



Japan-Korea Relations:

## Tentative Improvement through Pragmatism

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Japan's relations with both North and South Korea improved over the past quarter. In conjunction with the North's June declaration of its nuclear activities, there was renewed momentum in resolving the two biggest pending bilateral issues between Tokyo and Pyongyang – the North's nuclear development program and the abduction issue. Bilateral talks resumed in mid-June after more than six months of no progress. The second quarter also marked a fresh start for Tokyo and Seoul as President Lee's Myung-bak's visit to Japan – the first since December 2004 by a South Korean president – marked the resumption of so-called “shuttle diplomacy.” The summit between Prime Minister Fukuda Yasuo and President Lee produced agreements on several bilateral issues, including the stalled bilateral FTA negotiations, closer coordination on policy regarding North Korea's nuclear development program, and youth exchanges.

### **Japan-North Korea: a small step from ‘action for action’**

Japan-North Korea relations finally began to make progress after a long period of inaction. With the Six-Party Talks making progress due to the North's June declaration of its nuclear activities, there was renewed momentum in resolving the two biggest bilateral issues between Tokyo and Pyongyang – the North's nuclear development program and the abduction issue. The headline for the second quarter of 2008 was the resumption of Tokyo-Pyongyang bilateral talks in mid-June after more than half a year's halt. In a diplomatic breakthrough, North Korea has promised that it will begin a “reinvestigation” of the fate of Japanese citizens abducted by Pyongyang, and said that it is willing to hand over to Japan the four remaining members of the nine hijackers of a Japan Airlines jet in 1970. In return, Tokyo agreed to partially lift sanctions against Pyongyang, allowing certain North Korean ships to make port calls in Japan.

While Japan-North Korea relations are moving in a positive direction, Japan may face a difficult choice in the coming quarter if the Six-Party Talks, which focus on denuclearization of North Korea, move faster than progress in the abduction issue. Reflecting public sentiment, Japan has refused to participate in economic and energy assistance for Pyongyang, hoping to press the DPRK until the abduction issue is completely resolved.

### **The abduction issue and state sponsor of terrorism list**

Arguably, the abduction issue has been the biggest obstacle to Japan-North Korean normalization talks and a main driver for Japan's hard-line North Korea policy over the years.

During the 2002 Japan-North Korea summit, North Korean leader Kim Jong-il apologized to Prime Minister Koizumi Junichiro for the abduction of Japanese citizens in the 1970s and 1980s. In 2004, after Koizumi's second visit to Pyongyang, North Korea returned five abductees to Japan as a gesture aimed at normalizing diplomatic relations with Tokyo. Since then, the highly emotional issue for the Japanese public has been a major influence on Japanese foreign policy, pushing Tokyo to take tough measures against North Korea. Meanwhile, Tokyo and Pyongyang have been in a quarrel over the fate of the remaining eight abductees. While Pyongyang has claimed that they are dead, the Japanese government's DNA tests showed that the cremated remains Pyongyang claimed to be Yokota Megumi were not hers.

Noteworthy about this round of the Tokyo-Pyongyang talks was Pyongyang's reversal of its previous claims that the abduction issue has been settled. Compared to the round of talks in September 2007, the June 11-12 bilateral talks were constructive in that both Tokyo and Pyongyang agreed to reopen the abduction issue. Japan welcomed the North's softened stance and evaluated it as "certain progress." But equally noticeable was the Japanese government's tone careful – Tokyo has learned not to expect too much from the North. On June 13, in comments on the outcome of the talks, Foreign Minister Komura Masahiko said that Pyongyang's new promise is "a small step," and therefore, Tokyo will only partially lift the ban on chartered flights and trips between the two countries. Chief Cabinet Secretary Machimura Nobunaka sounded a similar tone when he said that a mere promise to restart the probe is not enough for Japan to provide the economic and energy assistance that Pyongyang has demanded in the Six-Party Talks. Japanese media in large part responded similarly, viewing North Korea's changed stance as a means to bolster its image in order to be removed from the U.S. state sponsors of terrorism list. In an editorial June 14, the *Asahi Shimbun* warned that the North has "a history of offering dubious information and flimsy explanations about the abduction issue, frustrating Japanese efforts to uncover the truth."

