



Japan-Korea Relations:

Japan's New Government: Hope and Optimism

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The highlight of the third quarter was Japan's general election on Aug. 30 and the inauguration of the Hatoyama Cabinet on Sept. 16. Despite Prime Minister Aso's attempt during the campaign to portray the Democratic Party of Japan (DPJ)'s foreign policy as posing national security threat to Japan, the Lower House election ended a virtual half-century of Liberal Democratic Party (LDP) rule in Japan as the country faces serious economic and security challenges. Considering that Japan's North Korea policy in the past few years made a clear turn toward pressure with an emphasis on a resolution of the abduction issue, the major question in Japan-North Korea relations is whether this will change under the new administration led by Prime Minister Hatoyama Yukio. Pyongyang expressed hopes for a breakthrough in their bilateral relations, but it does not look like we will witness any fundamental change in Japan's North Korea policy. Japan-South Korea relations during this quarter can be summarized as guarded optimism as both sides look to elevate bilateral ties to another level of cooperation. If there is one sure sign that this shift in Japanese politics might bring positive change, it will be over the issue of the Yasukuni Shrine.

Pyongyang's charm offensive?

Having conducted a "successful" nuclear test and fired some short-range missiles, Pyongyang began sending signals this summer that it was ready to negotiate with the U.S. and other countries to reap the fruits of those expensive tests. In early August, North Korea invited (or, allowed) former U.S. President Bill Clinton to visit the country and released a photo of Kim Jong-il and Clinton smiling together, before releasing two American journalists who had been arrested for crossing the border into North Korean territory. Later in August, Pyongyang sent a six-member mourning delegation to the funeral of former South Korean President Kim Dae-jung, and President Lee Myung-bak reportedly received a personal message from Kim Jong-il regarding inter-Korean cooperation. Pyongyang responded to the landslide victory of DPJ in Japan's Aug. 30 general election by showing its willingness to "get a fresh start based on the spirit of the Pyongyang Declaration," which was signed in 2002 between Kim Jong-il and then Prime Minister Koizumi with the intention of resolving a number of issues and working toward normalizing diplomatic relations.

Judging from the interviews given by Kim Yong-nam (considered Pyongyang's No. 2 leader and President of the Presidium of the Supreme People's Assembly) and Song Il-ho (North Korea's ambassador for normalization talks with Japan) Pyongyang seems to be looking for an

opportunity to normalize diplomatic relations with a hopefully less hawkish Japan under the new Democratic Party of Japan (DPJ) government. In an interview on Sept. 10, Kim said that the future of Tokyo-Pyongyang ties was dependent upon the Hatoyama administration's willingness to compensate for Japan's history of colonial rule over the Korean Peninsula. Noting that bilateral relations were at a low point due to Prime Minister Aso and the Liberal Democratic Party (LDP) policies, Kim pointed to increased sanctions on North Korea, Tokyo's request to the U.S. not to remove Pyongyang from the list of terrorist sponsors, and its leading role in developing UN Security Council Resolution 1874 as examples of Tokyo's "hostile policy" against Pyongyang. The following day, Song said that the two countries need a new accord, since last year's bilateral agreement to reinvestigate the fate of Japanese abductees in return for partial lifting of sanctions against Pyongyang was "invalidated" due to outgoing Prime Minister Aso's "hostile" policy against Pyongyang.

Sorry, no lifting of sanctions

Apparently, Tokyo was not too impressed with Pyongyang's conciliatory gestures. It may be too early to tell how the Hatoyama administration is going to handle North Korea, but there are early indications that the new DPJ-led government will follow a path fairly similar to the LDP's hard line. In accordance with UN Security Council Resolution 1874, the DPJ plans to present a bill in the upcoming autumn Diet session that will permit inspections of ship and aircraft departing to and arriving from North Korea.

In late September, Hatoyama reconfirmed his party's position on a comprehensive approach to resolve the North's nuclear and missile problems as well as the abduction issue, and brushed off South Korean concerns that Japan's new government might engage with Pyongyang bilaterally to press ahead on resolving the abduction issue while ignoring the nuclear and missile issues. According to newly appointed Foreign Minister Okada Katsuya – whose foreign policy vision during his DPJ's presidency is said to have laid the foundation for the current DPJ's foreign policy approach – the Six-Party Talks will remain the key framework to deal with Pyongyang's nuclear development program, and Japan will not seek separate bilateral discussions with the North outside of the Six-Party Talks. While being wary of the possibility that Tokyo could be left out in the event of bilateral talks between Washington and Pyongyang, Vice Foreign Minister Yabunaka Mitoji said in September that Tokyo would accept the U.S. policy of talking bilaterally to Pyongyang as long as that process is designed primarily to bring the North back to the Six-Party Talks.

