

UDC 327

TRADE WAR BETWEEN JAPAN AND SOUTH KOREA: HISTORY AND PROSPECTS

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World processes tend to repeat themselves – this is one of the theories of international relations. It is important to understand the essence and be prepared for possible consequences, to be able to find the optimal solution to the problem or threat that has appeared. Moreover, as a rule, everything that happened once in history damages the current balance, which had been establishing for many years under the supervision of international competent organizations. The world once witnessed the process of occupation of the Korean Peninsula by Japan in the first half of the 20th century, which severely affected the bilateral relations of the two Asian states during the following years and at the present stage. In this article, we will look at the trade conflict that arose between Japan and the Republic of Korea in 2019, analyze the events and summarize the possible results and prospects for resolving the conflict.

In the summer of 2019, Japan and South Korea were on the verge of a trade war. Now, it is difficult to talk about any compromise, watching the meetings of the heads of the two countries.

Trade wars are not a new phenomenon for the modern world. For the first time, historians began to talk about the existence of trade wars in the period from the 10th to the 13th centuries. "Trade route from the Varangians to the Greeks" indicates a trade restriction that did not allow free transportation of products. The Opium Wars are also an example of the introduction of a trade war: the confrontation between China and Western countries led to European countries gaining access to the Chinese market, thus opening the country's economy to the world. The United States and China also have an experience in waging a trade war, and they are taking the first steps to stabilize relations [1, p. 6]. Despite the leadership position currently held by the United States in almost all possible areas, the American side decided to declare a truce. Indeed, this problem has become a serious obstacle not only for the United States, which lost billions of dollars in this war, but also for the world economy. However, the dispute between South Korea and Japan may lead to consequences that are more serious.

We need to remember that these two countries are among the largest and most influential economies in the world, along with such countries as the United States, India and China. This confrontation will affect the global economy and the development of its processes, and will cause prices to rise for most consumer goods.

The impetus for another deterioration in relations was the decision taken by the Supreme Court to compensate the families of those Korean citizens who worked against their will for the benefit of Japan during the occupation period between 1910-1945. The historical enmity, according to Korean citizens, still exists inside the state. The Japanese side, in turn, rejects the claims, referring to the Treaty on basic relations between Japan and the Republic of Korea signed in 1965, where diplomatic relations between two countries have been established [2] [3]. The result of the first confrontation were restrictions on the export of high-tech products to the South Korea, the mutual exclusion from the white list of the most trustworthy trading partners. In Korea, there are also restrictions on the use of Japanese food, and a reduction in the use of Japanese technology [4].

It should be noted that the meeting of the two Asian representatives at the ASEAN summit, held in October 2019, was also canceled. In this regard, the recovery of bilateral relations is unlikely to happen. The United States, by sending letters to both countries in order to reduce tensions, is trying to maintain favorable deals with both countries, but the result does not yet justify the attempt. "Trade squabbles threaten global production, and too much is at stake," American experts say [5].

Over the past two years, various meetings have been held between Japan and Korea, as well as events that have somehow changed the direction of the conflict in a positive and negative directions. In October 2018 the Supreme court of the Republic of Korea ordered two Japanese companies to pay compensation to four Korean workers who were forced to work for the Japanese during World war II. These companies are Mitsubishi Heavy Industries and Nippon Steel & Sumitomo Metal Corp. In addition, there are 70 more companies on the review list. Japan, in response to the Supreme court's statement, refused to comply with the terms, citing the 1965 Treaty. This was followed by mutual decisions: Japan imposed sanctions on trade policy with South Korea, and Korea began to confiscate the assets of these companies [4].

One year later in 2019 the decision was made to restrict the supply of rare materials to Koreans, which are extremely important in the production of electrical equipment, came into force. From this point on, South Korea is required to have a special permit, which takes about three months to obtain. The same year the problem occurred with the export from Japan to South Korea of special materials used in the production of semiconductors and displays for smartphones and televisions. That is, the Korean Samsung was refused to purchase the most important components for its production. Consequently, Samsung Electronics has reduced chipsets production by 10% due to trade restrictions that Japan recently imposed on South Korea. Furthermore, in 2019 Tokyo has officially excluded South Korea from the list of reliable trading partners, for which there were privileges regarding export products. A special Supplement of the Japanese side on this topic: the lack of control over exports from South Korea. In response to Japanese policy South Korean President moon Jae-In

has threatened to take countermeasures. He stressed that Japan is seeking to strike a blow at the Republic of Korea's competing economy. "I unequivocally warn that the Japanese government will be fully responsible for what will happen in the future. This is a self-serving, destructive act that will damage the global supply chain and damage the global economy". As a result, in 20 days, the Republic of Korea's exports fell by 13% compared to the same period of the previous year. Overall, sales of semiconductors fell by 30%, while exports to China-Seoul's largest trading partner-fell by 20% [6].

In August 2019 a meeting at the level of foreign Ministers of Korea and Japan in Beijing was held. The meeting was mediated by China, also bearing losses from the dispute between Seoul and Tokyo. The meeting did not bring results.

These events were followed by the decision of South Korea to withdraw from the intelligence-sharing agreement with Japan on North Korea's military plans. This affected the volume of trade between two countries. According to data for September 2019, exports of goods from South Korea to Japan totaled \$2.32 billion, which is 5.9% less than the same period last year [7]. Just few months later in December 4, 2019 the parties held a preliminary meeting in Vienna, Austria that followed by seven rounds of talks between representatives of Japan and South Korea in Tokyo.

