



**Japan-Korea Relations:  
*Cheonan* Incident Overshadows Everything**

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The sinking of the South Korean warship on March 26 turned the second quarter into a tumultuous time for Northeast Asian diplomacy. A multinational team of investigators concluded that North Korea was responsible, bringing Seoul and Tokyo closer together in a united stand against Pyongyang, while Japan's relations with North Korea relations declined even more than usual as they continued their "sanctioning and blaming": Tokyo placed more sanctions on Pyongyang, and Pyongyang blamed Tokyo for being used as a US "servant." For its part, the Democratic Party of Japan found a face-saving solution to the problem of the Futenma relocation issue, putting the matter on hold due to the threat from North Korea. At the 60<sup>th</sup> anniversary of the Korean War, the region appears largely the same as it did in 1950. Both Koreas view each other as the main enemy, US alliances are the cornerstone of Japan and South Korean foreign policies, and China (and to a lesser extent, Russia) is sympathetic to North Korea and faces strong criticism from the US and South Korea.

**Japan's Foreign Minister Okada, "not many measures left that we can impose"**

Japan opened the quarter with a decision to extend existing sanctions against Pyongyang for another year due to a lack of progress on the abduction and nuclear issues. In fact, Tokyo has been stepping up its sanction measures against North Korea in recent years. After North Korea conducted a ballistic missile test in 2006, Tokyo banned North Korean vessels from making port calls in Japan and prohibited all imports from North Korea and exports of luxury items to North Korea. In 2009, after North Korea's second nuclear test, Tokyo imposed a total ban on exports to North Korea. This quarter, the Hatoyama administration enacted a bill to inspect cargo being transported from and to North Korea.

In response to North Korea's alleged torpedoing of the *Cheonan*, Tokyo denounced North Korea for the attack and added more sanctions to the already long list. On May 24, the Security Council of Japan – attended by Prime Minister Hatoyama Yukio and key Cabinet ministers – discussed possible responses to the *Cheonan* incident and decided to lower the cap on the amount of undeclared cash that can be carried to North Korea to ¥100,000 (\$1,097) from the current ¥300,000. In addition, the amount of money an individual can bring to North Korea will be lowered from ¥300,000 to ¥100,000. There is skepticism within the Japanese government as to the effect these measures will have on North Korean behavior, but the sanctions have limited the activities of companies and individuals that used to trade with North Korea. For example, on June 15, a trader and his wife were arrested on suspicion of exporting cosmetics to North Korea, a violation of the ban on exporting luxury items to the country.

The sudden resignation of Prime Minister Hatoyama in early June and the inauguration of the Kan administration are not likely to bring about much change in Japan's North Korea policy. Throughout the quarter, Tokyo's responses to the sinking of the warship have been consistent in two ways. First, they have supported South Korea's initiative for punitive measures against North Korea. Second, they have emphasized the need for close trilateral cooperation among Seoul, Tokyo, and Washington on North Korea policy to pressure China to support their interpretation of the *Cheonan* incident. This approach serves Japan's foreign policy objective of garnering international support to pressure North Korea to come to a comprehensive resolution of missile, nuclear, and abduction issues. Even before an official announcement of the investigation's results was made, Hatoyama made an early promise of support for Seoul's decision if it decided to bring the case to the UN Security Council and agreed to prioritize investigating the incident before resuming the Six-Party Talks. Later in June, Japan's new prime minister, Kan Naoto, during his diplomatic debut at the Group of Eight (G8) meeting, urged Chinese President Hu Jintao to "move in a similar direction," saying that China's condemnation of North Korea's behavior was "necessary."

### **Pyongyang: "disappointed" at Hatoyama's failure**

North Korea denied any involvement in the sinking of the *Cheonan* and responded by warning that it would use "ultra strong" military countermeasures if Seoul brings the case to the UN Security Council in an effort to punish Pyongyang. North Korea's UN Ambassador Sin Son-ho at a news conference blamed the US, saying that the US was the greatest beneficiary of the sinking because the incident allowed Prime Minister Hatoyama to break his campaign promise of relocating the US Marine Corps base outside Okinawa. Sin also blamed Hatoyama for "yielding to US pressure" and for deciding to keep the relocation agreement with the US intact. North Korea's *Rodong Sinmun* stated that the Hatoyama government "has no independent political initiatives," and warned that "the Japanese public's criticism and anger are increasing as time passes." A day after Hatoyama's resignation, Ro Jong-su, a researcher at the North Korean Foreign Ministry, said that Hatoyama's resignation was "his own fault" and expressed "disappointment" at his decision to relocate the US Marine Corps Futenma Air Station within Okinawa. He also accused Hatoyama of siding with the US and South Korea in blaming North Korea for the sinking and for imposing additional sanctions on North Korea during his tenure.