In the meantime, voices of concern were heard from families of citizens who were abducted by North Korea, criticizing in particular a lack of attention paid to the abduction issue during the election campaign. Iizuka Shigeo, chairman of the Association of the Families of Victims Kidnapped by North Korea, expressed anxiety that they "did not hear any voices calling for resolution of the abduction issue" before the election. According to the Sept. 8 *Yomiuri Shimbum*, the families of the abductees were anxious to know what the DPJ's approach will be to the issue, particularly after several LDP figures who were vocal members of a suprapartisan group of Diet members on the issue lost their seats this election, including Former Finance Minister Nakagawa Shoichi and LDP General Council Chairman Sasagawa Takashi.

Thus, the new administration's North Korea policy seems set to continue a hard-line approach based on strong public support for pressure on Pyongyang. In addition to the fact that progress on Japan's bilateral relations with the North has largely hinged on progress in the larger denuclearization talks, one domestic political factor to be taken into account may be the DPJ's ability to effectively coordinate policy on the North with two junior partners, the Social Democratic Party (SDP) and the People's New Party. It is particularly noteworthy that the SDP has insisted that the new administration promote dialogue with Pyongyang. In the past, the SDP consistently criticized Japan's hard-line policy toward the North and argued that talks with Pyongyang were the key to solving security issues.

On the military front, Japan's Defense Ministry released its 2009 Defense White Paper on July 17, citing Chinese naval activities beyond China's adjacent waters and the risk of North Korean instability due to Kim Jong-il's health problems as national security concerns to Tokyo. North Korea's official *Central News Agency of DPRK* on July 28 denounced the paper as "another unpardonable grave provocation to the DPRK" and criticized Tokyo's claim that the Dokdo/Takeshima Islets are Japanese territory for "betraying their sinister intention to seize it anytime." The same article added that "the Japanese reactionaries are sadly mistaken."

Pyongyang's usually exaggerated commentaries aside, the quarter's development regarding Japan's missile defense system shows that Tokyo is paying more serious attention to Pyongyang's missile development program, especially after the North's missile launches in April and May of last quarter. On July 1, a new air defense network that integrates ballistic missile sensors and interception systems began operating in an effort to upgrade Japan's defenses against ballistic missiles from Pyongyang. According to the Sept. 17 *Kyodo News*, Japan's Air Self-Defense Force succeeded in its second test of a U.S.-developed *Patriot* ballistic missile interception system. The 1.3 billion yen test was conducted in New Mexico, and used a missile produced by a Japanese company for the first time.

Japan-South Korea relations: big time for historical issues?

South Korean President Lee Myung-bak was the first head of state to call Hatoyama to congratulate him on his party's victory in the Aug. 30 Lower House election. With the inauguration of the DPJ-led Hatoyama administration, Japan-South Korea relations during this quarter can be summarized as characterized by guarded optimism as both sides look to bring bilateral ties to a higher level of cooperation. If there is one sure sign that this shift in Japanese politics might bring a positive change to always bumpy Japan-South Korea relations, it will be over the issue of the Yasukuni Shrine. It was newly appointed Foreign Minister Okada Katsuya himself in 2005, then president of DPJ, who attacked former Prime Minister Koizumi's controversial visits to the Yasukuni Shrine for damaging Japan's ties with Asia. Okada claimed that such visits by the prime minister would sabotage Tokyo's attempts to work closely with neighbors over North Korean issues and reduce Japan's chances of becoming a permanent member of the UN Security Council. Consistent with the DPJ's foreign policy platform, which places a greater emphasis on Japan's friendly ties with Asia, Hatoyama has declared that he will not visit the Yasukuni Shrine, and has asked his Cabinet ministers to do the same. Hatoyama advocates the construction of a non-religious war memorial to replace Yasukuni Shrine as the site for official visits by Japanese politicians.

The first Hatoyama-Lee summit took place on Sept. 23, a week after Hatoyama took office, on the sidelines of the UN General Assembly meeting in New York. They agreed to improve bilateral relations and discussed bilateral and regional issues, including North Korea's nuclear development program. Although this was largely a replay of previous first summits between Seoul and Tokyo after a change in administrations, it was possible to detect a slight change of tone this time, especially in terms of the DPJ's more forthright pledge to face up to Japan's wartime past. When compared to the first summit between Aso and Lee last year, in which they emphasized the practical need for better Japan-South Korea ties to *go beyond* historical issues, Hatoyama and Lee promised to *go through* the difficult issues of history with the aim of better relations. It also deserves mention that in his initial telephone conversation with Lee, Hatoyama said that the two leaders would be able to make progress in Tokyo-Seoul ties because they were "both able to view history correctly."