Clearly, North Korea was making efforts to be removed from the U.S. terrorist list. On June 10, its Foreign Ministry issued a statement that North Korea firmly maintains its opposition to all forms of terrorism and "fulfills its responsibility and duty in the struggle against terrorism as a dignified member of the United Nations," which was welcomed by the U.S. as well as Japan. The rationale for Pyongyang's designation by the U.S. as a nation supporting terrorism included its harboring of the Japanese hijackers as well as past abductions of Japanese citizens.

### **Japan-South Korea relations**

The second quarter of 2008 marked the start of a new relationship for Tokyo and Seoul as President Lee's visit to Japan – the first since December 2004 by a South Korean president – marked the resumption of an annual exchange of "shuttle diplomacy" visits. The April 20 summit between Prime Minister Fukuda Yasuo and President Lee Myung-bak produced important agreements on a wide range of bilateral issues, including the stalled bilateral free trade agreement (FTA) negotiations, closer coordination on policy regarding North Korea's nuclear development program, and youth exchanges, among others. The Dokdo/Takeshima Islets issue emerged soon after the summit and threatened the hard-won warming mood, but did not lead to a full-fledged diplomatic conflict as in the past. While this reflects political will on both sides to

improve bilateral ties, it also showed that public opinion might be the key to achieving the proposed goal of “a more mature partnership.”

### **The Fukuda-Lee summit**

Although the April 20 Japan-South Korea summit avoided directly dealing with some thorny historical issues, Prime Minister Fukuda and President Lee succeeded in laying the groundwork for further cooperation based on a pledge to foster a “more mature partnership.” A careful look at the summit agenda reveals that Tokyo and Seoul are seeking a working relationship to help handle their security and economic problems. Three issue areas from the February 25 Fukuda-Lee summit in Seoul – more concerted efforts to deal with North Korea, resumption of bilateral FTA talks, and a forward-looking attitude toward historical issues – were reconfirmed and some were begun to be put in practice during this past quarter.

A first area of agreement was tighter cooperation on North Korea’s denuclearization in the context of Seoul-Washington-Tokyo trilateral coordination. Prime Minister Fukuda called North Korean issues the “biggest common agenda” for Tokyo and Seoul. President Lee agreed that the North’s nuclear development threatens the peace of Northeast Asia and offered to cooperate in solving the issue of North Korea’s abduction of Japanese citizens. The Lee administration’s first four months in office did not see any concrete policy change toward North Korea, but President Lee’s emphasis on “pragmatic inter-Korean relations” apparently freed Seoul from the previous Roh government’s fear that such trilateral coordination (between the U.S., Japan, and South Korea) would upset Pyongyang and result in negative consequences for inter-Korean relations. On June 19, chief negotiators from Japan, the U.S., and South Korea met in Tokyo to strengthen trilateral coordination in pushing Pyongyang to fully declare its nuclear activities. North Korea’s official newspaper *Rodong Sinmun*, on the other hand, commented that Lee’s visits to Japan and the U.S. were not “pragmatic diplomacy,” but “traitor diplomacy,” charging that he was “selling out the Korean people” in exchange for his own political ambition.

Another success of the Fukuda-Lee summit was a decision to resume the stalled negotiations on a bilateral FTA and to expand the scope of bilateral exchanges. Accordingly, in late June, Tokyo and Seoul held a working-level meeting to study how to restart the negotiations. The two leaders also agreed to push implementation of the bilateral Working Holiday Visa Program, which includes goals of doubling the number of young South Korean and Japanese participating in the program to 7,200 in 2009, and increasing the number to 10,000 by 2012.

The most challenging yet important area of agreement between Fukuda and Lee had to do with a pledge on how to approach “historical issues.” The summit did not discuss substantive territorial disputes or other issues that spring from the history of Japan’s colonization of the Korean peninsula between 1910 and 1945. However, following their February summit, President Lee repeated that South Korea would not seek an apology or soul-searching from Japan so as not to let the past create an obstacle for the future. In particular, his statement that he would not respond in knee-jerk fashion to remarks by individual Japanese politicians on matters of history drew much attention in Japan. According to a statement from the South Korean presidential Blue House (*Cheong Wa Dae*), in a meeting between President Lee and Japanese Emperor Akihito in Tokyo, Lee called for a “future-oriented” relationship and added it does not mean that the two

countries should forget the historical truth. Emperor Akihito said when the people of the two countries try to confront the historical truth and understand each other, mutual understanding and trust will deepen. Reflecting the difficulty of resolving past issues, the South Korean daily *Chosun Ilbo* reported on April 22 that a survey conducted by Japanese TV network *TBS* of 500 citizens from Japan and South Korea showed that 90 percent of South Koreans and 44 percent of Japanese believe that issues between the two countries remain unsettled despite warmer ties.

