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Changing Dynamics of Regional Trade and Cooperation: A Case of Japan and South Korea

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Abstract

Forced labour has remained a sore point in the Japan-South Korea relationship. The 2018 South Korean Supreme Court verdict on the issue of compensating Korean workers, forced by Japanese companies to work in factories and mines during World War II, has revived war-time memories in South Korea. The situation quickly escalated into a “trade war” in 2019. At a time when the security in East Asia requires Japan and South Korea to work together, a historical issue remains a lingering challenge. This article will attempt to understand the nuances of Japan-South Korea reconciliation efforts, and how the South Korean Supreme Court ruling against the Japanese Companies operating in Korea has become a political issue in both Japan and South Korea. Further, it will focus on the Japanese export control measure, regional security issue and how Covid-19 is affecting the bilateral relationship.

Keywords: Forced Labour, Trade War, Japan’s reconciliation efforts, Japan-South Korea Relationship

1. Introduction

While the COVID-19 is wrecking the economy globally and regionally, the Japan-South Korea trade relationship is reeling under colonial and political tension. The colonial past has been a

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major source of diplomatic tension between Japan and South Korea. Particularly, after the 2018 verdict by the South Korean Supreme Court ordering Mitsubishi to pay compensation for forced wartime labour bedevilled the relationship between two countries. This deeply affected the political and economic trade relationship. Japan's response to the South Korean Supreme Court verdict, escalated the issue into "Trade War" between the two leading Asian economies. Further, the security relationship between the two also took a hit as South Korea threatened to withdraw from the General Security of Military Information Agreement (GSOMIA) and threatened to stop sharing information with Japan.

After the 2nd World War, Japan denounced the imperial rule and adopted a pacifist policy with strict Self-Defence Force policy guided by Article 9 of the Japanese constitution. Moreover, the Cold War and the common threat perception against the communist bloc sidelined the question of the Japanese colonial past. Post the Cold War, the alliance continued but now, South Korea and Japan's decision to move away from the Cold War construct of East Asian security is resulting in uncertainty in the bilateral relationship.

With the Japanese debate to interpret Article 9 of the Japanese Constitution, Japan and South Korea renewing their interest in building a strong military force to defend their territory against possible threats from North Korea and China and growing nationalistic sentiment among the political leadership in both Japan and South Korea, a political imbalance in the bilateral relationship has risen. Moreover, Covid-19 is creating a new set of challenges to both countries with an economic crisis. It is in this context that this article will try and understand the nuances of Japan-South Korea relationship from reconciliation efforts and how the South Korean Supreme Court ruling against the Japanese Companies operating in Korea has become a political issue. The article will also focus on the Japanese export control measure, regional security issue and how Covid-19 is affecting the bilateral relationship.

2. Japan-South Korea History of Reconciliation

The relationship between Japan and South Korea is built on a long history of conflict, cooperation and friendship. Despite the long legacy of war and other historical disputes, Korea and Japan developed a sustained diplomatic relation. The signing of the Treaty of Basic Relations in 1965 led to establishing a bilateral diplomatic relationship (American Society of International Law , 1966). The normalisation treaty provided an opportunity for the two countries to engage positively. Economic assistance by Japan through five-year plans for South Korea's economic development has led to a phenomenal increase in bilateral trade. Annual ministerial conference and an agreement to open up a new era of friendship and cooperation in 1983 have further contributed to the growth of bilateral trade. This was followed by a reconciliation process in 1991 to constitute a fact-finding mission on the comfort women. Based on the fact-finding results, Japanese Chief Cabinet Secretary Yohei Kono in 1993 issued an official apology to the victims. In the statement, he said, "The government of Japan extends its sincere apologies and feelings of remorse to all those, irrespective of place of origin, who suffered immeasurable pain and incurable physical and psychological wounds as comfort women" (Ministry of Foreign Affairs of Japan, 1993). In 1995, Prime Minister Tomiichi Murayama also issued a statement apologising for Japanese colonial rule and aggression in Asia.