### **Japan- South Korea relations: friends in need**

How did the sinking of the *Cheonan* affect Japan-South Korea relations? As Seoul adopted a more hard line approach toward Pyongyang over the sinking, converging foreign policy interests in handling North Korea are bringing Tokyo and Seoul closer as strategic partners. It remains to be seen whether this momentum will spill over into thorny bilateral issues such as the granting of local-level suffrage to ethnic Koreans in Japan or the territorial dispute over Dokdo/Takeshima islets. However, throughout the quarter, Tokyo was quick and consistent in positioning itself as a strong supporter of South Korea regarding the sinking of the *Cheonan*, which was duly noted and appreciated by Seoul. Japan's support of South Korea's stance over the sinking was further highlighted by the contrast with the cautious Chinese attitude that emphasized "restraint," which caused frustration among many South Koreans. Furthermore, the different approaches taken by Tokyo and Beijing were visible in part because of the high-profile Seoul-Tokyo-Beijing trilateral

meetings among foreign ministers and head of states in May, which were both held in South Korea.

For example, on the sidelines of a trilateral meeting of foreign ministers in Gyeongju, Japanese Foreign Minister Okada Katsuya and South Korean Foreign Minister Yu Myung-hwan agreed on May 16 that a resumption of the Six-Party Talks would hinge on the results of the investigation of the sinking. Okada began the meeting by saying that Japan “has deep respect for the stand of the South Korean government, which is responding resolutely and calmly in a difficult situation,” and that Japan would “spare no effort in offering necessary cooperation.” At the May 29-30 trilateral summit in Jeju, Prime Minister Hatoyama reconfirmed that the resumption of the Six-Party Talks would wait until after Pyongyang apologizes for the sinking. During his separate bilateral meeting with President Lee, Hatoyama pledged that Japan “will take the lead in international cooperation and support South Korea’s position at the Security Council.” Before the opening of the trilateral session on May 29, Hatoyama proposed that the leaders pay a silent tribute to the deceased sailors from the *Cheonan*. Hatoyama’s gestures, including his visit to the Korean National Cemetery in Daejeon where he paid his respects at the graves of the 46 sailors, were well appreciated by Seoul.

### **Trilateralism coming age – Seoul, Tokyo and Beijing**

Although the *Cheonan* incident cast a long shadow over the security landscape of Northeast Asia, important decisions were made at the Jeju trilateral summit on May 29-30, many of which may determine the course of future cooperation in the region. President Lee, Prime Minister Hatoyama, and Chinese Premier Wen Jiabao adopted a 41-point blueprint called the “Trilateral Cooperation Vision 2020,” which calls for future economic cooperation, environmental protection, regional security, and cultural and personnel exchanges. There are at least three developments that indicate that the Jeju trilateral summit is important to Japan-South Korea relations.

First, the three leaders agreed to establish a permanent secretariat in South Korea next year. The secretariat will be set up at Seoul’s expense, and a secretary general and two deputies will be selected, while each country will take turns as head of the secretariat. Since the inaugural trilateral summit in December 2008, the gathering has taken shape as an important venue for diplomacy and exchanges among three countries and no longer just “on the sidelines of” ASEAN. Although it is too early to tell if this move signals further institutionalization of cooperation in Northeast Asia, it reflects the interests and need for the three countries to deepen trilateral cooperation amongst themselves.

Second, the decision to finish a joint study on the feasibility of trilateral free trade agreement (FTA) by 2012 is a reminder of the political will in all three countries toward that goal. According to the May 31 *Joongang Ilbo*, South Korea’s Trade Minister Kim Jong-hoon briefed the leaders about a study on a trilateral FTA that concluded that trade volume amounts to at least \$438 billion. Other areas of agreement include negotiations on mutual investments and the deepening of financial cooperation along with science innovation, standardization and the setup of employment and labor council.