### **Let bygones be bygones?**

The difficulty of looking forward was apparent less than a month after the summit, when the Dokdo/Takeshima Islets issue became a test for Tokyo-Seoul's "mature, future-oriented partnership." The Japanese Foreign Ministry posted a document on its website that claimed the Dokdo/Takeshima Islets as part of Japanese territory. The document, titled "10 Issues of Takeshima," is available in English, Korean, and Japanese, and claims that South Korea is illegally occupying the islets, and lists 10 reasons why the islets belong to Japan. Although the South Korean Foreign Ministry issued a protest against Japan, it was criticized both within and outside the ministry for taking a passive and lukewarm stance.

Another incident was a Japanese media report that Japan's Education Ministry will describe the Dokdo/Takeshima Islets as Japanese territory in its revised curriculum guidelines for middle school social studies classes. This time, South Korea reacted more strongly and immediately, on the instructions of President Lee to demand a correction if the report was true. Foreign Minister Yu Myung-hwan summoned Japanese Ambassador to South Korea Shigeie Toshinori to verify the news report and to express Seoul's displeasure. Some South Korean media reacted by blaming Japan for breaking the trust of South Koreans, and said that, "Japan-South Korea relations seemed to be warming but are about to chill abruptly." South Korea's conservative daily *Chosun Ilbo* carried an editorial that said claiming the islets are Japanese territory is one thing, but teaching it to young students is another.

Chief Cabinet Secretary Machimura sought to calm the diplomatic waters, and said that the Japanese government "has no intention of significantly politicizing the Takeshima issue." According to a report in the May 28 *Japan Times*, Japan "apparently backed down after sharp reactions from South Korea" and will refrain from identifying Dokdo/Takeshima as an integral part of Japan. The supplementary document, along with the guidelines for other subjects for middle school classes, will be compiled in mid-July. The documents are nonbinding and provide guidance for teachers and textbook publishers. According to the *Chosun Ilbo*, the Japanese government had planned to include the Dokdo/Takeshima Islets in the new guidelines published on March 28, but decided not to, in consideration of relations with South Korea, which was showing signs of improvement after the February Fukuda-Lee meeting.

### **Fukuda and Lee: unpopular at home**

Both President Lee and Prime Minister Fukuda suffered a significant drop in support ratings during the quarter, which might turn out to be an obstacle to improving relations. President Lee's first 100 days in office anniversary was met with mass "candlelight protests" and a record low approval rating that dropped below 20 percent – the sharpest plunge of any South Korean

president during his first 100 days. Although Lee's GNP (Grand National Party) managed to hold 153 seats of the 299 seats (from 128 seats) in April parliamentary elections, turnout was just 46 percent, the lowest in South Korea's 20 years of democratic elections.

The limits of Lee's ability to change South Korean foreign policy, and the vibrancy of South Korean democracy, were dramatically revealed within the first few months of his administration. In an attempt to make progress on the stalled U.S.-South Korea FTA, Lee forced through newly loosened quarantine regulations to allow the import of U.S. beef into South Korea. Originally banned in 2003 at the height of the mad-cow scare in the U.S., the U.S. had made removal of the ban central to conclusion of the FTA. Lee abruptly lifted the ban on the eve of his trip to Washington in April. In response, South Koreans flooded the streets, railing against Lee's attempt to curry favor with the U.S. By June, up to 500,000 citizens – housewives, businessmen, and students – took to the streets daily for candlelight vigils in a now-familiar scene to protest various aspects of Lee's administration in what one observer called “the largest anti-government protests in two decades.” Opinion polls revealed that up to 80 percent of South Koreans opposed importing U.S. beef older than 20 months, and it is worth emphasizing that Japan also restricts U.S. beef imports older than 20 months. The protests widened as other groups added further concerns, and instead of dying down, the vigils intensified.

