Historical Grievances and Current South Korea-Japan Trade Tensions

Sheila A. Smith
With relations at low point, the dispute risks seriously disrupting bilateral relations and threatening security in Northeast Asia.

Cheol Hee Park
This diplomatic rift threatens to impact both countries’ economies and undermine security co-operation. It cannot continue.

Yoshihide Soeya
Ideology has driven a wedge between the two countries, but more should unite these powerhouse economies than divide them.
The Destructive Escalation of Conflict Must Cease
By Cheol Hee Park

South Korea and Japan, two of Washington’s most important allies in the region, are currently at loggerheads in a way that has not been seen in decades. A dispute over a South Korean Supreme Court ruling ordering Japanese companies to pay compensation to forced laborers during Japan’s colonial occupation of the country has spiraled into a full-blown diplomatic rift that threatens to impact both countries’ economies and undermine security cooperation between Seoul and Tokyo. This cannot continue. Too much is at stake, and a way must be found to resolve the disputes, writes Cheol Hee Park.

TENSIONS BETWEEN South Korea and Japan are on the rise. While it is not unusual for the two countries to engage in disputes over historical issues, the escalation of diplomatic disputes between them since the end of last year is unusual in that they have not seriously engaged in dialogue and have even taken highly unfriendly gestures toward each other.

The intense bilateral dispute began after the South Korean Supreme Court ruled on Oct. 30, 2018 that Japan’s Nippon Steel should compensate South Korean former forced laborers who worked for the company during the colonial period. The calls for compensation have since been extended to other Japanese companies. The South Korean plaintiffs in the Nippon Steel case argued that they have the right to seek individual compensation from Japanese companies. The Japanese government strongly opposed this, claiming that the issue of forced labor was completely and finally resolved by the Basic Treaty between the two governments in 1965. Japan’s position is that the South Korean government is responsible for any compensation to the laborers, because Seoul received money as part of that treaty on behalf of the laborers.

After the Supreme Court decision, South Korean plaintiffs and their lawyers took actions to seize the assets of Japanese companies in South Korea, while the Japanese government sent a warning to South Korea that it may have no choice but to take countermeasures if the plaintiffs begin to dispose of those assets. The Japanese foreign ministry eventually asked the South Korean foreign ministry to respond to a Japanese request to consult on the provisions of the 1965 treaty. The South Korean government was not prepared to respond because the Supreme Court decision could not be easily bypassed or ignored. Also, within the South Korean government, arriving at a consensus solution was difficult because opinions were divided on how to deal with the case. A few months passed without mutual consultation. The Japanese government was deeply frustrated when it found out that even South Korean Prime Minister Lee Nak-yon, who is relatively favorable toward Japan, declared publicly at the end of May that there was a clear limit on the South Korean government’s ability to take proactive measures to deal with the case. Then, following the dispute resolution measures codified in the 1965 treaty, Tokyo took the next step to ask for mediation from a third party. Seoul remained silent on this request to the last minute. It was only in mid-June, just before the G-20 summit in Osaka, that the South Korean vice foreign minister brought forward the “1+1” formula, under which both South Korea and Japanese corporations are supposed to compensate the plaintiffs. The Japanese government immediately and firmly opposed this formula.

ESCALATING TENSIONS
Out of deepening frustration on the part of the Japanese government, the Ministry of Economy, Trade and Industry (METI) took what could be called retaliatory measures. Taking into consideration the economic interdependence among industrial firms in both countries, the Japanese government decided on July 1 to impose arbitrary and selective export control measures on three key items needed in the production of semiconductors. Also, it declared that South Korea would be removed from Japan’s “white list” of countries receiving preferential export procedures starting in August. These actions were an unpleasant surprise to the South Korean government, because they were taken pre-emptively, before South Korean plaintiffs and lawyers had disposed of the assets of the Japanese firms. Japan’s unusually strong measures reminded ordinary Koreans of the Chinese retaliation against South Korea after Seoul decided to deploy the US THAAD anti-missile system on South Korean soil. The Japanese moves were also interpreted as a deliberate measure to weaken the best-performing South Korean companies, such as Samsung, the world’s leading maker of semiconductors. South Korean civil society groups reacted by promoting a massive campaign to boycott Japanese products and stop taking trips to Japan.

Despite the South Korean resistance, the Japanese government declared on August 2, that it would indeed exclude South Korea from its export white list, claiming that South Korea managed strategic export items poorly and that Seoul is involved in suspicious actions related to national security, without specifying what those were. This was seen in Seoul as a sign that Tokyo intended to treat South Korea in a negative and unfriendly manner. President Moon Jae-in reacted strongly, insisting that South Korea would never lose the game against Japan. He also declared that the South Korean government would invest massively in the coming years to build up small- and medium-sized enterprises that produce materials, parts and machinery that South Korea currently imports from Japan. Later, Seoul also decided to exclude Japan from its own white list as a countermeasure. Although President Moon sought to lower the temperature and open a dialogue with Japan at a speech on Aug. 15, South Korea’s Independence Day, Japan reacted passively to the offer.