Although it remains to be seen to what extent the DPJ's pledge to foster friendship with Japan's Asian neighbors materializes, the Hatoyama administration has argued that it has "the courage to face historical issues squarely." The DPJ's junior partner the SDP went a step further by requesting that the new government formally commit itself to an apology for Japan's World War II militarism. Both Seoul and Beijing welcomed Tokyo's promise not to visit Yasukuni Shrine and expressed cautious hopes for the Hatoyama administration's handling of historical issues.

Meanwhile, the quarter also showed that the Hatoyama administration's emphasis on friendship with Asian neighbors was not going to translate into actual policy changes over vexatious territorial disputes with its neighbors. Indeed, strong public opinion is constantly expressed about controversial historical issues. This summer, 1,886 South Korean citizens filed a suit against Japan's conservative *Yomiuri Shimbun* for what they claimed to be misrepresentations about the Dokdo/Takeshima Islets issue and requested that the *Yomiuri* pay a fine of 4.11 million won. The *Yomiuri* reported on July 15, 2008, that President Lee did not strongly oppose then Prime Minister Fukuda's decision that Japan's manuals for middle school teachers would refer to the islets as Japanese territory. Another example came later in August 2009 when South Korea's activists – seemingly unaware that such displays often provoke more amusement than outrage in the U.S. – ran full-page ads in major U.S. newspapers like the *Washington Post*, the *New York Times* and the *Wall Street Journal* making the case that the waters between South Korea and Japan are called "East Sea," not the "Sea of Japan."

On Japan's part, the 2009 Defense White Paper released in July designated the islets as part of Japanese territory, which led South Korea's Defense Ministry to issue a strong protest. In the meantime, more local boards of education in Japan, including those in Aichi Prefecture, Yokohama, and Suginami-ku, decided to adopt the controversial history textbook authored by nationalistic scholars known as the "Japanese Society for History Textbook Reform." Foreign Minister Okada's remarks on the Dokdo/Takeshima Islets issue provide hints that Japan's policy on the islets will remain much the same, despite the DPJ's emphasis on facing up to the past. Okada, while acknowledging the importance of understanding each other's position, said that "it should not be a big deal to state in textbooks that it is Japan's territory in view of the fact that the Japanese government upholds the view." Such territorial disputes are not unique to Japan-Korea relations, either: prior to the election, the DPJ, then the main opposition party, promised in its party manifesto for the Aug. 30 election, that it would "tenaciously hold talks to achieve an early

and peaceful solution to the issues to of northern territories [its dispute with Russia] and Takeshima over which Japan has territorial sovereignty.”

Following the death of former South Korean President Kim Dae-jung, the Japanese media portrayed Kim as someone who played a critical role in strengthening Seoul-Tokyo ties by pushing for an opening of South Korea to Japanese popular culture during his presidency. In an interesting parallel to the current bilateral dispute over the Dokdo/Takeshima issue, the *Yomiuri Shimbun* commentary on Aug. 21 included a vignette about Kim Dae-jung while he was an opposition leader during the Kim Young-sam administration. At that time (the early 1990s), Japan-South Korea relations were souring over the islets issue, and Kim Dae-jung is reported to have said that, “the Dokdo issue will never be resolved. But it is no use for South Korea to make it an issue when South Korea is actually occupying the islands.” While holding talks with Prime Minister Keizo Obuchi in the late 1990s, then President Kim Dae-jung said that South Korea would not bring up the historical issues and promised to open up to Japanese pop culture despite strong South Korean public opinion against such a move. The *Yomiuri* noted that his decision “lifted a mental barrier that used to separate the Japanese and the South Korean people.”

The contours of South Korea-Japan relations under the Hatoyama administration are likely to become clearer by the end of next quarter as Prime Minister Hatoyama is scheduled to visit Seoul for a summit meeting with President Lee on Oct. 9. President Lee has already extended an invitation to Emperor Akihito to visit Seoul next year in commemoration of the 100th anniversary of Japan’s annexation of the Korean Peninsula in 1910. Lee’s invitation, meant to “put an end to the sense of distance,” was met with a cautious response. Japan’s Imperial Household Agency said that the Emperor and Empress “generally do not visit other countries to solve international concerns or political issues.” Seoul has invited the emperor several times over the years. Tokyo has not given a definite answer this time.

