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Daily Brief: Developments in Northeast Asia
Date: 10 April 2018

(C) US-China looming trade war developments

1. (S) POTUS instructed the USTR to consider imposing additional tariffs on US\$ 100 billion worth of Chinese goods and to determine which products should be targeted. If these new tariffs are imposed, as much as US\$ 150 billion worth of Chinese goods will be affected. The PRC has previously announced plans to target US\$50 billion worth of major US exports, including soybeans, cars, small aircrafts, and certain intermediate goods. While the PRC has not increased any of its own measures since the announcement, it has vowed to fight the US "at any cost," "without hesitation," and "with great strength" if needed.

(C) PRC President XI JINPING announces lowered auto tariffs

2. (S) President XI announced that the PRC will "significantly lower" tariffs on vehicle imports this year as part of efforts to further open China's economy. This move follows the promise made last November to gradually reduce tariffs on imported vehicles. The statement is not believed to represent any departure from existing Chinese policy, but merely a reiteration of policies XI has mentioned before.

(C) Responses to US WTO complaint against China on IPR

3. (S) The US filed a complaint with the WTO 26 March regarding Chinese trading practices that allegedly steal US technology and intellectual property. The US alleges that China's protection of intellectual property rights (IPR) are inconsistent with their obligations under WTO's agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). According to the USTR, Chinese violations include having US companies sign coercive licensing agreements that forcefully share their technology with Chinese firms as well as stipulations that prevent foreign patent holders from stopping Chinese entities from using their technology once the licensing agreement ends.

4. (S) China has responded to the US WTO complaint by requesting consultations with the US over its tariff measures on Chinese goods. The Chinese consultation claims that the US's tariff

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measures exceed the "most-favored-nation tariff rate" (bound tariff rate) and are thus inconsistent with WTO provisions.

5. (S) GOJ has notified the WTO of its plans to join the US complaint against China's alleged theft of technology and intellectual property as a third party, claiming many of the same concerns as the US. The EU, Saudi Arabia, Taiwan, and Ukraine have also made similar requests. Both China and the US must approve Japan's petition for participation.

(C) China files WTO complaint against US tariffs

6. (S) China has initiated a complaint against US steel and aluminum tariffs that were put into place by the US last month. Only Canada and Mexico are excluded from the tariffs. China claims that the duties of 25% and 10% on imports of steel and aluminum products are inconsistent with WTO's agreements on GATT and the Agreement of Safeguards. Steel and aluminum are among Chinese industries where supply exceeds demands. China's trading partners, like the US, have accused China of dumping, i.e. exporting their surplus at improperly low prices.

(C) The PRC bans 32 exports to DPRK

7. (S) The PRC bans the export of 32 items to the DPRK with potential dual-use in creating WMDs. These items include materials, technologies, and forms of nuclear equipment such as particle accelerators and centrifuges. The items reflect the UNSC resolution adopted last September regarding DPRK's missile and nuclear programs. The announcement occurred amid tightening of Chinese exports to North Korea, including the export of fuel that slowed to a trickle in February.

(C) Optimism looms over forthcoming Korean Peninsula Summits

8. (S) POTUS has confirmed a US-DPRK summit will occur in May or early June of this year. Last month, DPRK leader KIM Jong Un invited POTUS to hold a bilateral summit. Officials familiar with the matter report that the USG and DPRK have since opened secret, direct channels in preparation for the summit. This event will mark the first time a sitting US president will meet a DPRK leader. Details of the summit itself are unclear, including the location—however, the Trump Administration has confirmed DPRK's willingness to discuss denuclearization of the Korean Peninsula. The US-DPRK summit would take place a month or

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so after the joint DPRK-ROK summit, which is slated for 27 April 2018.

(C) Former ROK President has been sentenced for corruption

9. (S) Former ROK President PARK Geun-hye has been sentenced to 24 years in prison after being found guilty of corruption, abuse of power, and fourteen other charges. In 2016, media investigations revealed that a close friend of PARK, CHOI Soon-sil, wielded massive influence over her as an adviser and confidant and used her position to embezzle funds from her. Park's departure might lead to improved relations with China and possibly even North Korea—especially if the controversial American-backed Terminal High Altitude Area Defense (THAAD) system is renegotiated under new ROK leadership. Park's support for THAAD and increased US deterrence in the country has iced ROK-PRC relations in the past few years.

(C) Direct ROK-DPRK hotline re-established

10. (S) A direct telephone line between the leadership of DPRK and ROK will be re-established, perhaps as early as this week, in anticipation of the aforementioned DPRK-ROK summit. The original hotline was established in the year 2000 during the first inter-Korean summit between ROK president Kim Dae-jung and DPRK leader KIM Jong-il, but was phased out in 2008 during ROK President LEE Myung-bak's hardline administration. In early January of this year, DPRK used one of the other existing hotlines to contact the South, after the hotline laid dormant for two years. Aside from checking that the line was operational, it was unclear what the two sides discussed during their 20 minute conversation.

(C) Japan reconsiders its military responsibilities

11. (S) For the first time since World War II, the GOJ activated its first marine unit on Saturday. The activation of this unit comes at a time where China's naval presence in the East China Sea have sparked a contentious debate over Article 9 of the Japanese Constitution. Both the Japanese Ground Self Defense Forces (GSDF) and Air Self Defense Forces (ASDF) have also made recent moves to acquire amphibious ships and F-35B fighter jets, respectively, to further bolster Japan's defensive capabilities. However, Japan still has a long way to go to properly coordinate and prepare the different branches of its armed forces for

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effective amphibious defense capabilities, especially against a threat like China.

(C) Taiwan bolsters its defensive capabilities with US help, to the chagrin of PRC

12. (S) The DOS has agreed to allow American defense contractors to aid Taiwan in constructing their own fleet of submarines. This agreement comes a month after POTUS approved new rules allowing top-level US officials to travel to Taiwan. Taiwan has struggled to procure the technology and equipment needed to develop and build more of its military arsenal domestically, especially as tensions with mainland China continue to fester, so this development is seen as a breakthrough for their armed forces.

13. (S) On Monday, 9 April 2018, China's defense ministry responded to the news that the US will license submarine technology to Taiwan by demanding that the US "halt all forms of military links between the United States and Taiwan, as well as all forms of weapon sales to Taiwan," further warning that they "will adopt all necessary measures to resolutely defend national sovereignty, security and territorial integrity". The defense ministry spokesperson declined to expand on his comments.

14. (S) China's rebuff comes as a Taiwanese navy flotilla makes a high-profile visit to Nicaragua. The trip has served to highlight Taiwanese ties with Latin American and Caribbean nations at a time when more and of these nations are cutting ties with the ROC, opting to normalize relations with the PRC instead. Last year, Panama cut ties with the ROC in favor of the PRC, as did Costa Rica in 2007. As PRC investment and aid continues to pour into Latin American and Caribbean countries, an increasing number of these countries are feeling the pressure to cut relations with the ROC.

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