Although initially about U.S. beef imports, the protests quickly became as much about Lee's own imperial style of rule as they were about substantive issues. Rightly or wrongly, it appeared to many South Koreans that Lee was attempting to fix two problems – US-ROK relations and South Korea's northern policy – that did not need fixing, while overlooking more important problems with the domestic economy and other bread and butter issues. Lee's decision also appeared to the average South Korean as yet another instance of South Korean leaders caving in to U.S. pressure. Furthermore, Lee and his Cabinet's initial dismissal of the public's concerns did little to alleviate discontent with his style of rule. Other concerns – such as Lee's pledge to support the interests of the large conglomerates (“*chaebols*”), and continued worries about the domestic economy – combined with an increasingly web and text message-based method of organizing, brought thousands of people into the streets for an almost daily ritual.

In Japan, Prime Minister Fukuda faced domestic problems as he was accused of raising the price of oil by enforcing a reform of the gasoline tax. Fukuda's approval rating has continued to drop from a high of 60 percent at the time of his inauguration last September 2007 down to 19 percent by June 2008. Fukuda received another blow as the opposition-controlled Upper House approved – for the first time – a censure motion against Fukuda in protest against the ruling coalition's block of a bill in the Lower House to scrap the new health insurance system.

In contrast, the issue of giving permanent residents voting rights in local elections has gained momentum in Japanese politics during the quarter, helped by warming diplomatic relations between Tokyo and Seoul. The *Japan Times* reported on May 3 that a group of Democratic Party of Japan (DPJ) lawmakers was in the process of drafting a bill that allows foreigners with permanent residence status the right to vote in local elections. According to the daily, the DPJ group was organized less than two weeks after DPJ President Ozawa Ichiro met with Lee Sang-duk, the special envoy of then President-elect Lee Myung-bak in mid-January. Noting that South Korea began to provide permanent residents with voting rights in local elections in 2006, Ozawa,

a supporter of alien suffrage, reportedly said to the South Korean envoy and later to President Lee himself that he will make efforts on the issue. During the April Fukuda-Lee summit, President Lee raised the issue again but Fukuda responded by saying that Japan has yet to come to a decision, although he was aware of the issue.

In Japan, some 837,000 foreign nationals were registered with the government in Japan as permanent residents, making up 40.2 percent of the total 2.08 million registered foreigners. 443,000 of them were special permanent residents (who have been in Japan for generations) and most of them are Korean descendants who lived in Japan before World War II. On April 16, some 600 residents of Korean descent and other foreign nationalities gathered in Tokyo to request the Japanese government to grant the right to vote in local elections. *Kyodo News* reported an interview with Pierre Delehouzee, a member of the Association for Multi-Cultural Families and a Japanese resident for over 30 years, as saying “I have abided by Japanese laws and obligations, but I have not been given basic rights as a local resident – I have to wonder why.”

On April 28, South Korea’s Ministry of National Defense announced that Seoul and Tokyo were working on the details of a comprehensive military cooperation agreement. The agreement includes exchange of military personnel and joint search-and-rescue naval exercises in humanitarian causes. This type of military cooperation marks the first codified agreement between the two countries since the end of Japan’s colonial rule of the Korean Peninsula.

Given the unchanged public perceptions (especially South Korean), unpopular leaderships in both countries may have a harder time in pursuing the agreements they made during their April summit. In particular, considering the large South Korean trade deficit vis-à-vis Japan, progress on their bilateral FTA could face strong opposition from the public. Furthermore, despite pledges for a future-oriented relationship, it remains to be seen whether unpopular leadership can withstand nationalist sentiments on both sides of the East Sea/Sea of Japan.

### **Economic and cultural relations**

After Prime Minister Fukuda and President Lee reconfirmed their goal of resuming bilateral FTA talks, the two sides held a working-level meeting in June to study how to resume the stalled negotiations. Six rounds of negotiations had been held between December 2003 and November 2004, but were suspended due to Japan’s objection to opening up its agricultural market and South Korea’s opposition to further liberalizing its automobile market. Unlike the bilateral FTA with the U.S., major South Korean conglomerates oppose the deal with Japan, because of the fear that such a deal – despite long-term benefits – will introduce fierce competition in the home appliances and automobiles sectors in South Korea.

