NTV, and Fuji TV gave top play to reports that a six-year-old girl and three other people were attacked by a man with a knife at a restaurant in Chiba on Sunday evening, saying that the girl later died in a hospital. TBS led with a report that North Korea will allow media outlets from China, Russia, the U.S., the UK, and South Korea to cover the dismantlement of its nuclear test facility starting on May 23. TV Asahi reported that Shohei Ohtani of the Los Angeles Angels was the starting pitcher in a game on Sunday.

Major front-page stories in national papers included reports on sea trials of China's first domestically built aircraft carrier that began on Sunday, Japan's purported desire to have President Trump visit Tokyo for talks with Prime Minister Abe immediately after his summit with DPRK leader Kim Jong Un on June 12, massive money laundering by a Japanese criminal syndicate using cryptocurrency, and Mitsubishi UFJ Bank's plan to use cryptocurrency technology for overseas wire transfers.

INTERNATIONAL

Possible post-summit visit to Japan by President Trump being discussed by U.S., Japanese governments

Sunday's Nikkei claimed in a front-page story that the USG and GOJ have begun to make arrangements for President Trump to visit Japan right after his summit with Kim Jong Un in Singapore on June 12 so he can brief Prime Minister Abe on his sit-down with the North Korean leader. According to several diplomatic sources involved in U.S.-Japan relations, during recent phone conversations with PM Abe, the President has expressed interest in visiting Japan after his summit with Kim. The President may also reportedly visit South Korea before or after his trip to Japan. The daily asserted that the two leaders will also hold talks prior to the U.S.-DPRK summit on

the margins of the G7 summit to be held in Canada on June 8-9. While noting that a trip to Tokyo by President Trump would signify the close ties between the two allies, the paper claimed that Japan might be put in an awkward position since it would probably be difficult for Abe to criticize the results of the U.S.-DPRK summit even if Japan were dissatisfied with them.

Today's Yomiuri and Asahi wrote that the GOJ is asking the USG to arrange a visit to Japan by President Trump after the Singapore summit in order to learn what was discussed there with the ultimate goal of holding a Japan-DPRK summit to resolve the abduction issue. While quoting an unnamed senior Kantei official as saying that it will not be easy to arrange a presidential trip to Japan, Asahi speculated that Secretary of State Pompeo or National Security Advisor Bolton may visit Tokyo instead of the President. Yomiuri wrote that a teleconference between the two top leaders might be an alternative if a presidential visit is seen to be difficult.

In a related story, Saturday evening's Nikkei reported on a DOS announcement on Friday that Acting Assistant Secretary Thornton will visit Beijing and Tokyo from May 14 through 16. She is reportedly expected to exchange opinions with Chinese and Japanese diplomats on the planned U.S.-DPRK summit next month.

Japan welcomes decision to hold U.S.-DPRK summit in Singapore on June 12

Saturday morning's Yomiuri wrote that expectations are high within the GOJ that Japan's goal of achieving a comprehensive settlement of the abduction, missile, and nuclear issues will be realized following President Trump's decision to meet with Kim Jong Un in Singapore on June 12. Tokyo is reportedly pleased with the date chosen for the Trump-Kim sit-down because Prime Minister Abe will probably be able to hold a summit with the U.S. leader right before it on the sidelines of the G7 summit on June 8-9 at which he could urge the President to address the abduction issue when meeting with the DPRK leader.

In a related development, all Saturday morning papers reported on remarks made on a TV show on Friday by Prime Minister Abe, who voiced strong hope for the upcoming U.S.-DPRK summit by saying: "I hope that President Trump will take advantage of his excellent deal-making skills to achieve a breakthrough" in the nuclear standoff on the Korean Peninsula. He also said: "We have a Japanese Embassy there. We could also deploy a liaison team from Japan. We will coordinate closely with the United States." The premier also noted that the summit between President Trump and Kim Jong Un holds the key to finding a solution to the abduction issue, which he stressed must ultimately be resolved bilaterally between Japan and the DPRK. Abe underscored that a summit between him and the DPRK leader would be premised upon the settlement of the abduction issue.

Meanwhile, all Sunday papers highlighted a statement released on Saturday by a DPRK state media outlet criticizing the Abe administration for repeatedly raising the abduction issue, which it claimed "has already been resolved." Referring to PM Abe as a "reactionary force," the statement insisted

that bringing up the matter again is “foolish behavior” aimed at disrupting the peace process on the Korean Peninsula. However, Saturday morning’s Asahi reported on the disclosure by a source involved in inter-Korean relations that during his summit with South Korea President Moon in late April, Kim Jong Un did not use the phrase often repeated by his deputies and state media outlets about the abduction dispute with Japan already being settled. The DPRK leader reportedly said to Moon that Japan should bring up the matter directly with him.

