



Japan-Korea Relations:
Lost in the Six-Party Talks

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The final quarter of 2007 was eventful and left observers in both Japan and South Korea cautiously optimistic about bilateral relations. Both Japan and South Korea chose new chief executives this fall, and both of them promised to search for more collaboration and to begin repairing relations between the two countries. Halting progress on North Korean denuclearization through the Six-Party Talks led to hope that momentum could be sustained, although Japan for the time being has chosen to be supportive but skeptical of North Korea's promise to denuclearize, and continued its sanctions against the DPRK. Indeed, North Korea's missed deadline for declaring its nuclear programs was a reminder that progress in relations with North Korea is never straightforward or easy. Although no country has decided to forego the process, it is unclear how relations between North Korea and other states in the region will evolve in 2008.

Japan-North Korea relations: 'wait and see' from Fukuda & Kim

Japan-North Korea relations continued to flounder during the past quarter although there were small signs of a shift in Japan's hardline policy toward Pyongyang. While the Six-Party Talks made important strides toward denuclearization, Japan extended its unilateral sanctions on Pyongyang for another six months over a lack of progress in the abduction issue, and pressed Washington not to drop North Korea from the list of state sponsors of terrorism. North Korea, while engaging in the Six-Party Talks, took a "wait and see" approach toward Tokyo to observe what new Prime Minister Fukuda Yasuo and his Cabinet might do to push bilateral negotiations forward. Despite the continuing pressure from families of abductees, the Japanese government appeared to soften its tone in an attempt to avoid diplomatic isolation.

Fukuda's inauguration in September did not produce a swift change from the policies pursued under Prime Minister Abe Shinzo. The quarter began with Japan's reiteration of its "unchanged stance" toward Pyongyang; on Oct. 9, Fukuda's Cabinet approved extension of the sanctions on the grounds that no specific progress on the abduction issue has been made and other conditions have not been met. In April sanctions had already been extended once after their original imposition following North Korean ballistic missile launches into the Sea of Japan/East Sea in July 2006. Those original sanctions banned port calls by the North Korean cargo-passenger ferry *Mangyongbong-92*, which had been the only direct passenger link between the two countries. In October 2006,

Pyongyang's nuclear test prompted Japan to expand the scope of sanctions to include a ban on all imports from North Korea, while prohibiting North Korean nationals from entering Japan and banning Japanese exports of 24 items, including luxury food items. According to the *Yomiuri Shimbun*, on Sept. 30, Chief Cabinet Secretary Machimura Nobutaka said that while Japan might review its policy if progress is made, currently Japan "is not in a situation in which it can stop or ease the sanctions."

Japan's "unchanged stance" seemed to be confirmed with its refusal to provide aid to North Korea after the six-party deal was struck in early October, when Pyongyang promised to disable its nuclear facilities, including the Yongbyon reactor, and to provide a complete declaration of all of its nuclear programs by the year's end. While the Japanese government "valued" the progress in the Six-Party Talks, Foreign Minister Komura Masahiko clarified Japan's position: no aid will be provided until progress on the abduction issue is made. Quoted in the *Kyodo News* Oct. 4, however, Prime Minister Fukuda sounded more positive when he said progress in the nuclear issue can be linked to produce a move toward a resolution of problems between Japan and North Korea, especially the abduction issue.

In Japan, conservative commentators and the relatives of the abductees expressed more explicit dissatisfaction over the Six-Party Talks deal. The *Yomiuri Shimbun* described the agreement as Pyongyang's "nuclear blackmail paying dividends," and saw it as "a bitter pill that has left a sour taste in Japan's mouth." *Yomiuri* argued that the joint statement only covered facilities in Yongbyon and did not mention the nuclear weapons that Pyongyang is believed to possess, nor its uranium enrichment program. According to the daily, the Japanese government remained dissatisfied on many points, but approved the document "out of consideration for the U.S., South Korea, and other participants in the Six-Party Talks."

In November, the families of Japanese abductees headed to Washington and met U.S. top negotiator Christopher Hill and Republican lawmakers to urge them not to remove Pyongyang from the U.S. list of state sponsors of terrorism. Republican lawmakers then introduced a bill that would require the U.S. to keep the North on the list until Pyongyang comes clean about all suspected abducted Japanese, while Japan's Parliament passed a similar resolution. The *Yomiuri Shimbun* reported on Dec. 8 that a survey revealed that 75 percent of Japanese respondents felt that Washington should keep the North on its list of state sponsors of terrorism until the abduction issue is resolved, and 76 percent of U.S. respondents agreed.