In other economic news, on May 4, the finance ministers of Japan, South Korea, and China agreed in a meeting in Madrid that they would create a new cooperation framework by the year’s end to promote financial stability in East Asia. In their joint message, they recognized the turbulence in the current international financial markets as a major risk for their economies, and agreed to “enhance communication among authorities responsible for macroeconomic and financial stability.”

Regarding bilateral investment between Japan and South Korea, according to Saito Atsushi, head of the Tokyo Stock Exchange, Japanese equity markets have been overlooked by South Korean investors. In his address at the Institute for Global Economics in Seoul, he said that efforts to improve corporate governance at Japanese firms have started to revive the equity market in Japan. Foreign investors make up of 65 to 70 percent of the trades on the Tokyo Stock Exchange. The Tokyo Exchange aims to double the market value of its listed companies and products to ¥1,000 trillion (\$9.4 trillion) in the next three years, and he urged South Korean investors to consider investing in Japan.

The South Korean Ministry of Knowledge Economy reported that South Korean exports rose 27.2 percent year-on-year to \$39.49 billion in May, while imports jumped 28.8 percent to \$38.45 billion to create a surplus of \$1.04 billion. According to the report, exports to China and Japan climbed 32.6 percent and 17.4 percent, respectively, while those to ASEAN (Association of Southeast Asian Nations) states and Central and Latin America jumped 45.2 percent and 44.3 percent respectively. Shipments to the U.S. were down 5.4 percent.

Japan's All Nippon Airways Company (ANA) and South Korea's Asiana Airlines agreed to expand code-sharing flights on eight routes in an arrangement allowing each to sell seats under its own name on the other carrier's flight. The agreement, which took effect on June 1, allows the two airlines to offer 294 weekly code-shared flights on 28 routes.

According to the *Japan Times*, Japanese students in Miyagi Prefecture plan to visit South Korea this summer on a school excursion to study the life of Tatsuji Fuse (1880-1953), a lawyer and human rights advocate. Fuse was the first Japanese recipient of Seoul's medal regarding the founding of the nation; South Koreans call him "Japan's Schindler" for his efforts to fight for Koreans arrested in Tokyo for their involvement in the independence movement. Students at Onagawa No. 4 Junior High School will visit South Korea to trace the steps of Fuse, who had visited the Korean Peninsula during Japan's colonial rule, and also meet with South Korean students. Director Hiroo Ikeda plans to make a movie on Fuse to show next spring.

### **The coming quarter**

Despite their best intentions, President Lee may be the third consecutive South Korean president to have a "false start" with Japan: both Kim Dae-jung and Roh Moo-hyun pledged to look to the future, only to be hemmed in by the past. However, there is no doubt that Lee and Fukuda both have the intention of moving the Japan-South Korea relationship forward in a more cooperative direction, and they have agreed to pursue progress in a number of areas. Whether they succeed will depend as much on their domestic policy success and the reaction of their own citizens as it will on relations with each other.

As for North Korea-Japan relations, after years of little progress and mutual recriminations, the stage appears to be set for some type of movement on the abductee issue. It is unlikely that the issue will ever be resolved satisfactorily to each side's satisfaction, especially given the amount of time that has passed since the original abductions. The task for both sides will be to find a way to move forward on the issue in a manner that is perceived as at least minimally legitimate by the other side. Whether this is possible remains to be seen.

## Chronology of Japan-Korea Relations April-June 2008

**April 4, 2008:** Japan Foreign Minister Komura Masahiko and South Korea Foreign Minister Yu Myung-hwan agree that Tokyo and Seoul will work closely to peacefully resolve North Korean nuclear issue and the abduction of Japanese citizens by Pyongyang as Yu makes a four-day visit to Japan to discuss better ties with Japan.

**April 9, 2008:** Parliamentary elections are held in South Korea. President Lee's GNP (Grand National Party) holds 153 seats of the 299 seats (from 128 seats), while the opposition liberal UDP (United Democratic Party) plunges from 141 to 81.

**April 11, 2008:** Japan's Cabinet confirms that economic sanctions against Pyongyang will be renewed for another six months. The second round of sanctions expires on April 13.

**April 16, 2008:** Some 600 Korean residents and other foreign nationalities gather in Tokyo to demand voting rights in local elections in Japan.