The colonial past has also gained prominence during bilateral Prime Minister Summit in 1998. During this summit, President Kim Dae-Jung of the ROK and Prime Minister Obuchi of Japan signed the historic accord "A New Japan-Republic of Korea Partnership towards the 21st Century." The joint statement included Prime Minister Keizo Obuchi apology to South Korean President Kim Dae Jung for Japan occupation of Korea making it one of the important turning point the bilateral relationship (MOFA Japan, 1998). This was the first time Japan officially apologised to South Korean people in the joint-statement. President Kim accepted the sincerity of Prime Minister Obuchi's statement and called upon two nations "to overcome their unfortunate history and to build a future-oriented relationship based on reconciliation" (MOFA Japan, 1998).

Japan and the ROK were able to put an end to the “unfortunate past” (MOFA Japan, 1998) for the sake of a new future. The 1998 joint declaration illustrates the genuine efforts taken by both nations in overcoming the colonial past.

The successive Japanese Prime Ministers, including Prime Minister Shinzo Abe during his first term in 2007 endorsed an earlier Japanese position on the colonial issues. However, Prime Minister Abe aversion towards the “Comfort Women” and failure to acknowledge the Imperial Japanese Army colonial rule over Korea has raised severe concern among the Koreans about Japanese commitment to the reconciliation process. This coincides with South Korean Supreme Court ruling in 2018 on the Forced Labour issue exposed the weak link in the bilateral cooperation. In the changing geopolitical situation in the region, the Korean Supreme Court ruling against Japanese companies has created disconcert in the relationship, many experts deemed that the bilateral relationship has reached the historical nadir (Lee, 2013).

3. The Forced Labour Issue: Tipping point of “Trade War”

In 2018, the South Korean Supreme Court upheld the lower court verdict on October 2018, that “the right to compensation for forced labour is not subject to the treaty,” (New York Times, 2018) therefore plaintiff holds the right to compensation. Based on that, the top court ordered Nippon Steel & Sumitomo Metal Corp (NSSM) and Mitsubishi Industries to pay compensations to the complainants. The ruling against two major Japanese corporations has raised concern over the future of Japan-South Korea diplomatic relationship. Nearly, eighty Japanese companies are facing similar damage suit in South Korea Court. The Supreme Court ruling has adversely affected the economic future of these Japanese companies (facing similar lawsuits) in South Korea courts and poses an existential threat to Japanese business. Moreover, Japan views the Supreme Court ruling undermining the legal basis of the longstanding relationship between Japan and the Republic of Korea bound by the San Francisco Peace Treaty and poses a serious challenge to the post-war international order as well. For years, Japan has emphasised on the clause [Article II of the 1965 treaty] to

argue “that every bilateral problem pertaining to the colonial past has already been settled by virtue of the treaty.”¹

Under the Agreement on the Settlement of Problems concerning Property and Claims and on Economic Cooperation of 1965, Japan provided the South Korea Government with 300 million USD in grants and loan up to 200 million dollars, when the national budget of the ROK was approximately 300 million USD.² The South Korean government was to be responsible for every individual claim from the Korean nationals. The Agreement confirmed that the issues concerning all the claims between the two countries are settled.

The South Korea Government allocated a part of the funds to the workers’ bereaved families. In 2005, the administration of South Korea reconfirmed that the issue of such workers was covered by the Agreement. This formula of “once-and-for-all” settlement of claims was never an invention of diplomats of the two countries. This formula was one of the essential elements of the San Francisco Peace Treaty as well. It is Japan’s way of interpreting the post-war justice and currently with the Korean Supreme Court ruling the Japanese government holds that the right to seek post-war justice cannot be exercised in individual country courts.

In response to assertive displeasure expressed by Japan, the South Korean Foreign Minister Kang Kyung-Wha in a telephonic conversation in 2018 October to the Japanese Foreign Minister Kono said that the government “respected the judiciary’s decision and would develop its next steps after reviewing matters related to the ruling and comprehensively mulling over the full range of relevant factors” (MOFA Republic of Korea, 2018). Consequently, the South Korean government formed an inter-agency task force to look into Supreme Court rulings on Japanese wartime forced labour issues, a Foreign Ministry official said on 3rd December 2018. The task force is set to comprise of the foreign, justice and interior ministries who will scrutinise legal issues relating to the rulings while also taking into account South Korean public opinion and its ties with Japan (Hurst, 2018).