U.S. mulling issuing joint document on DPRK denuclearization at Singapore summit

Saturday morning’s Nikkei claimed in its lead story that the Trump administration is considering issuing a joint document on denuclearization and a mechanism for peace on the Korean Peninsula when President Trump meets with DPRK leader Kim Jong Un in Singapore in mid-June. In the envisaged document, Washington is reportedly hoping to specify a timeframe for denuclearization and a roadmap to a guarantee for the Kim regime. Washington may also explore the possibility of issuing a statement declaring a formal end to the Korean War. Nikkei insisted on Sunday that the President’s diplomacy toward the DPRK would be regarded as a failure if the envisioned joint document did not specify a concrete mechanism and deadline for complete, verifiable, and irreversible denuclearization.

Secretary Pompeo suggests DPRK might be given rewards for denuclearization

All Saturday evening papers reported on Secretary Pompeo’s meeting in Washington on Friday with his South Korean counterpart Kang, after which he indicated to the press that the U.S. might offer to North Korea economic rewards in exchange for concrete steps toward denuclearization. He was quoted as saying: “If North Korea takes bold action to quickly denuclearize, the United States is prepared to work with North Korea to achieve prosperity on par with our South Korean friend.” The Secretary also stressed the importance of implementing vigorous verification programs in coordination with relevant parties around the world to realize denuclearization.

Today’s Asahi and Yomiuri focused on the Secretary’s remarks on a Fox News program on Sunday, in which he projected that American companies would be allowed to make investments in North Korea’s energy, agriculture, and other sectors contingent on the fulfillment of its pledge to fully give up its nuclear weapons program. The Secretary was quoted as saying: “This will be private sector Americans coming in to help build out the energy grid ... to work with them to develop infrastructure.”

In a related piece, Sunday’s Nikkei and Mainichi conjectured that when Secretary Pompeo held talks with Kim Jong Un in Pyongyang last week, he presented a package of options including a regime guarantee, relaxation of economic sanctions, and energy support in order to persuade Pyongyang to take concrete steps toward denuclearization in a verifiable manner. The options reportedly included the involvement of the U.S., Japan, South Korea, and the EU in extending economic assistance to the DPRK. Citing an ROK media report on the Pompeo-Kim talks, the two Japanese papers

speculated that the Secretary emphasized to the DPRK leader that such incentives will only be offered to North Korea if denuclearization is completed in a verifiable and irreversible manner.

China promises to provide economic support before denuclearization is complete

Monday's Yomiuri front-paged a story asserting that during his recent summit with DPRK leader Kim Jong Un in Dalian last week, Chinese President Xi pledged to offer economic assistance to Pyongyang even before denuclearization is complete on the condition that Pyongyang concludes a nuclear agreement with the Trump administration. The Chinese leader reportedly said to Kim: "If an accord is reached with the U.S. and concrete progress is made on the denuclearization, China will be justified in supporting North Korea." The daily explained that Beijing is extremely keen to mediate between Pyongyang and Washington in order to maintain its influence in Korean Peninsula affairs.

North Korea to allow foreign press to cover closure of nuclear test site

All Sunday papers reported on the announcement made by the DPRK Foreign Ministry on Saturday that the DPRK government will sponsor a ceremony on May 23-25 for the dismantlement of its nuclear test site in the northeastern part of the country and that journalists from China, Russia, the U.S., the UK, and South Korea will be invited to cover it.

All Monday papers highlighted President Trump's tweet welcoming the planned dismantling of the testing site, quoting him as saying: "Thank you, a very smart and gracious gesture!" The dailies separately reported that North Korea did not mention any plans to host international "inspectors" for the planned dismantlement, with Sankei projecting that the ceremony may simply be for publicity. They also attributed the exclusion of Japanese reporters from the event to the absence of dialogue between Tokyo and Pyongyang.

ROK tanker might have been involved in illicit transfer of sanctioned items to DPRK

Sunday's Sankei led with a finding that the GOJ has asked the ROK government to conduct an investigation into the alleged involvement of a South Korean tanker in a ship-to-ship transfer of petroleum to North Korea in international waters in the East China Sea in early May. An MSDF warship reportedly spotted the transfer between the ROK-flagged tanker and a DPRK-flagged ship. While the ROK government has already started investigating the allegation, the operator of the ROK vessel has reportedly denied its involvement. The daily speculated that the transfer may have been aborted at the last minute. Other dailies carried similar stories today.