During President Roh Moo-hyun's visit to Pyongyang in early October, Kim Jong-il said that he wanted to see what stance Japan's new prime minister and his Cabinet take toward Pyongyang before deciding whether the North would take conciliatory steps toward Tokyo. Roh was said to suggest that Pyongyang make the first move to improve relations with Japan, according to the *Asahi Shimbun* on Oct. 6. Similarly, North Korea's top negotiator Song Il-ho said that Prime Minister Fukuda's dialogue-oriented policy on the North is "worthy of note," during his interview with *Kyodo News*.

Worthy of note as well this quarter was Pyongyang's new "songs of engagement" with the international community. The South Korean daily *Choson Ilbo* noted on Oct. 31 that North Korea's official and quasi-official media were speaking the language of "international economic relations," "the need to respect rules in international relations," and "the position that it wants to develop good neighborly relations even with capitalist countries." The Workers' Party daily *Rodong Shinmun* editorial on Oct. 29 said, "The time has passed when we had to carry out production and construction with our bare hands. Korea lives in the world."

The future of Japan-Korea relations seems largely dependent upon developments in the Six-Party Talks. Even though North Korea missed the Dec. 31 deadline to declare its nuclear facilities, if it can do so early in 2008, then Fukuda is likely to have a better chance at shifting Japanese foreign policy away from the abduction dominated agenda. Small signs of change began to emerge during this quarter as well; on Oct. 25, Foreign Minister Komura said that Japan may consider the return of "some" of the still-missing Japanese as a sign of "progress" on the issue. Earlier that month, Japan also replaced language "condemning the nuclear test" with observations of "recent progress" in the Six-Party Talks when it called on the UN General Assembly to adopt a nuclear disarmament resolution calling for sanctions.

Japan-South Korea relations: Japan happy with President-elect Lee

With Lee Myung-bak's victory in the South Korean presidential election on Dec. 19, both Japan and South Korea chose new chief executives this fall, which led many observers to predict that bilateral relations would improve. Earlier in the quarter, Japan kept a close eye on the inter-Korean summit for its possible impact on the South Korean presidential election and for its implications for Japan's security in general. Tokyo was critical of President Roh's conciliatory remarks in Pyongyang and viewed them as "indulging" North Korean leader Kim Jong-il. Although Tokyo does not seem to expect a radical shift in South Korea's engagement policy toward the North, it welcomed the victory of Lee as a move that could bring South Korean politics back to the center. While future bilateral ties remain to be seen, both Seoul and Tokyo seemed eager to move away from history issues and rocky relations, and to search for a more mutually beneficial relationship based on pragmatism.

President Roh's conciliatory gestures toward North Korean leader Kim during his visit to Pyongyang met with criticism both in South Korea and Japan as being "overly considerate of North Korea." Roh's remarks that outsiders should "not go on and on about reform and opening up to North Koreans" were not well received by the Japanese, who had just decided to extend unilateral sanctions against Pyongyang for another six months. The *Yomiuri Shimbun* wrote on Oct. 5 that Roh's attitude was "unconditionally accepting of the current situation in North Korea," even though key issues such as the North's nuclear programs and the abduction issues remained unresolved. Japan's other major dailies joined the South Korean media in criticizing Roh and largely viewed his conciliatory gestures as "playing nationalist cards to win support" in the upcoming presidential election for progressive forces in South Korea. The *Japan Times* editorialized

on Nov. 24 that both President Roh and North Korean leader Kim were attempting to influence the campaign dynamic by currying favor with South Korean voters.

Thus, Lee Myung-bak's victory in the South Korean presidential election was a great relief to Japan, especially since Lee said that he would not shy from criticizing North Korea's authoritarian regime. In fact, an end to a decade of left-leaning presidents in South Korea might turn out to be a watershed in the bilateral relations, as the Fukuda-Lee combination could narrow differences in the two countries' views on key issues. During President Roh's five-year tenure, both Tokyo and Seoul have undergone important structural changes in their domestic politics as well as foreign policy. Under Prime Ministers Koizumi and Abe, Tokyo became more hard-line, with foreign policy priorities centering on resolving the abduction issue by pressuring Pyongyang, while Seoul has grown more progressive and leaned toward the North.