**April 20, 2008:** President Lee Myung-bak and Prime Minister Fukuda Yasuo hold a summit in Tokyo and agree to pursue a more mature bilateral partnership.

**April 22, 2008:** *Chosun Ilbo* reports that 90 percent of South Koreans believe bilateral issues between Japan and South Korea remain unsettled; according to TV network *TBS*, 44 percent of Japanese share the view.

**April 28, 2008:** South Korea's Ministry of National Defense announces that Seoul and Tokyo are working on a comprehensive military cooperation agreement, marking the first codified bilateral military cooperation since the end of Japan's colonial rule of the Korean Peninsula.

**May 4, 2008:** Finance ministers from Japan, South Korea, and China meet in Madrid and agree to closely cooperate to cope with financial market turbulence.

**May 5, 2008:** *Asahi Shimbun* reports that the support rate for PM Fukuda continues to plunge, reaching 20 percent in its latest survey. It is down from 25 percent in the previous survey conducted on April 19 and 20.

**May 5, 2008:** *Associated Press* reports that South Korea has approved financial assistance to victims of abduction by Pyongyang. A Unification Ministry statement says that the South Korean government approved a total of \$1.1 million in compensation to 31 families of abductees.

**May 11, 2008:** *Kyodo News* quotes Japanese government sources that North Korea suggested to a Japanese official in early 2004 that there were abductees other than the 15 officially admitted by Pyongyang at that time.

**May 18, 2008:** *Yomiuri Shimbun* reports that Japan's Education Ministry plans to describe the Dokdo/Takeshima Islets as "Japanese territory" in its revised curriculum handbook.



**May 19, 2008:** Japan's Chief Cabinet Secretary Machimura Nobunaka says that Japan has no intention of politicizing the Dokdo/Takeshima issue.

**June 1, 2008:** Code-sharing agreement between Japan's All Nippon Airways and South Korea's Asiana takes effect.

**June 2, 2008:** South Korea's Ministry of Knowledge Economy announces the South Korean economy posted its first monthly trade surplus in six months.

**June 6, 2008:** Japan and North Korea hold an unofficial preparatory meeting and agree to meet for official bilateral talks on June 11-12.

**June 8, 2008:** Okinawa holds local elections. Ruling Liberal Democratic Party loses control of Okinawa Assembly.

**June 10, 2008:** Official Central News Agency of DPRK issues a statement that it opposes all forms of terrorism.

**June 10, 2008:** South Korea's Ministry of Foreign Affairs and Trade officials say that the normalization of diplomatic relations between Tokyo and Pyongyang is "crucial" for the Six-Party Talks.

**June 11-12, 2008:** Japan and North Korea hold bilateral talks in Beijing.

**June 12, 2008:** *Yomiuri Shimbun* reports that Japanese-made vacuum pumps were used for Pyongyang's uranium enrichment, which was discovered during an inspection by the International Atomic Energy Agency (IAEA) last year.

**June 13, 2008:** FM Komura comments on the Tokyo-Pyongyang bilateral talks and says that Japan will make a small step as the North makes a small step. Japan decides to lift some sanctions in exchange for Pyongyang's promise to reinvestigate the abduction issue.

**June 14, 2008:** Foreign ministers of Japan, South Korea, and China hold a meeting and agree that they will cooperate on North Korean issues. Tokyo reiterates that it will not endorse a possible move by the U.S. to remove Pyongyang from the state sponsors of terrorism list.

**June 18, 2008:** South Korea urges Japan to provide North Korea with economic and energy aid to further progress in the Six-Party Talks.

**June 18, 2008:** Secretary of State Condoleezza Rice restates U.S. willingness to remove Pyongyang from the terrorist-sponsor list if it submits a full declaration of its nuclear activities.

**June 19, 2008:** ROK FM Yu Myung-hwan, a former ambassador to Japan, says a stronger alliance with the U.S. will help improve relations with Japan and China.

**June 19, 2008:** Chief Cabinet Secretary Machimura tells the Diet that Japan will keep urging the U.S. not to remove Pyongyang from the terrorist-sponsor list.

**June 19, 2008:** Negotiators from Japan, South Korea, and the U.S. meet to discuss ways to proceed with the Six-Party Talks.

**June 20, 2008:** FM Komura says that Tokyo plans to urge Washington to keep the North on the terrorist-sponsor list.