



McLARTY
ASSOCIATES

WASHINGTON | BRUSSELS | BEIJING | SINGAPORE | www.maglobal.com | @McLartyAssoc

JAPAN UPDATE: Abe ekes out a save in latest Trump summit

April 20, 2018

KEY POINTS:

1. **At their April 17-18 Summit President Trump and Japanese Prime Minister Shinzo Abe recalibrated their get-tough policy to accommodate the prospective US-North Korea summit** between Trump and North Korean leader Kim Jong-un.
2. **After reaffirming their commitment to maintaining maximum pressure on North Korea to denuclearize and eliminate ballistic missiles, Abe endorsed the prospective US-DPRK summit, but turned what would have been an otherwise awkward about-face into a domestic win by securing Trump's promise to raise with Kim the cases of Japanese abducted by North Korea.**
3. **During their joint press conference, Trump and Abe agreed to "intensify" trade and investment talks** through a new mechanism led by USTR Lighthizer and METI Minister Motegi.
4. **Differences over the direction of the new trade talks remain sharp**, however, as Abe pressed for a US return to the Trans-Pacific Partnership (TPP) while Trump advocated a bilateral trade deal. Emphasizing his quest to reduce the bilateral trade deficit, **Trump declined to exempt Japan from the US Section 232 tariffs** on steel and aluminum **pending progress in the new trade talks.**
5. **Although not highlighted, US-Japan defense cooperation continues to advance, with Japan likely to further bolster military readiness, and assuage at least somewhat US trade demands by accelerating purchases of US-made defense systems.**

President Donald Trump and Japanese Prime Minister Shinzo Abe concluded their April 17-18 summit in Mar-a-Lago having reaffirmed the US-Japan alliance, maximum pressure on North Korea, and a commitment in principle to fair, balanced and reciprocal trade. The third summit meeting between the two leaders came at a critical juncture amid preparations for a planned summit between President Trump and North Korean leader Kim Jong-un in late May or early June. (The talks on North Korea were to a large degree overshadowed at the outset by revelation of CIA Director Mike Pompeo's meeting with Kim Jong-un in Pyongyang.)

Abe entered the talks looking vulnerable. Dogged by a series of lingering scandals at home and his skills as a 'Trump-whisperer' called into question by the President's abrupt

agreement to meet Kim Jong-un and increasingly pointed public jibes about the US-Japan trade deficit, Abe badly needed to reaffirm his friendship with the President without appearing to cave on the big issues. While he **failed to get the tariffs exemption, he managed to buy more time on trade** with yet another set of talks. Trump's commitment on Japan's abductees – one of the PM's signature issues – will play well at home even if doubts remain about how attentive the President will really be to Japan's security needs when he meets with Kim.

Maintaining “Maximum Pressure” on North Korea

During their two-day summit, **the two leaders reaffirmed their commitment to achieving the permanent and verifiable denuclearization of North Korea and to continuing the global maximum pressure campaign.** President Trump emphasized the US unwavering commitment to Japan's defense through the full range of US military capabilities as well as the provision of advanced weapons to Japan, including ballistic missile defense. **Trump also pledged to raise the issue of the Japanese abductees** held by the North Korean regime **during his meeting with Kim**, an especially important issue for Abe.

For his part, Japanese **Prime Minister Abe** thanked the President for his leadership and **expressed his support for the prospective US-North Korea summit.** Abe **said** the situation surrounding North Korea was at a “historical turning point” due to Trump's decision to hold the first US-North Korea summit. Nevertheless, **Abe maintained his hardline position on North Korea** by reiterating that there will be no reward for North Korea for its willingness to engage in dialogue and calling for “concrete actions” by Pyongyang toward denuclearization and elimination of all forms of ballistic missiles, including short-range missiles long capable of attacking Japan.

New Trade Talks

During their joint press conference Wednesday evening, **Trump and Abe announced agreement to “intensify” trade and investment consultations** for “free, fair, and reciprocal trade.” They set up a new mechanism for focused talks on trade and investment. **US Trade Representative Robert Lighthizer and Japanese Minister of Economy, Trade and Industry (METI) Toshimitsu Motegi will lead the new talks** and report to Vice President Mike Pence and Japanese Deputy Prime Minister Taro Aso, whose broader US-Japan Economic Dialogue has made little headway on issues important to the President.

Trans-Pacific Partnership or a Bilateral FTA?

The direction the new trade talks will take, however, remains unclear as the two leaders openly diverged on their objectives. Abe noted **Japan acknowledged US interest in a bilateral trade deal, but still believed TPP was the “best” way forward.** “And based on that position, we shall be dealing with the talks,” he **said.**

Saying the media had incorrectly reported his interest in rejoining TPP, Trump made clear that he had little interest in doing so, and reiterated his continued preference for bilateral trade deals. **“I don't want to go back into TPP, but if they offered us a deal that I can't refuse, on behalf of the United States, I would do it,”** Trump **said.** “But I like bilateral. I

think it's better for our country. I think it's better for our workers. And **I much would prefer a bilateral deal, a deal directly with Japan.**"

In response to Abe's appeal for an exemption from the Section 232 steel and aluminum tariffs, **Trump [said](#) that the 232 tariffs could be part of the talks for a "new deal" between the two countries**, and that he looks forward to removing the tariffs on Japanese steel and aluminum exports to the US "at some point in the future." Japan remains the only major US ally not exempted from the 232 tariffs, which went into effect on March 23. Trump repeatedly stressed his interest in addressing the "massive" US trade deficit with Japan, which he said amounted to \$69 billion.

Although not a major focus at Mar-a-Lago, **US-Japan defense cooperation continues to advance**. Abe wants to see Japanese defenses strengthened and has slowly but steadily ramped up Japan Defense Ministry acquisitions, including from the US, gaining Japan points on both the defense and trade ledgers with Trump. Just as Abe departed, Japanese Defense Minister Onodera arrived in DC for his own talks with Defense Secretary Mattis.

Modest Results

Abe achieved his minimum objectives of visibly conferring with the US as the inter-Korean and US-DPRK summits approach, but future reassurances will no doubt be required if the thaw on the Korean Peninsula continues with Japan largely on the sidelines. Japan remains very nervous that its interests will not be fully protected as the summits proceed. On trade, the agreement to new talks simply papers over differences on how to proceed (bilateral or within TPP), and President Trump has not backed down at all from his demand for concrete action to reduce the deficit. As their friendly round of golf indicates, the Trump-Abe personal relationship remains warm, but substantive differences on key issues remain.

Copyright © 2018 McLarty Associates. All rights reserved.

