

# ***Transformation of Korean-Japanese economic relations under the Moon administration — Replacing political issues with economic issues as a countermeasure — (Summary)***

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The year 2019 was a memorable year for both the Republic of Korea (hereafter ROK) and Japan because relations between the two countries fell to their “worst” level since diplomatic normalization in 1965. The confrontation between the Moon and the Abe administrations is unlikely to benefit either of them. However, as of the middle of 2020, the relationship between the nations has been steadily deteriorating.

In the period since the ROK and Japan first established diplomatic relations in 1965, it seems that bilateral relations were relatively stable only during the Roh Tae-Woo and the Kim Dae-Jung administrations. It cannot be said that there were no disputes between the two countries during those 10 years, but such disputes were inconspicuous. After the democratization of the ROK, four out of six presidents took a firm stand against Japan. The current president, Moon Jae-In, has been facing the “most challenging” phase because he overturned the previous decisions regarding the comfort women issues and the plaintiffs of the wartime forced labor won the trial.

The ROK-Japan confrontation has never been this awkward. The points at issue between the two countries are blatantly obvious, but they continually talk past each other. Their stances make people even wonder if either country is truly willing to solve the issues. In addition to the matter of military comfort women and the wartime forced labor, which are difficult enough to tackle, the Japanese government has tightened export restrictions on the ROK. The ROK government took countermeasures against Japan and declared that it would not extend GSOMIA. Further, the ROK government criticized Japan for imposing the restrictions on the ROK in retaliation for the political conflicts, while the Japanese government insists that their action was forced upon them, citing problems related to export management. Although the Japanese government opposes the ROK government’s perspective, it is inevitable to think that Japan in fact replaced the political issues with economic issues. The root cause of these conflicts is the “unresolved” issues of the historical perception between the ROK and Japan.

Japan’s announcement of ejecting the ROK from the so-called white list of preferred trade partners and making the import of three semiconductor-related items difficult caused a stir in the ROK. However, confusion was short-lived even though the ROK’s hydrogen fluoride imports from Japan stopped between August and September of 2019. The ROK government has since taken measures to develop the required technology and to raise its domestic production rate.

Then, on June 2nd 2020, the ROK Ministry of Trade, Industry, and Energy announced that it had re-embarked on dispute settlement procedures in the WTO because the ROK judged that it would be difficult to have policy dialogues with Japan. Meanwhile, the Ministry of Economy, Trade, and Industry of Japan is willing to continue the dialogue between the two authorities. Still, the ROK does not accept the demands of Japan, and instead, it seeks a breakthrough via the WTO dispute settlement system.

In any case, private enterprises suffer from such conflicts between the policy making authorities. ROK companies, as well as Japanese companies, have been increasing their presence throughout the world, and ROK and Japanese enterprises will cooperate with each other in order to hedge the risks when they share mutual interests. There is no reason for direct confrontation between ROK and Japanese companies.

The problem is that even if the export restrictions were lifted, the conflicts between the ROK and Japan would not be resolved. The Moon and Abe administrations are facing completely different directions. The Moon administration is trying to solidify “Korean democracy” by “eliminating the deep-rooted corruption,” and improving relations with the DPRK is another of their goals. They need to eliminate obstacles to achieve their goals, one of which is “the system of 1965.”

Of course, the ROK government is not thinking about invalidating the ROK-Japan Treaty itself. However, people’s desires and interpretations of the law change with the times and circumstances, though there are some rules that should remain unchanged. Politics is the key to adjusting conflicting interests.

The judgment of the wartime forced labor trial and economic issues has made the nations of the two countries realize the necessity of resolving the unsettled issues related to the colonial rule which were covered by the ROK-Japan Treaty. Dealing with these issues is a task for the governments and the people of both countries.

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