In light of President-elect Lee Myung-bak's "MB doctrine," South Korea is likely to stress pragmatism in its foreign policy, while focusing on strengthening the alliance with the U.S. and searching for better cooperation with Japan. During their 15-minute phone conversation on Dec. 21, Fukuda and Lee agreed that they "share basic values" and emphasized the importance of trilateral cooperation between Japan, South Korea, and the U.S. in solving the North's nuclear issue. Lee voiced appreciation for Japan's efforts in the Six-Party Talks, while Fukuda stressed the need for friendly relations between Tokyo and Seoul for stability and prosperity in Northeast Asia. On Dec. 19, Japan's Chief Cabinet Secretary Machimura Nobutaka said in a press conference that Japan hopes for better relations with Seoul and described Lee as "a businessman-turned-politician who makes practical decisions," reported the *Yomiuri Shimbun* on Dec. 20. Machimura also said that Fukuda might attend Lee's inauguration in late February if invited.

During this quarter, a release of a report from a South Korean government panel revealed that former President Park Chung-hee tacitly approved the kidnapping of Kim Dae-jung in 1973 on Japanese soil, raising problems in both Tokyo and Seoul. The report expressed "deep regrets" to Japan over the incident, but also criticized Tokyo for "having agreed to a diplomatic settlement" without pressing the matter. Upon the report's release, Japan on Oct. 24 called for an apology from South Korea for violating Japan's sovereignty. Former President Kim Dae-jung himself told a news conference that "the Japanese government had its sovereignty infringed upon by South Korea and at the same time neglected its duty of protecting me." Chief Cabinet Secretary Machimura responded by saying, "if he really thinks so, why didn't he tell the Japanese government about it when he was serving as president," calling Kim's comment "strange." The somewhat awkward diplomatic situation was smoothed over when the Japanese government decided to settle for an expression of "regret" from South Korean Ambassador to Japan Yu Myung-hwan to Japanese Foreign Minister Komura. Prime Minister Fukuda also told reporters on Oct. 30 that Japan would not pursue the issue further, stressing the importance of seeking better bilateral ties "in a future-oriented manner."

Later in the quarter, Japan and South Korea held their 10th bilateral talks in Tokyo from Dec. 11-14, and maritime officials from Tokyo and Seoul reached agreement on fishing

quotas. Following the agreement, Japan and South Korea will reduce next year's fish catch in each other's exclusive economic zone by 500 tons to 50,000 tons. According to the *Joongang Ilbo* on Dec. 19, it was the third consecutive annual drop in the two countries' fishing quotas; Tokyo and Seoul cut the amount by 3,000 tons last year and 3,500 tons in 2005.

Economic relations

Japan-South Korean economic relations continued to deepen during this quarter as the two economies became more integrated. KT Corporation, South Korea's largest fixed-line telephone and internet operator, agreed to build a strategic alliance with a Japanese consortium and joined in bidding efforts for the mobile internet business in Japan, reported the *Joongang Ilbo* on Oct. 12. Hynix Semiconductor, the world's second largest manufacturer of DRAM chips, announced its intention to increase its market share in Japan to 20 percent by the first half of 2008. The *Korea Times* reported Nov. 30 that, according to the market research firm Gartner, Elpida took first place with a 33 percent share in 2006 of the Japanese DRAM market, while Samsung Electronics held a 30 percent share.

Korea Customs Service data showed that South Korea faces a record-high trade deficit with Japan for the second straight year. The deficit was \$21.96 billion from January through September, up 16 percent from the same period last year. South Korea's trade deficit with Japan has gone up in recent years from \$11.36 billion in 2000 to \$14.71 billion in 2002 and \$24.44 billion in 2004. South Korea's dependence on Japanese technology and industrial goods were the main reasons for this record deficit.

The *Korea Times* reported an interesting survey on Dec. 11 of 340 Japanese firms operating in South Korea and 350 Korean companies in Japan and conducted by the Korea Chamber of Commerce and Industry. According to the survey, 22.5 percent of Japanese firms felt that a possible "bubble burst" was the biggest risk factor in the South Korean economy, while 13.4 percent cited labor-management and 9.9 percent worried about pay hikes. Among 350 Korean firms operating in Japan, 41.3 percent responded that the Japanese yen's depreciation against other foreign currencies -- including the Korean won and the U.S. dollar -- was the biggest risk to the Japanese economy. The survey also revealed that 69.3 percent of South Korean firms and 71.2 percent of Japanese counterparts welcomed an FTA between Tokyo and Seoul.

Competition between Japan and South Korea continued in the IT sector. Sharp Corp. sued Samsung Electronics Co. on Dec. 12 over an alleged patent violation for liquid crystal displays. In its lawsuit filed in Seoul Central District Court, Sharp Corp. expanded on a legal patent battle that had begun in the U.S. District Court for the Eastern District of Texas in August, and demanded that Samsung Electronics Co. stop sales and manufacturing of display panels and LCD TVs. A Samsung spokesman said that it would deal with the lawsuit aggressively.