U.S. pressing Japan to take concerted approach in stepping up pressure on Iran

Sankei wrote this morning that the Trump administration is asking its allies in Europe, the Middle East, and Asia, including Japan, to take a concerted approach to forging a new nuclear accord with Iran by enhancing economic sanctions on it first. An unnamed DOS official reportedly acknowledged to the daily that discussions with Tokyo on such a policy have already begun by saying that Deputy Secretary Sullivan and Deputy Foreign Minister Akiba exchanged views on May 9 about mutual

cooperation for identifying a “genuine, comprehensive, and sustainable solution to deal with Iran’s threats.” The paper added that Tokyo still supports maintaining the present Iran nuclear deal.

China starts test-drilling for gas in East China Sea

Sunday’s Sankei reported on the disclosure by a GOJ source that a Chinese drilling ship was found to be operating on the Japanese side of the median line between Japan and China in the East China Sea in early May. The GOJ has lodged a protest with the Chinese government for what it views as the unilateral development of an offshore gas field.

Abe-Putin summit to be held in Moscow on May 26

Saturday morning’s Nikkei and Sankei reported that Prime Minister Abe will visit Moscow for a summit with Russian President Putin on May 26, adding that the premier plans to visit St. Petersburg the day before to attend an international economic forum.

ECONOMY

President Trump instructs USTR to address U.S. drug prices in trade talks

All Saturday evening papers reported that President Trump announced on Friday that Washington will request drug prices be set at higher levels in trade negotiations with foreign governments, possibly including Japan. The President instructed USTR Lighthizer to address with all trading partners the fixing of prices of American pharmaceuticals and medical devices. The President said: “When foreign governments extort unreasonably low prices from U.S. drug makers, Americans have to pay more to subsidize the enormous cost of research and development.” In response to the President’s instructions, the top U.S. trade official said he will employ all possible means so that American drugs can be traded at fair prices. Pointing out that the U.S. has long taken issue with the “absence of fairness and transparency” in the pharmaceutical market in Japan, Asahi projected that the Trump administration will take up the matter in future bilateral trade talks.

U.S., Japan business organizations issue recommendations on free trade

Saturday morning’s Nikkei reported that the U.S.-Japan Business Council and the Japan-U.S. Business Council jointly released a set of recommendations asking the two governments to pursue “free and fair trade.” As for the metal tariffs imposed on Japan by the Trump administration, the two entities expressed concern by saying that the “unilateral measures” will not resolve the issue of excess production of steel and aluminum products.

Japanese importers bracing for reinstatement of safeguard on U.S. beef

Saturday morning’s Nikkei said the local restaurant industry and other importers of U.S. beef are concerned that safeguard restrictions on American products might be reinstated even though they were only lifted a month ago since imports could rebound in the current quarter after a weak period for the first quarter of the year in anticipation of the lifting of the safeguard on March 31. Under the current rules, import duties are raised from 38.5% to 50% automatically if imports in a given quarter

rise by 17% from the previous year. The paper said another hike in the import tariff due to the safeguard may become a potential source of trade conflict with the Trump administration.

SECURITY

Sailor based on USS Ronald Reagan under investigation for drug smuggling

Monday's Asahi wrote that the Kanagawa prefectural police have been conducting an investigation into a U.S. service member's alleged involvement in drug trafficking, noting that the case will probably be sent to the local prosecutors' office today. The 24-year-old seaman assigned to the USS Ronald Reagan at Yokosuka Naval Base allegedly imported illegal substances from Canada by mail in December 2017 and in January of this year. Additional illegal drugs were reportedly discovered in the sailor's off-base apartment. The suspect has reportedly maintained silence in voluntary questioning by the local police. The paper added that the Navy's criminal investigative authorities are also conducting their own probe and exchanging information with the Japanese police based on the judgment that the use of illegal drugs is spreading on the base. Since the sailor in question is under surveillance inside the base, the local police have reportedly concluded that there is no need to arrest him.

General Atomics conducting drone test flights in Japan

Sunday's Asahi front-paged a report saying that U.S. drone developer General Atomics conducted its first drone test flight on Iki Island, Nagasaki Prefecture, last week. The company will be conducting test flights over the next three weeks of the naval variant of the Predator drone known as "Guardian" to promote its civil and scientific applications, such as naval and meteorological research and identifying vessels at sea. The daily expressed concern about the company's desire to market the civilian-purpose drone to the Japan Coast Guard and the SDF since the UAV can be converted to military use.