SECURITY IMPLICATIONS
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Korea’s National Security Council (NSC) on Aug. 22 to withdraw the country from the General Security of Military Information Agreement (GSOMIA), a key intelligence sharing agreement between Seoul and Tokyo. An extension of the agreement was scheduled to be decided three months before its termination in November. Because GSOMIA symbolizes security cooperation between South Korea and Japan, the decision not to extend it sent a stark warning not only to Japan but also to the United States. US government officials have repeatedly expressed deep concern and disappointment at the decision.

All of these actions and counteractions look like a tit-for-tat strategy. The continuing negative spiral signifies that South Korea and Japan are no longer treating each other as friendly partners. Leaders of the two countries, Moon and Prime Minister Shinzo Abe, are losing trust in each other, which is aggravating the situation. In South Korea, the boycott of Japanese products is steadily on the rise. On the part of Japan, a “Korea fatigue” has set in as the government and public have grown tired of trying to placate South Korea over historical grievances. Some right-wing Japanese magazines are even calling for severing ties with South Korea. These moves are alarming and should be resisted.

Extended conflict does not serve the interests of people in either country. Furthermore, escalation represents a destructive path for two key US allies. It only provides fringe benefits to third parties in the region. North Korea wants to sever the tight co-operation between South Korea and Japan for its own security interests. Beijing can take advantage of the conflict by dealing with the two countries separately. If South Korea and Japan stand firm against China, possibly together with the US, China could face much harder times. However, the current disputes provide breathing space for Beijing. Despite the worsening situation, the US has so far not actively intervened in the tensions. There has been no active encouragement of mediation or the facilitation of co-operation. Instead, the US seems to be sitting on the fence, waiting until the dust settles over time.

It remains uncertain whether the two governments will take action to pacify the situation. There are hard-liners and soft-liners within each government. Hard-liners on both sides take the view that maintaining national pride is critically important, and that their own government should never give in before the other party sends a reconciliatory signal first. Soft-liners on both sides, meanwhile, tend to think that further escalation of conflict will only aggravate bitter feelings among the ordinary populace in each country. If the situation continues to spiral downwards, it will be very hard to return to normal business ties. As a result, soft-liners argue that some kind of compromise is necessary. However, at the moment, hard-liners are prevailing. Lost trust between the key leaders of the two countries makes it hard to find an acceptable solution.

TAKING A BREATH

This does not mean that conflict between South Korea and Japan will continue to grow in coming months. Both parties understand that the strategic risks are significant. Both parties also understand that they have to fix the relationship at some point, and both know that severing ties would not benefit either side. How to fix the relationship and when to do so is key. It may take longer than expected. Still, in order to move forward, the two governments must first agree to disagree on some issues. A victory by one side at the expense of the other will not restore sound bilateral relations. Instead, the two sides should make a “standstill agreement” in which they work toward not making things worse. On the basis of a mutual pause, the two sides should start talking seriously about how to resolve their pending issues. Diplomatic communication must be facilitated further and the exchange of candid opinions should be actively promoted. But political leaders must talk less about their outstanding differences and instead do their job, which is to seek resolution rather than provoke conflict that might seem to benefit them among their political constituencies.

Even though there are ups and downs, it is worth noting that the two governments are discussing the issues of conflict, sometimes at the table and at other times under the table. The South Korean government has noted that GSOMIA is still valid until Nov. 22, even though it has said it will not extend the agreement. Depending on how dialogue is resumed, South Korea could reverse the decision at the final moment. This surely depends on good intentions on Japan’s part. Considering the US interest in keeping GSOMIA going, South Korea and Japan could yet reach an agreement. On the part of Japan, although it may not be easy to repeal the export controls immediately, it is possible to impose export controls in a more relaxed manner, so that Japanese exports can reach South Korea without major difficulties. Working on the export management system at a bureaucratic level would not be a significant challenge.

Even though finding a compromise formula on the historical issue of forced labor won’t be stress-free, it is also not impossible if both parties are open and willing to work on a manageable solution. The South Korean government is trying to find a narrow path between respecting the Supreme Court decision and keeping the 1965 treaty intact. Despite strong voices against South Korea, the Japanese government is also aware that a final resolution cannot be found unless the Japanese side does something to placate South Korean demands. The Japanese side will continue to maintain its position that the 1965 treaty should be fully respected, however, this does not imply that Japan cannot do anything to resolve the issue of forced labor.

Whether South Korea and Japan can find some middle ground ultimately depends on the political will of Moon and Abe. That moment will come sooner if they realize that conflict does not help either side, and only provides benefits to others, such as China and North Korea. In short, the two leaders must realize that they are, in fact, both in the same boat navigating the turbulent waters of a changing Northeast Asia.