The step taken by the South Korean government to implement the Supreme Court verdict further alienated Japan. Japanese Foreign Minister Tao Kono called the verdict “extremely regrettable and unacceptable”(The Korean Herald, 2018) and claimed that it “violates Article II of the Agreement and inflicts unjustifiable damage and costs on the said Japanese company.” (The Korean Herald, 2018) Japanese Prime Minister Shinzo Abe told reporters that “the ruling is impossible in terms of international law.” Further, Foreign Ministry statements indicate that it is considering all the legal aspect of the case to take the matter to the international court. The South Korean Prime Minister claims that Japanese remarks are “aggressive,” “neither legitimate nor wise” (The Korean Times, 2018). In response, South Korea accused Japan of politicising the issue. Its foreign ministry said in a statement that South Korea was “very concerned that Japan’s leaders in positions of responsibility are disregarding the root cause of the issue and continue to make comments that rouse our public’s emotions” (Lee, 2018). The South Korean Foreign Ministry statement in November 2018 states “the Japanese government must be aware that excessive political emphasis on the present case will be of no help to the future-oriented relationship between South Korea and Japan”(Lee, 2018).

4. Diplomatic Fallout Leading to ‘Trade War’

The Japanese media was seen covering the issue with an overtly outraged warning. Experts’ fear that if the political rhetoric continues it will jeopardise the business of the Japanese companies operating in South Korea over the compensation and could ultimately lead to the companies pulling out of South Korea. But South Korea was also responding with strong statements. Ruling Democratic Party’s spokesman Hong Ihk-Pyo, has called for an apology and compensation not only from the companies but also from the Government of Japan. The main opposition, Liberty Korea Party also issued a strong statement condemning Japan for disrespecting the feelings of Koreans and sought a sincere apology from the Japanese government over forced labour and comfort women issue (Denver.S, 2018). In these circumstances of brewing

political hatred and domestic public anger, President Moon Jae's used caution so as not to incite antagonistic emotions between the people of both the countries. The political fallout has been visible at the 26th Asia Pacific Economic Cooperation (APEC) Economic Leadership Meeting where both Japanese Prime Minister Shinzo Abe and South Korean President Moon Jae-in skipped bilateral talks on side-line of APEC summit in Papua New Guinea. The duo also did not meet during G20 meeting held at Argentina as well.

Moreover, the South Korean Government's decision to close down "Reconciliation and Healing Foundation" established as a part of Japan-South Korea agreement in 2015 to support the former sex slave is a major setback for Japan-South Korea diplomatic initiative. As the fallout of political tension between Japan-South Korea has a serious repercussion on business activity between the two nations, the Japanese and South Korean chamber of commerce had postponed their annual meeting. The Japanese decision to file a complaint against South Korea the World Trade Organisation (WTO) over shipbuilding subsidy issue has been seen as the result of Seoul's decision on forced labour issue (Bej & Panneerselvam, 2019). In a renewed display of tension, the Japanese government on December 2018 released video footage of a South Korean naval ship locking its fire-control radar on a Japan Maritime Self-Defence patrol plane.

In case of a diplomatic deadlock between Japan and South Korea, Tokyo has hinted on taking the issue to the ICJ. Citing the ICJ ruling on Germany vs Italy over state immunity, Japan has used the issue to seek protection for a state from being sued in the courts of other states, as a precedent for wartime forced labour lawsuits. However, it is important to note that the concept of state immunity does not apply to cases involving individuals and corporations (Law Library of Congress, 2008). The ICJ has jurisdiction only to deal with legal disputes between states. Hence, Japan cannot seek a non-binding advisory opinion from the ICJ without South Korea's involvement.