The World Trade Organization has ruled that Japan's countervailing duties on computer chips made by South Korea's Hynix Semiconductor Ind. are illegal under international trade rules and ordered Japan to remove the punitive trade barrier. South Korea filed a complaint with the WTO in March last year after Tokyo imposed a punitive tariff of 27.2 percent on Hynix memory chips and accused Hynix of receiving an unfair subsidy from the South Korean government in 2002.

According to the Korea Chamber of Commerce and Industry, 307 travel agencies said that Japan was the most competitive among Asian countries in tourism infrastructure, followed by Southeast Asian countries, South Korea, and China. In terms of prices of tourism products, China ranked first, putting South Korea's tourism behind Japan in infrastructure and behind China in prices of tourism products. On Oct. 28, triangular flight operations began between South Korea's Gimpo airport, China's Hongqiao airport, and Japan's Haneda airport. South Korea and Japan have operated regular flights between Gimpo and Haneda since 2003.

Society and culture

During this quarter, after the U.S. and the Netherlands endorsed a resolution on the "comfort women" issue, the call for the Japanese government's official apology for women forcefully conscripted during the World War II continued to gain international support. Three women drafted as sex slaves by Japan during World War II testified for the first time before the European Parliament, and the Parliament adopted a resolution on Dec. 13, asking Tokyo to "formally acknowledge, apologize, and accept historical and legal responsibility" for the sexual enslavement. On Nov. 29, the Canadian House of Commons also unanimously approved a resolution and called on the Japanese government to admit its enslavement of over 200,000 women from neighboring Asian countries during the World War II. It also urged Tokyo to compensate the victims and clarify in textbooks the crime committed by the Japanese military, reported the *Choson Ilbo* on Nov. 30.

The South Korean Foreign Ministry decided to provide 1.5 billion won next year to help ethnic Korean farmers in Utoro, Japan retain their land from forced eviction. The ethnic Koreans in Utoro – a district in the city of Uji, Kyoto Prefecture – are descendants of Koreans who were forcefully migrated under Japanese colonial rule to build an air base there. When the war was over, the Japanese courts denied their property rights, and legal battles have gone on for many years. According to the UN special rapporteur in July 2005, the ethnic Koreans in Utoro have lived under the constant threat of eviction with a "lack of basic infrastructure."

In a reverse tide from "the Korean Wave," "the Japanese Wave" continued to rise in South Korea, as Japanese cultural products have been welcomed by South Koreans. According to the *Choson Ilbo* on Nov. 29, since South Korea opened its doors to the Japanese cultural products in January 2004, the number of Japanese movies and TV dramas has steadily risen. In 2007, a total of 81 films were shown, compared with 29 in 2004, 34 in 2005, and 51 in 2006. Big names such as Takuya Kimura, Jo Odagiri, the star

of the popular Japanese film, “Mezon Do Himiko,” and Satoshi Tsumabuki from “Josee, the Tiger and the Fish” have all visited South Korea to promote their films.

In Japan, the Korean Wave continued to prosper. South Korean pop stars Boa and TVXQ won Gold Artist awards at the Japanese 2007 “Best Hit Pop Song Festival” for their record sales. Starring Korean Wave icon Bae Yong-joon, the TV drama “Taewangsingi” (“The Four Guardian Gods of the King”) has been broadcast on cable TV since Dec. 3, and will air on the national network NHK TV next year. The drama depicts the life of King Gwanggaeto, known as the Great Expander of ancient Korean history. A guidebook accompanying the drama series with photos, character sketches, plot summaries, and detailed historical background information sold out its first 30,000 copies in July. The second volume was released in October and continued to enjoy high sales according to SDD, the Japan-based distributor of the drama.

The next quarter

The first quarter of 2008 will be important given North Korea’s missed deadline to declare its nuclear facilities. If North Korea can make a declaration sometime in early 2008, it is likely that momentum will build for increasing cooperation with the DPRK. However, if North Korea does not make a declaration, it is likely that tensions will rise around the region. President Lee will need to decide how best to deal with the North, and his policies may come more in line with those of Fukuda.

Also, both Fukuda and Lee will be in the initial stages of their administrations and attempting to forge a more cooperative relationship. As of now there are no major initiatives planned in either capital, but sometime this year it would not be a surprise to see a summit between the two that has symbolic, if not substantive, meaning.

Chronology of Key Events: Japan-Korea Relations October-December 2007

Oct. 1, 2007: South Korea’s Nexon Mobile game developer announces at the Tokyo Game Show 2007 that the company has made agreements with three major Japanese mobile communication companies, Softbank Mobile, KDDI, and NTT DoCoMo.