Third, the summit brought regional security issues to the table. The previous two meetings have focused on economic exchanges, but this time the leaders agreed to the goal of a nuclear-free Korean Peninsula and continued cooperation to deal with the sinking of the *Cheonan*. In particular, the leaders of three countries talked about the reunification of the two Koreas. In a step away from the usual avoidance of sensitive national security issues in diplomatic venues like this, President Lee said “the goal of the South Korean government is to maintain peace in the Korean Peninsula and open up North Korea so that both North and South Korea can enjoy prosperity together. We aim to move toward peaceful reunification through this process.” In response, Prime Minister Hatoyama said it is tragic for a nation to remain divided for 60 years, and added that Japan “will provide support for creating a peaceful environment for swift Korean reunification... For that to happen, North Korea must give up its nuclear weapons.” Premier Wen responded by saying that President Lee’s idea of creating “peaceful reunification by making the Korean peninsula a land of peace and prosperity” “should be highly regarded,” and added that he “wholeheartedly agrees.” After decades of little progress on trilateral cooperation, the steps taken this quarter to institutionalize their meetings through a secretariat, and the 41-point proposal, mark a step toward coordinated actions that are consequential for relations among the three countries.

### **Toward becoming “friends indeed”**

With Prime Minister Hatoyama’s sudden resignation on June 2 amid a falling approval rating (from 72 percent at time of his inauguration to 19.1 percent when he resigned) over the Futenma relocation and funding scandal issues, South Korean President Lee welcomed his fourth counterpart, the new prime minister of Japan, Kan Naoto. (During Lee’s presidency he has already interacted with Prime Ministers Fukuda Yasuo, Aso Taro, and Hatoyama). Compared to the Roh-Koizumi era, Japan-South Korea relations in these years have been friendly, continuing to strengthen working-level cooperation in areas of security, economics, and culture. However, challenging historical issues remain. Considering that Hatoyama came into office with a pledge to face the unfortunate history between Korea and Japan, one issue that Seoul may find regrettable with his resignation is the granting of local-level suffrage to ethnic Korean living in Japan, which he had pushed but failed to complete during his tenure.

One sour note amidst the generally positive atmosphere of Japan-South Korea diplomatic relations this quarter was the continuing dispute over the Dokdo/Takeshima islets. The Japanese government approved all five elementary school textbooks that claim Japan’s sovereignty over the islets. In response, South Korea’s National Assembly approved a resolution on April 2 that condemned the Japanese claim and demanded that the Japanese government withdraw its authorization of the controversial textbooks. The resolution says, “This year marks the 100<sup>th</sup> anniversary of Japan’s forceful annexation of Korea ... Instead of repenting and apologizing for its military past and seeking a historic advancement of future-oriented Korea-Japan relations, Japan is concentrating on reactionary actions by distorting and concealing the truth.” Foreign Minister Okada during his meeting with Foreign Minister Yu in May called for “restraint” in dealing with the territorial issue.

While the 100<sup>th</sup> year of Japan’s annexation of Korea has thus far been rather uneventful with no visit by the Japanese Emperor to Seoul and no granting of suffrage to ethnic Koreans in Japan,

there was a notable move toward reconciliation this year. A joint declaration was issued by 105 Japanese and 109 Korean academics, writers, and attorneys on May 10 in Seoul and Tokyo, calling for the Japanese government to acknowledge that Japan's annexation of Korea 100 years ago was null and void. The statement says the annexation was "unjust and illegal," and an "act of imperialism realized through military force that pushed away all protests, including one staged by the Emperor of Korea."

The two countries have maintained different interpretations on the 1910 annexation treaty. South Korea has argued that the 1965 Treaty of Basic Relations, which stipulates that "all treaties or agreements concluded between the Empire of Japan and the Empire of Korea on or before Aug. 22 are already null and void," makes the 1910 annexation treaty illegal. Japan has viewed the annexation as valid at least during the colonial rule, because the two sides signed the treaty on an equal footing. The joint statement initiated by a professor emeritus at the University of Tokyo, Wada Haruki, acknowledged that the South Korean interpretation is the correct one. The statement was also signed by Mitani Taichiro from the University of Tokyo who was the Japanese chairman of a bilateral history study panel. Following the May 10 statement, Korean and Japanese lawmakers are making efforts to adopt a similar statement by August, but the response from Japan has been lukewarm, with little media coverage within Japan.

The quarter's good news on historical issues is that Prime Minister Kan said on June 15 during a House of Councilors plenary session that he will not make a visit to the Yasukuni Shrine during his tenure. He said that "an official visit by the prime minister or Cabinet members is problematic," because class-A criminals are enshrined there.