The two landmark judgement from Constitutional Court and the Supreme Court of Korea followed by Korean Government's assertive stance on the two historical issues - Comfort Women and

Forced Labour issues has deepened the mistrust between the two nations. On the other hand, the domestic political environment is undergoing a major political shift with Prime Minister Shinzo Abe emerging as a dominant leader. Prime Minister Abe also suggested taking a more assertive policy vis-a-vee with South Korea. Experts say that the rise of nationalism and insensitive comments by Japanese ruling party members has escalated the tension between Japan and South Korea. Prime Minister Shinzo Abe's nationalist views have infuriated neighbours reminding them of the Japanese military aggression of the past. Moreover, his vision of reforming the constitution by strengthening the role of the military is also viewed with suspicion by several business partners and Asian neighbours. The Japanese Government's recent policy transformation and an assertive stance towards South Korea over the issue of Forced Labour issue spiralled into a trade war with South Korea.

5. "Weaponisation of Trade" - Japan Embargo on ROK

The South Korea Government's handling of forced labour and Comfort Women issues has escalated the issue into a trade war between two important major democracies in East Asia. Japan imposed an export controls mechanism in July 2019 targeting three essential chemicals used in products produced by South Korean tech giants - Samsung and LG as a response to South Korean Supreme Court ruling on the Japanese Companies. Even though Tokyo said the move was due to a "loss of trust" in relations with Seoul, the control imposition has been further securitised when Japan accused South Korea of improperly handling exports of sensitive materials from Japan (DW, 2020). This has brought South Korea's management of re-export controls and the military dual-use applications of the chemicals under the scanner.

The materials on which the export control has been put in place are fluorinated polyimides, photoresists and hydrogen fluoride. While fluorinated polyimides are used in smartphone displays, the photoresists are thin layers of material used to transfer circuit patterns onto semiconductor wafers and hydrogen fluoride is used as an etching gas in the chip-making process. Japan produces about

more than 80 per cent of the world's fluorinated polyimides and photoresists (Panneerselvam & Bej, 2019). This indicates that without these raw materials, the manufacturing of the chip and other smartphone components are impossible for Samsung or LG. The economy in South Korea is technology dependent hence stopping the supply of key components for the production of smartphones indicates that beyond tariff and other fiscal policies, it is the technological resources (raw materials) that determine the economics and politics between two countries.

After Japan stripped the 'white list' status from South Korea under a trade control law, Tokyo is now in a position to seek a licence for items that the country feels could have weapons-related applications. This prompted South Korea not to renew a military intelligence-sharing pact (DW, 2019). Tokyo has based the export control over a technical leeway in the WTO rules of national security. It has claimed that some of the chemicals are finding its way into North Korea. In June 2020, Japan also launched an anti-dumping probe into the import of a chemical compound called potassium carbonate used in the production of glass of liquid crystal panel (Nikkei Asia, 2020). Japan also threatened to impose more regressive sanction measures on South Korea products. Japan trade restriction led to a concern in South Korea over its capability to produce the goods without Japanese support.

6. Trade War: Impact on Japan and South Korean Economy

Japan and South Korea are facing an economic crisis since the 2008 financial crisis as the Covid-19 weighed on consumer demand and export. Trony Stangarone, Senior Director at the Korean Economic Institute of America says that the trade war had a minor impact on the trade relationship between Japan and South Korea (Stangarone, 2020). But, what is damaging about the trade war is the technological aspect of that. Japan's policy to regulate the export of chemical components need to manufacture the semiconductors to South Korea has greatly affected Korean manufacturing sectors. In 2018, semiconductor sales accounted for almost 92 per cent of South Korea's export growth which has made South Korea the technological monopoly of telecommunication parts

(Panneerselvam & Bej, 2019). The trade dispute has systematically affected the semiconductor prices thereby slowing down Korean exports. Samsung and Hynix together supply 70 per cent of DRAM chips worldwide and 50 per cent of NAND flash memory chips (Lee H. , 2019). With low export volumes and the shortage of materials to make semiconductors the component of the global handset is set to see a price rise that will impact the global supply and demand chain as well. This has pushed South Korea to rethink its supply chains and look for other avenues like Israel.