Economic relations

Japan-South Korea economic relations continued a trend of competition within the dense web of economic integration. Competitive attempts to create free trade agreements (FTAs) and other economic agreements make South Korea and Japan highly sensitive to each other’s foreign economic policies. For example, President Lee and Prime Minister Fredrik Reinfeldt of Sweden, chair of the European Union, announced the conclusion of negotiations for the South Korea-EU FTA on July 13. According to a report by the Korea International Trade Association that researched the responses of South Korea’s trading partners about the conclusion of the negotiations, the Japan Business Federation (Nippon Keidanren) expressed concern and “shock” over possible setbacks resulting from the South Korea-EU FTA and called for the Japanese government to move toward a similar pact with the EU.

According to a report by South Korea’s Finance Ministry released Sept. 10, the reality of regional economic integration remains a distant possibility when contrasted with the EU or the North America FTA (NAFTA). The report offers an analysis that as of 2007, intra-regional trade among three Northeast Asian countries China, Japan, and South Korea stopped at 22 percent of their total trade, compared to 68 percent among EU countries and 51 percent among NAFTA countries. The report also revealed that shipments between China, Japan, and South Korea

tended to focus on intermediary rather than consumer goods (56.4 percent of all trade during the second quarter). This was much higher than the intermediary trade in the EU and NAFTA, which was 31 and 33.8 percent, respectively. South Korea's Finance Ministry said that an extended market for three-way trade within Northeast Asia among China, Japan, and South Korea should be able to cushion a decrease in global trade in the case of another global crisis and that a China-Japan-South Korea investment pact could provide a stable and predictable institutional frame for the three-way trade.

A survey of the Korea Trade-Investment Promotion Agency of 348 Chinese consumers and retailers in nine major areas including Beijing, Shanghai, Guangdong, and Sichuan show that Korean brand recognition fell behind many Japanese brands in the Chinese market. Thirty percent of Chinese consumers said they recognized more Japanese brands than Korean, while only 12.5 percent of retailers said they recognized Korean brands over Japanese. Among consumers, 28.8 percent thought that brand image for Korean products was below that of Japanese and 45.8 percent of retailers felt that way.

South Korean daily *Joongang Ilbo* reported on Sept. 14 that Samsung Electronics began using a new technology to manufacture liquid crystal panels for televisions in order to avoid further problems with its competitor Sharp, in case it loses a U.S. patent battle. The two competitors have been suing each other for violating each other's intellectual property rights for the last two years. Sharp filed a lawsuit against Samsung in Texas for infringing its patent on an LCD module in August 2007. Samsung countersued in Texas and in Delaware. A final decision is expected by Nov. 9.

The Hatoyama administration faces the daunting task of continuing economic reform in Japan, and this quarter's economic outlook is not very encouraging. At 5.7 percent, Japan has the highest unemployment rate in its postwar history with increasing signs that deflation is occurring after decades of recession. Against this backdrop, Hatoyama's economic policy expressed in a widely-read essay that criticized "unrestrained market fundamentalism and financial capitalism" has created some tension between the new government and Japanese business interests. For example, in response to Hatoyama's pledge to reduce greenhouse gas emissions by 25 percent by 2020, the Japan Business Federation (Nippon Keidanren) has called on the Hatoyama administration to review its emission reduction target on the grounds that it is unrealistic and burdensome to the people. By comparison, the pro-business LDP has promised only an 8 percent reduction. Overall, the new administration has come under criticism from economic analysts within Japan that its policies lack a focus in terms of job creation, industrial promotion, deregulation, and fiscal consolidation, among other things.

The coming quarter

The coming quarter promises to be eventful. With a South Korea-Japan summit planned, potential talks with North Korea beginning, and the worldwide economic crisis showing few signs of enduring "green sprouts" of recovery, Korea-Japan relations will involve many issues. Especially given the intense interest in the new Hatoyama Cabinet's foreign policies toward Asia, the U.S., and the wider world, this first quarter of the Hatoyama administration will reveal evidence of its overall policy approaches.

Chronology of Japan-Korea Relations July-September 2009

July 13, 2009: South Korean President Lee Myung-bak and chair of the European Union, Prime Minister Fredrik Reinfeldt of Sweden announce the conclusion of negotiations for the South Korea-EU free trade agreement.