### **Deepening bonds: economy, culture, and society**

On May 30, about 50 business leaders from Japan, South Korea, and China adopted a joint statement at the Second Business Summit on Jeju Island, urging their governments to sign a trilateral FTA and introduce a visa waiver program. Top executives from the Federation of Korean Industries, the Japan Business Federation and the China Council for the Promotion of International Trade called for swift settlement of the Chiang Mai Initiative Multilateralization (CMIM) system, which came into effect on March 24, 2010. Other proposals include measures to protect intellectual property rights, recognize professional licenses of each country, increase the number of direct flights linking major cities of the three countries, and develop tourism.

On the monetary front, the Bank of Korea and the Bank of Japan agreed to extend their \$3 billion *won-yen* currency swap agreement for another three years. The two central banks originally concluded the deal in May 2005 to prepare for liquidity shortage. On June 13, South Korea announced measures to limit the amount of capital used in foreign exchange derivatives trading for domestic and foreign banks to reduce the level of financial volatility. According to the June 14 *Mainichi Shimbun*, the South Korean *won* fell 25.7 percent in 2008 and rose 8.2 percent in 2009, showing sharp swings. South Korea will be chairing the G20 meeting this year and has been calling for the creation of financial safety nets to reduce capital volatility.

According to 2009 PPP (purchasing power parity) GDP (gross domestic product) data from the US Central Intelligence Agency's World Fact Book, Japan ranked fourth with \$4.14 trillion after

the European Union, the US and China, while South Korea ranked 14<sup>th</sup> with \$1.36 trillion. The report shows that South Korea's 2009 per capita GDP was \$28,000, the 49<sup>th</sup> largest among the surveyed countries, while Japan was 42<sup>nd</sup> with \$32,000.

Kan Naoto, Japan's new prime minister, proposed "a third way" for the Japanese economy, seeking economic growth through social security programs with revenues from increased taxes. According to Kan, the first way, often employed by the previous Liberal Democratic Party (LDP) governments, was to expand demand through public works such as construction and dams. The second way was to emphasize small government and regulatory reform, which was pursued by former Prime Minister Koizumi. Through Kan's "third way" approach, the Japanese economy should spend money both to increase employment and to create demand. The success of his approach remains uncertain, as an increase in the consumption tax rate, which is considered necessary, has already hurt his approval rating only a month after his inauguration.

Adding to the trend of trilateral cooperation between South Korea, Japan and China, the three countries decided to launch an online library, bringing together contents from their national libraries. According to the May 12 *Asahi Shimbun*, the first Asian digital library is planned to be launched in a year or two. So far, the National Library of Korea has digitized 210,000 books, Japan has digitized 720,000, and China has digitized 160,000 volumes.

According to the June 8 *Arirang News*, Korean studies programs are becoming popular in Japanese universities in part thanks to Korean celebrities, movies, and soap operas. The University of Tokyo recently decided to open a Korean Studies Research Center, which will become the university's first research center focusing on a single Asian country. The center will receive annual funding of \$200,000 for five years from the Korea Foundation. Its research areas will emphasize Korea's modern culture, including "the Korean wave."

Although granting of local-level voting rights to permanent residents living in Japan is going nowhere fast, soccer player and North Korean citizen living in Japan, Jong Tae-se, also known as "North Korea's Rooney," has been the object of curiosity and interest from world media during the World Cup. An *AP* report likened him to Beckham because he likes cars, rap music, clothes, and regularly changes his hairstyles. According to one report, his cause is to let the world know of the existence of "zainichi," or ethnic Koreans living in Japan. On the question of North Korea's controversial foreign policy behavior, he said, "you don't cut off your parents from your life just because they've made mistakes. I, too, can't betray my parents who have raised me." Although North Korea lost every game it played in South Africa, they did manage to score a goal against Brazil. Jong did not score, despite predicting he would score "a goal in every game."

### **The coming quarter**

The coming quarter will involve more maneuvering over how to deal with North Korea, although there is little likelihood there will be any major changes in any of the governments' strategies. North Korea is unlikely to back down in the face of sanctions and muscle-flexing, and Seoul and Tokyo will not lessen their pressure on the North. Thus, an extended period of stasis is possible, with much belligerent rhetoric but little actual change on the peninsula. For Japan-South Korea relations, continued cooperation on policies toward the North will bring them closer, but will not

resolve their territorial or historical disputes. Meanwhile, further trilateral coordination with China on economic issues and the increasingly close and complex economic relations of Japan and South Korea continue apace, in parallel with but not necessarily affecting diplomatic or political relations in a substantial manner.