The present economic policy has alarmed many corporate houses and signals to a possible economic slowdown on manufacturing and supplying of smartphones but it has been largely supported by Japan's conservative administration. This is the first time Japan has responded in action to South Korea. However, the export control policy by Japan will not fare well economically even though it fares well politically for Japan. In an interview to the South China Morning Post, Yoichi Shimada of Fukui Prefectural University said, 'the conservative supporters of Shinzo Abe have for some time been demanding a strong bilateral response to South Korea's handling of the forced labour issue' and the nose tightening of the tech raw materials is political appeasement of the domestic support base that is hitting South Korea's economy 'exactly where it pains' (South China Morning Post, 2019). In response, South Korea has begun producing Etching Gas domestically. In September 2019, Samsung Electronics has announced that it will use domestically produced etching gas in its chip-making process to evade its dependence on Japanese suppliers. This localised production by Seoul came in August when the government proposed a budget increase of 17.3 per cent for research and development for the next year to 'strengthen the indigenous production in the material sector' (FT, 2019). With South Korea as the largest buyer of tech chemicals from Japan, pushing Seoul to look outside or inward will tilt Japan's export pattern as well. Just like South Korea, Japan might also experience a hit for the demand of its products. At present, the Japanese products are preferred for their high quality but it could be replaced by US-or Chinese-made components. This might make companies restrict exports for an extended period. With an interdependent economy, the dispute between Japan and

South Korea is a stark reminder of what monopolisation of a resource for a long time can lead to.

7. Regional Security in the Korean Peninsula: A Tense Japan-ROK relationship

The heightened discord between Japan and South Korea was vivid at the Trilateral Summit in the city of Chengdu on 24 December 2019. Prime Minister Abe took a tough stand against South Korea and urged its counterpart to come up with measures to resolve bilateral disputes. Even though the two leaders along with China discussed North Korea, amid concerns of Pyongyang planning a missile test in case of the US not making an exception in nuclear talks; the meeting aptly represented the current geopolitical situation of soured relations between the two main players in the Korean peninsula: Japan and South Korea.

As economic, social and political relation between Japan and South Korea continues to deteriorate this year, the repercussions of the same were felt in their security relations as well. The security relations between the two countries is further dependent on the changing regional dynamics especially with how each country responds to the missile threats and nuclear weaponisation by North Korea and the presence of the US and China in the region. Thus on 22 August 2019, when South Korea announced that it would not be renewing the bilateral General Security of Military Information Agreement (GSOMIA), it presented a blow to the US-Japan-South Korea trilateral security cooperation vis-a-vis North Korea. South Korea and Japan have endured seven decades of profound distrust but still had been able to maintain a commonality in their vision on regional security.

The pause in the nuclear talks between North Korea and the US has further added to the difference in approach between Japan and South Korea in dealing with the Korean crisis. While President Moon continues to broker peace between the US and North Korea, Prime Minister Abe echoed a strong criticism against North Korean missile launches as violating the UN resolutions and threatening regional security. President Moon took up the challenge of bringing

about an inter-Korean rapprochement as his legacy. But for Prime Minister Abe the 'issue of Japanese abductees took precedence over the North Korean nuclear threat and Japan has maintained this stance towards Pyongyang ever since.

As external regional dynamics dictate the security relations between Japan and South Korea, it was intense pressure from the United States that led South Korea to reverse itself on 22 November and extend an intelligence-sharing pact with Japan, a move that the Seoul government wanted to halt (New York Times, 2018). The decision to remain in the intelligence pact, which South Korea had vowed to abandon just three months ago, appeared to be a short-term victory for the US but it further increased the reluctance to mend relations (Choe, Motoko, & Wong, 2019). Japan has preserved the pact but has also remained upset over an impasse with South Korea in a separate dispute which has cost the country its economic, historical and diplomatic standing.

