



Morning Alert - Tuesday, July 3, 2018

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HEADLINES

Morning news

All networks led with extensive reports on Japan's elimination from the World Cup finals after losing against Belgium.

Major front-page items in national dailies included a GOJ plan to encourage Japanese firms to use online services to submit tax, social security, and other documents for their employees to relevant authorities, a report on accidents caused by malfunctions in vehicles' automatic braking systems, and the passing of renowned rakugo storyteller Utamaru Katsura.

INTERNATIONAL

U.S., DPRK begin working-level talks on denuclearization

Asahi, Nikkei, and Mainichi wrote that a U.S. delegation led by Ambassador to the Philippines Sung Kim met with a DPRK delegation headed by Vice Foreign Minister Choi Sun Hee at the DMZ on Sunday to discuss North Korea's denuclearization. The dailies noted that the U.S. side reportedly delivered a letter from Secretary Pompeo to DPRK Workers' Party Vice Chairman Kim Jong Chol, conjecturing that it contains a request for the Kim regime to take denuclearization steps without delay. They noted that denuclearization talks by the working-level officials were resumed amid growing speculation within the USG that North Korea is continuing its nuclear programs covertly. Asahi projected that if concrete progress is made in the ongoing denuclearization dialogue, Secretary Pompeo may visit Pyongyang later this week.

In a related development, Nikkei highlighted press remarks on Monday by Chief Cabinet Secretary Suga, who commented on the Kim regime's alleged violation of its commitment to stop developing nuclear weapons by saying: "Since we are very interested in North Korea's nuclear development, we

are collecting and analyzing intelligence. I will refrain from making specific comments due to the sensitive nature” of the allegation.

North Korea reportedly told U.S. that abduction issue has already been settled

Asahi took up the disclosure by a source involved in U.S.-DPRK relations that during a meeting with Secretary of State Pompeo in New York in late May, DPRK Workers' Party Vice Chairman Kim Jong Chol reportedly said that the abduction issue with Japan has already been resolved and that such a dispute no longer exists between Pyongyang and Tokyo. The Seoul-based source reportedly interpreted the top North Korean official's alleged remarks to mean that the Kim regime has already taken all possible measures to resolve the dispute, such as offering an apology and repatriating some of the abductees in 2002.

Abe anxious to secure oil supplies in Middle East

Nikkei reported on Prime Minister Abe's plan to visit Belgium, France, Saudi Arabia, and Egypt beginning on July 11. Noting that the premier visited the Middle East during the Golden Week holidays in the spring, the paper asserted that his second trip to the region in the span of a few months represents Tokyo's keen desire to secure stable petroleum supplies amid rising oil prices triggered by the Trump administration's request for its partners to discontinue imports of Iranian oil. The Japanese leader is reportedly expected to pledge Tokyo's support for infrastructure development and the introduction of renewable energy in Saudi Arabia. The article added that PM Abe has decided once again not to visit Iran out of consideration for the Trump administration's hard line toward Tehran.

ECONOMY

Japanese corporate confidence drops in response to U.S. protectionism

Asahi, Mainichi, and Sankei highlighted the results of the BOJ's Tankan survey that pointed to worsening business sentiment. The papers attributed the drop in corporate confidence to the Trump administration's protectionist approach as evidenced by its imposition of tariffs on metals. While predicting that Japanese automakers will be forced to pay an additional 2.2 trillion yen, or some \$20 billion, in import duties if Washington chooses to impose a 25% tariff on foreign cars and auto components, Asahi wrote that Japan's business leaders are concerned that President Trump may take an even harder line on trade. Mainichi voiced concern that the trade friction between the U.S. and the Europeans, China, and other partners may lead to a contraction in global trade, which would deal a heavy blow to the Japanese economy.

Japanese firms concerned about election of leftist leader in Mexico

All papers reported on the landslide victory of Lopez Obrador in Sunday's presidential race in Mexico, noting that since the leftist politician has made clear he will take a confrontational stance toward President Trump's hardline policies on trade and immigration, Japanese companies that operate factories there are worried that their businesses may be hit hard by anticipated friction between the

U.S. and Mexico over NAFTA renegotiations and bilateral disputes. Since nearly 700,000 Japanese cars assembled in Mexico are exported to the U.S. each year, Asahi said Japanese auto execs are bracing for the NAFTA talks. Chief Cabinet Secretary Suga commented on the Mexican election results by saying: “We will be carefully watching the incoming administration’s economic and trade policies.”

SECURITY

Japan’s Aegis Ashore batteries to be equipped with Lockheed radar

Yomiuri claimed that the Defense Ministry has informally decided to equip Japan’s Aegis Ashore batteries with radar produced by Lockheed-Martin, noting that the state-of-the-art LMSSR radar can cover a much wider area than the product manufactured by its rival Raytheon. The radar will reportedly be able to cover the entire Korean Peninsula when mounted on the ground-based Aegis platforms to be installed at GSDF camps in Yamaguchi and Akita. As the radar will be able to monitor the Korean Peninsula, the ministry is considering tasking the Aegis warships deployed in the Sea of Japan against DPRK missile launches with primarily monitoring Chinese naval activities in the East China Sea.

Japan welcomes launch of Indo-PACOM

Nikkei took up the Pentagon’s decision to change the name of PACOM to Indo-PACOM, saying that Japan is pleased with both the renaming and the U.S. Navy’s disinviting China from the bi-annual RIMPAC exercises. On the launch of Indo-PACOM, Defense Minister Onodera said: “The South China Sea sits between the Pacific Ocean and the Indian Ocean. The renaming reflects the U.S.’s strong interest” in the free and open Indo-Pacific initiative that was originally proposed by Prime Minister Abe to rein in China’s growing presence in the region. The article added, however, that some Japanese officials are bracing for the possibility of the Trump administration stepping up its pressure on Tokyo to take on an additional defense burden based on the assessment that Japan should be equally responsible for maintaining the regional order.

LDP to field Ginowan leader as candidate in Okinawa gubernatorial election

Asahi claimed that the ruling LDP’s Okinawa chapter has decided to field Ginowan Mayor Sakima as its candidate for the gubernatorial race in November and prefectural assembly member Masatoshi Onaga as its candidate for the Naha mayoral election on Oct. 21. Sankei ran a similar story, adding that in the near future LDP officials will formally ask Sakima to run in the gubernatorial race.