Oct. 2-4, 2007: South Korean President Roh Moo-hyun and North Korean leader Kim Jong-il hold an inter-Korean summit. Roh urges Pyongyang to forge better bilateral relations with Tokyo. Kim is said to reiterate that the abduction issue is over.

Oct. 3, 2007: Japan says that it values progress in the Six-Party Talks as North Korea agrees to dismantle three nuclear facilities in Yongbyon and declare all its nuclear programs by Dec. 31.

Oct. 5, 2007: Foreign Minister Komura says that Japan accepts that a joint document between Seoul and Pyongyang does not mention the abduction issue.

Oct. 9, 2007: Prime Minister Fukuda's Cabinet approves the extension of sanctions against Pyongyang on the grounds that no specific progress on the abduction issues has been made as well as other conditions not being met.

Oct. 21, 2007: South Korean Customs Service says South Korea's trade deficit with Japan hit a record-high \$21.96 billion from January through September.

Oct. 24, 2007: Japan's Chief Cabinet Secretary Machimura calls for an apology from Seoul over its government's role in kidnapping Kim Dae-jung from Japanese soil in 1973 as violating Japan's sovereignty.

Oct. 25, 2007: FM Komura says that Japan may consider the return of "some" of the still-missing Japanese as a sign of "progress" on the abductee issue.

Oct. 30, 2007: Ambassador to Japan Yu Myung-whan delivers South Korea's "regrets" over its role in kidnapping Kim Dae-jung from Japanese soil in 1973.

Oct. 30, 2007: PM Fukuda says that Japan will not pursue the issue of abduction of former South Korean President Kim Dae-jung any further in consideration of better Japan-South Korean relations in a future-oriented manner.

Oct. 30, 2007: Kim Dae-jung expresses concern over Japan's conservative moves toward militarism during his speech at Ritsumeikan University, Japan.

Nov. 11, 2007: Relatives of Japanese abducted by North Korea during the 1970s go to Washington to ask U.S. officials not to remove Pyongyang from the U.S. list of state sponsors of terrorism.

Nov. 19, 2007: PM Fukuda and President Roh hold a meeting on the sidelines of the 11th ASEAN Plus Three Summit and the 8th East Asian Summit in Singapore. This marks the first summit between Japan and South Korea since Fukuda took office in September.

Nov. 29, 2007: Canadian House of Commons approves a resolution calling on the Japanese government to formally admit its sexual enslavement of over 200,000 women during World War II.

Nov. 29, 2007: South Korea announces the World Trade Organization's ruling that Japan's countervailing duties on South Korea's Hynix Semiconductor Inc. are illegal.

Dec. 8, 2007: *Yomiuri Shimbun* reports a survey Japan shows that 75 percent of Japanese respondents said that Washington should keep the North on its list of state sponsors of terrorism until the abduction issue is resolved.

Dec. 10, 2007: Governors of Gangwon Province of South Korea and Tottori Prefecture in Japan hold a meeting in Chuncheon, South Korea, and agree to resume cross-border

exchanges after a more than two-year standoff. The exchange programs were active between 1994 and 2005, but were suspended over the Dokdo/Takeshima islets dispute.

Dec. 11, 2007: Korea Chamber of Commerce & Industry survey shows that one out of five Japanese companies operating in Korea thinks that Korean economy is at risk of bubble-bursting.

Dec. 11- 14, 2007: Tokyo and Seoul agree at their 10th bilateral talks that they would reduce next year's fishing quota in each other's exclusive economic zones to 50,000 tons.

Dec. 12, 2007: Japan's Sharp Corp. sues Samsung Electronics Co. of South Korea alleging patent violations for liquid crystal displays.

Dec. 13, 2007: European Parliament passes a resolution on the "comfort women" issue.

Dec. 17, 2007: Japan's Maritime Self-Defense Force successfully conducts a test in Hawaii intercepting a missile as part of an effort to build its own missile defense system.

Dec. 19, 2007: South Korean *Joongang Ilbo* reports that experts in South Korea express insecurity that Seoul will fall behind in an increasingly competitive arms race over Russia's new development of missiles and Japan's missile test.

Dec. 19, 2007: Lee Myung-bak wins 48.7 percent of the vote with the largest margin of victory in a South Korean presidential race since democratic elections began in 1987.

Dec. 19, 2007: Chief Cabinet Secretary Machimura in a press conference hopes that the new South Korean President will exercise leadership so that Japan-South Korean relations will develop in a better direction.

Dec. 21, 2007: President-elect Lee and Fukuda have a 15-minute telephone conversation and agree to work on better bilateral ties and confirm that they share basic values.