From the perspective of South Korea, its decision to renew the pact came as Japan announced that it would resume negotiations with South Korea over export controls. Current and former American officials familiar with the intelligence-sharing agreement said its implementation was still in the early stages (Choe, Motoko, & Wong, 2019). Experts claim that "once the infrastructure and protocols are in place to make the agreement work, the two nations, in theory, would be able to coordinate on intelligence on critical security matters in Asia. Without the agreement, both nations need the American military to act as a go-between for coordinating on intelligence"(Choe, Motoko, & Wong, 2019). However, with the distrust between the two countries growing, it remains to be seen how far the two countries will walk independently in coordinating in security matters. The prospects of de-escalating tensions at the government level while both President Moon and Prime Minister Abe remain in office have dimmed. With the US unwilling to play a role in the East Asian security architecture that both Tokyo and Seoul have come to expect in the past, there is no obvious respite in the current imbroglio.

Captain Sukjoon Yoon, a Senior Fellow at the Korean Institute for Military Affairs says, it is important for two nations to

acknowledge the security and similar geopolitical interest. This provides an opportunity to deepen military-to-military cooperation (Yoon, 2019). Despite South Korea and Japan being the two largest liberal democracies in East Asia, the trade, economic and technical cooperation has failed to strengthen the strategic-military relations. Captain Yoon claims, “the military cooperation has always been very limited, and is generally mediated through their separate relationships with the US military.” The naval faceoff in 2018 December in between Republic of Korea Navy Destroyer and Japan Maritime Self-Defence Force patrol aircraft is a clear indication of the deep distrust between two militaries (MoD Japan, 2019).

There are several reasons as to why it is in the interest of Japan and South Korea to work towards a recalibration of their military relation. First, the security in the Korean Peninsula has been more than tense after an abrupt ending in the denuclearisation talks between the US and North Korea. Both countries have individualistic stakes in maintaining peace in the peninsula. Hence this gives a position of finding a common ground despite the different approaches of both Japan and South Korea in tackling the issue. Second would be the changing nature of security threat in Northeast Asia. The North Korean nuclear and missile threat against South Korea, Japan and the US military base in the region is imminent. During the party foundation day military parade in Pyongyang, North Korea displayed new ICBM for the first time to be designated as part of *Hwasong* - 15 series. The ICBM is reportedly to have a maximum range of 15, 000 kilometres challenging the US and Japanese position in the Pacific Ocean. Moreover, the increasing threat from China and Russia is a major concern for regional security. The Chinese and Russian long-range patrol aircraft incursions into South Korean and Japanese airspace has increased in recent times. In 2018, Air Self-Defence Force (ASDF) aircraft scrambled 999 times in response to Chinese and Russian aircraft (MoD Japan, 2019). Chinese is steadily increasing its naval activity in the East China Sea and South China remains a concern for the US and its ally Japan and South Korea.

This changing nature of threats in the region has led both the countries to take a separate defence posture and find alliances

outside of the region and the US. In 2018, the defence budget of South Korea increased by 7 per cent. In 2019, the budget grew by 8.2 per cent. According to the Midterm Defense Plan for 2020-2024, the administration's budget for force improvement programs of 103.8 trillion was utilised in funding the acquisition and development of military capabilities (Glosserman & Choi, 2019). However another important development to note is that South Korea's threat perception of today doesn't just arise from the Korean peninsula but also the West, China and Japan. The emerging geopolitical situation in the region and balance of power between the US and China is also an important factor to understand the present discontent between Japan and South Korea. South Korea has chiefly oscillated between maritime powers like Japan and a continental threat like North Korea. These varying strategic and security calculation is the result of a great power competition between the US and China (Matsuda & Park, 2019).

During the Cold War, the Korean peninsula was the epicentre of global politics. Japan and South Korea have oriented their security and military priority to safeguard their interest against Soviet Russia, China and North Korean nuclear threats. Since the end of the Cold War, the rise of China as a dominant power, the security architecture of the region has changed as well as the strategic priority of Japan and South Korea is also adjusting to the existing security environment. In the new geopolitical reality, there are two primary factors to consider: First, China's rise as a naval power and assertive maritime policy to change the regional broader in the region. Chinese building artificial islands in the South China Sea and stepped up the military activities in East China has a major implication for Japan, which immensely depend upon sea-line of communication for energy import and trade. On the other hand, South Korea economy growing close to the Chinese economy is looking at an alternative approach to Korean unification and managing nuclear threats from the North Korean regime. At the same time, South Korea maintains strong military-to-military ties with the US and alliance with Japan.