## **Chronology of Japan-Korea Relations**

### **April – June 2010**

**April 2, 2010:** South Korea's National Assembly approves a resolution requesting that Japan withdraw approval of elementary school textbooks that show the Dokdo/Takeshima islets as Japanese territory.

**April 5, 2010:** North Korean defector Hwang Jang-yup meets Japan's minister in charge of the abduction issue.

**April 9, 2010:** North Korea's 12<sup>th</sup> Supreme People's Assembly is held to approve government activities. Kim Jong-il does not attend the session.

**April 9-11, 2010:** A joint survey by Japan's *Yomiuri Shimbun* and South Korea's *Hankook Ilbo* shows that 57 percent of Japanese respondents think that Japan-South Korea relations are good while only 24 percent of South Korean respondents think bilateral ties are good.

**May 10, 2010:** About 200 South Korean and Japanese academics, writers, and attorneys announce in a joint statement that the 1910 annexation treaty is null and void.

**May 15-16, 2010:** Foreign Ministers from China, South Korea, and Japan hold a meeting in Gyeongju, South Korea.

**May 16, 2010:** Foreign Ministers Okada Katsuya and Yu Myung-hwan meet on the sidelines of the trilateral foreign ministers' meeting in Gyeongju.

**May 17, 2010:** South Korean *Dong-a Ilbo*, quoting Japan's May 15 *Sankei Shimbun*, reports that the Yokohama branch of the Japan Teachers' Union boycotted the right-wing middle school textbook due to many "inaccuracies," and created their own materials.

**May 22-23, 2010:** Environment ministers of China, Japan, and South Korea adopt an action plan for the first time to battle global warming, yellow dust, and other issues in the coming five years.

**May 23, 2010:** Japan, China, and South Korea trade ministers meet in Seoul to discuss regional economic cooperation.

**May 24, 2010:** Prime Minister Hatoyama and Cabinet ministers discuss Japan's possible responses to North Korea over the sinking of the *Cheonan*. Hatoyama calls President Lee Myung-bak to offer Japan's support for Seoul's punitive measures against North Korea.

**May 27-28, 2010:** A UN panel queries Japan about children's rights with reference to ethnic Korean school children that might be excluded from the high school waiver program.

**May 28, 2010:** Japan's Diet enacts a special measures bill into a law that enables inspections of cargo moving between Japan and North Korea.

**May 29, 2010:** The third tripartite summit of South Korea, Japan, and China is held on Jeju Island, South Korea.

**May 30, 2010:** Business leaders of South Korea, Japan, and China issue a joint statement at their second Business Summit on Jeju Island, urging their governments to pursue a three-way FTA.

**May 30, 2010:** According to South Korean government data, the Dokdo/Takeshima islets are estimated to be worth of 1.09 billion won (\$920,000), which marks a 6.3 percent increase from last year due to the discovery of natural resources and the increase in public interest.

**June 2, 2010:** Hatoyama Yukio resigns as prime minister of Japan.

**June 3, 2010:** South Korean Foreign Ministry spokesman Kim Young-sun expresses hopes for a mature, future-oriented relationship with Japan's next leader upon Hatoyama's resignation.

**June 3, 2010:** North Korea expresses disappointment at Prime Minister Hatoyama's resignation for his yielding to US pressure over the Futenma relocation issue.

**June 4, 2010:** Democratic Party of Japan selects Kan Naoto as its new leader.

**June 8, 2010:** Kan takes office as Japan's prime minister.

**June 8, 2010:** According to *Arirang News*, Korean Studies is gaining popularity in Japanese universities partly because of the Korean Wave.

**June 13, 2010:** South Korean financial authorities announce measures to curb capital volatility.

**June 15, 2010:** North Korea holds a news conference and warns of military response if the UN Security Council condemns its country over the sinking of the *Cheonan*.

**June 15, 2010:** Prime Minister Kan says he will not visit Yasukuni Shrine as prime minister.

**June 15, 2010:** A trader and his wife are arrested in Japan on suspicion of exporting cosmetics to North Korea against Japan's ban of exporting luxury items to the North.

**June 26, 2010:** The G8 meeting agrees to endorse the results of the international investigation led by South Korea on the sinking of the *Cheonan*.

**June 26, 2010:** President Lee and Prime Minister Kan meet for the first time on the sidelines of the G20 Summit in Toronto.