July 17, 2009: Japan approves its 2009 Defense White Paper, which designates China's growing naval activities and regime insecurity caused by North Korea as national security threats. South Korea's Defense Ministry issues a protest over its description of the Dokdo/Takeshima Islets as Japanese territory.

July 27, 2009: Japan's main opposition Democratic Party of Japan (DPJ) announces its intention to seek an early solution to the Dokdo/Takeshima Islets issue once it takes power, and states Japan has territorial sovereignty over the islets.

Aug. 6, 2009: A group of South Korean activists announce their intention to run ads in major U.S. dailies to promote South Korea's desire to name of the waters between South Korea and Japan as "East Sea" rather than "Sea of Japan."

Aug. 12, 2009: Pyongyang urges Tokyo's next administration to drop Japan's "hostile policy" against North Korea.

Aug. 13, 2009: *Korea Times* reports that 1,886 South Korean citizens have filed a suit against Japan's *Yomiuri Shimbun* for misreporting of South Korean President Lee Myung-bak's remarks on the Dokdo/Takeshima Islets issue.

Aug. 17, 2009: Japan's *Mainichi Shimbun* reports that main opposition leader Hatoyama Yukio endorsed the construction of non-religious war memorial to replace Yasukuni Shrine.

Aug. 18, 2009: Former South Korean President Kim Dae-jung dies at the age of 85.

Aug. 25, 2009: Japan's Association of the Families of Victims Kidnapped by North Korea expresses concern that the Lower House election is neglecting the abduction issue.

Aug. 30, 2009: Japan's DPJ wins the Lower House election in a landslide victory.

Aug. 31, 2009: President Lee calls DPJ President Hatoyama to congratulate him for his party's victory in the Lower House election.

Aug. 31, 2009: Japan's Defense Ministry says that it seeks 176 billion yen to build up Japan's missile defense system, as part of an overall 4.846 trillion yen request in the fiscal 2010 budget.

Sept. 2, 2009: China, South Korea, and Japan agree to strengthen their cooperation in the area of cultural contents and creative industries.

Sept. 5, 2009: Japan's Social Democratic Party (SDP) requests that a coalition document stipulate the importance of holding dialogue with North Korea.

Sept. 7, 2009: Japan's chief delegate to the Six-Party Talks Saiki Akitaka and the U.S. Special Representative on the North Korean Policy Stephen Bosworth agree that the Six-Party Talks remain the key framework for the North's denuclearization process.

Sept. 9, 2009: The DPJ, SDP, and the People's New Party agree to form a coalition government.

Sept. 10, 2009: South Korea's Finance Ministry releases a report on the trading patterns between South Korea, Japan, and China and concludes that intra-regional trade in Northeast Asia falls behind that of the European Union and North America.

Sept. 10, 2009: North Korean official Kim Young-nam in an interview says that Pyongyang is ready to talk with Japan if Tokyo abandons its "hostile policy" against Pyongyang.

Sept. 11, 2009: North Korea's Ambassador-in-charge of Normalization Talks with Japan Song Il-ho says that Tokyo and Pyongyang need a new accord because the earlier agreement was invalidated due to Tokyo's hostile policy against the North.

Sept. 14, 2009: *Joongang Ilbo* reports the ROK plans to deploy a short-range supersonic guided missile in the next two years that can be launched from a destroyer to hit facilities on land.

Sept. 15, 2009: President Lee expresses hopes that Emperor Akihito will visit South Korea next year to "put an end to the sense of distance." Next year marks the 100th anniversary of Japan's annexation of the Korean peninsula, which ended in 1945.

Sept. 16, 2009: Hatoyama Yukio becomes prime minister of Japan and forms a Cabinet.

Sept. 16, 2009: Japan's Air Self-Defense Force successfully shoots down a mock ballistic missile in its second test of its *Patriot* missile interception system.

Sept. 18, 2009: Japan's new Foreign Minister Okada Katusuya expresses optimistic views on the future of Japan-South Korea relations in meetings with South Korean reporters in Tokyo.

Sept. 22, 2009: Japan's Imperial Household Agency chief Haketa Shingo expresses caution in response to President Lee's invitation of Emperor Akihito to Seoul saying that the emperor and empress do not usually engage to solve international concerns or political issues.

Sept. 23, 2009: Prime Minister Hatoyama and President Lee meet on the sidelines of the UN General Assembly and agree to improve bilateral relations.

Sept. 23, 2009: Prime Minister Hatoyama says Japan will impose sanctions against Pyongyang if necessary and confirms Tokyo's comprehensive approach to dealing with North Korea.