Second, the US supremacy in the region was constantly challenged by the Chinese military in the region. On the other hand, Japan's

increasing awareness of itself as “a maritime state,” as underscored in Japan’s first National Security Strategy in 2013, (PMO Japan, 2013) has not only led the country to expand its naval capability but has also deepened its security ties with other like-minded nations, such as Australia and India (Harold & Derek Grossman, 2019). It is against this background that the country has moved to adopt and balance an independent military posture. Hence, each policy of the current President Moon Jae-in is aimed to build a nation that is not broken or shaken. President Moon has underscored the importance of “autonomous defence” (Harold & Derek Grossman, 2019) – the ability of South Korea to defend itself without foreign support – to achieve national sovereignty and strategic independence. His policy towards a Korean unification is aimed at building a strong and self-reliant nation and coupled with it is his announcement in 2018 for an 8.2 per cent increase in the defence budget for 2019, the largest such increase in a decade. On the other hand, Japan’s difficult ties with China have led it to maintain a balanced approach with the US. While the geopolitical dynamics remain in flux, Japan and South Korea’s tensions add to the crisis and will continue to remain tense.

8. Japan and South Korea Relationship: Post-Covid-19 and Way Forward.

The Covid-19 has deeply affected Japan and the South Korean economy. The postponement of the Tokyo Olympic game and worsening domestic economic crisis in Japan, as well as a decrease in global demand for consumables goods due to Covid-19, pose a serious economic and trade challenge for both countries. Moreover, the sudden resignation of Prime Minister Shinzo Abe in September and appointment of Mr Yoshihide Suga as a new Prime Minister of Japan is facing numerous challenges including Covid-19, stagnating economy ahead of the Tokyo 2021 Olympic and most importantly the mending relationship with South Korea. After assuming the office, Prime Minister Yoshihide Suga spoke with South Korean President Moon Jae-in over the phone. Speaking to news reporters, Prime Minister Suga said that Japan will not soften its stand under his leadership, at the same time he mentioned “that

work together on various issues, including on the coronavirus, and I believe the Japan-South Korea and the Japan-U.S.-South Korean alliances are important to resolving issues such as North Korea” (Japan Times, 2020). The telephonic conversation led to opening up communication between Japan and South Korea. Two sides also agreed for regular consultation to improve the ties. As a first step, both countries have agreed to (Korea JoongAng Daily, 2020) resume the business travel to restart the commerce ties. In November 2020, South Korea’s National Intelligence Director Park Jie-won met Prime Minister Sauga to discuss bilateral issues including the North Korean nuclear and missile threat (Korea JoongAng Daily, 2020). The two sides stressed the need for cooperation with the US to make the alliance system work in East Asia. The President-elect Joe Biden also called both Japanese and South Korean leadership and assured commitment in the matter of regional security (South China Morning Post, 2020). Amid Covid-19, Japan and South Korea have decided to move forward with the normalisation process which had been affected by the Forced Labour issue and trade embargo imposed by Japan. But this time, more than the normalisation of the trade relationship, both Japan and South Korea are faced with a serious challenge of solving the question of colonial issues.

9. Conclusion

The Trade War mooted deep mistrust in the bilateral relationship between the two countries. South Korean tech industries have begun looking for domestic suppliers to replace Japanese products. The South Korean government has promised to invest in domestic production of semiconductors material. As a result of the Japanese export control measure, Japanese companies and products are facing backlash in South Korea showing declining growth trend in 2019. Both Japan and South Korean leadership have agreed to resolve the trade conflict through dialogue. As the security of East Asia hinges on the Japan and South Korea security cooperation, Japan and South Korea need to work together in finding a final solution to the historical issues like forced labour and comfort

women issues, which has been the main source of tension in the diplomatic relationship.

¹ Failure of the Republic of Korea to comply with obligations regarding arbitration under the Agreement on the Settlement of Problems concerning Property and Claims and on Economic Co-operation between Japan and the Republic of Korea, MOFA Japan, https://www.mofa.go.jp/press/release/press4e_002553.html

² Ibid

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