A new round of negotiations with Japan was announced on February 2020. The meeting was scheduled for March 10. The eighth round of talks between representatives of Japan and South Korea took place in Seoul in March 2020. The meeting lasted 16 hours in an online video conference. At the meeting, the representatives of the countries agreed to further strengthen cooperation in order to effectively export and transfer technology. The Japanese side could not answer the question about the term of restrictions [8].

On June 1, 2020 the Korean assets of the Japanese Nippon Steel plant were seized. This decision was made publicly after the Japanese factory supported the Japanese government and did not agree to pay compensation to victims of forced labor during the war [9].

Political conflicts generally tend to have a negative impact on ordinary citizens, who do not have the power to solve, but only to aggravate the conflict and cause serious consequences. In the case of the trade war between Japan and South Korea, the population of both countries rioted on the city streets.

Reporters from the Asian boss news channel conducted an interview among the average population in both Japan and Korea. To the question, "What do you think about the past boycotts against Japan?" Korean youth answers: "I don't think boycotting Japan is the right solution in the long run. This is something we resolve through diplomacy. All this boycott does is create anti-Japanese sentiments. That is very unfortunate. However, from the Korean public's perspectives, I can see why people might feel this way. I really think that the anti-Japan sentiments if taken too far will only end up hurting us." [10].

The older generation, on the contrary, is seriously opposed to Japanese goods and products, commenting on their actions in one sentence – "I would feel like a traitor. I think Japan needs to understand why Koreans feel this way. When will Japan take action? What would it be? If Japan concedes in some way then we will wind down in our boycott." [10].

An exchange student from Japan was asked if there are problems with communicating with locals. "Have you ever felt that Koreans have certain feeling towards you?" "Yes, I feel it every day. I see signs, which say that Koreans should not travel to Japan nor should they use Japanese products." [10].

Considering the history and the faiths of the Koreans, the increasing malice of most of the Koreans is quite understandable. However, we see that the youth is suffering from this conflict. They understand that we are living in a globalizing world right now where everything is intertwining and is connected.

This story has several scenarios for the development of further relations.

If Korea forgives Japan for mistakes made in the 20th century, long-term colonization and occupation, it will put its economy and public opinion at risk and continue to feel pressure from the Japanese side. Japan, with the best resources and equipment, will begin to dominate the Asian region,

competing only with China. South Korean experts estimate that Seoul will need at least seven years and \$6.48 billion of investment to reduce its dependence on Japanese imports [11]. For a country that has few natural resources of its own and is heavily dependent on international trade, this will be problematic. To reduce dependence on Japan, South Korea sees an option in establishing a free trade regime with other countries.

However, Japan, by recognizing its historical brutality and declaring a truce in the current trade war, will endanger the portrait of a strong and powerful Japanese nation.

Unfortunately, both options are extremely likely. This trade war was the result of the historical problems of both states, which make it clear that the conflict is a matter of principle-no one is planning to retreat or give up. The escalation may lead to a deterioration of economic relations in the entire East Asian region. There is a high probability that South Korea will abandon the agreement with Japan on the exchange of secret information in the military sphere. This agreement has so far allowed the two countries to cooperate in the North Korean direction, exchanging information on the situation in the DPRK. It is believed that Japan has better and more capabilities in terms of technical surveillance of North Korea, while South Korea has more effective “classical” intelligence on the DPRK. Therefore, the exchange of information was beneficial to both sides. Now it may come to the point that Seoul will stop cooperation, although South Korea also benefited from this interaction.

What might be the next step? Is armed conflict possible? South Korea, having terminated all agreements on the DPRK, including General Security of Military Information Agreement (GSOMIA) [12], acquires another threat in the face of Japan. There is no need to doubt the readiness of the South Korean air force and navy. Experts have already named a potential location for clashes – the Tokto archipelago, which is also a painful topic for both Japan and Korea. The presence of a huge number of problems and historically known disagreements will not lead to peaceful relations. Even if we allow such an outcome of events and stay a little optimistic, it will take at least 5 years to resolve the conflict in order for Japan and South Korea to restore the balance in the economy [11].

However, the meetings showed the changes in the relations between two countries. Based on the development of events and meetings, we can conclude that both countries are ready to compromise in order to improve mutual exports. However, export figures continue to fall every month. In January 2020, imports of goods from Japan to South Korea totaled 229.3 billion won (~\$193.68 million), which is 35.9% less than the same period last year [13].

The difference in numbers is clearly seen. Countries continue to depend on each other, especially their economic indicators, which can further affect the internal situation of the country.

International community can relax for a moment, because the conflict continues to remain stable within only the same region. It is also possible to identify the lack of information dissemination in the world, which proves the regional nature of the problem. This is still a regional dispute between the two conflicting parties, which is located within the Eastern region, and has no global spread and influence now.

In addition, the coronavirus pandemic, which suddenly began in early 2020, with an increase in the number of cases, suddenly redirected the focus of bilateral relations from confrontation to mutual assistance in the fight against coronavirus.

With the resignation of Shinzo Abe as Prime Minister a question concerning the relationship of South Korea and Japan, have been frozen. It is unclear what may happen in the near future, but experts note that this situation will last until May 2022, when the President of the Republic of Korea, Moon Jae-In, may leave his post due to the end of the presidency [14]. Until then, Yoshihide Suga and Moon Jae-in will continue to look for solutions to the trade conflict not only within the framework of bilateral relations, but also in a multilateral format.

The issue of interstate cooperation can be attributed to an event whose result will be able to smooth out the tension. On November 15, 2020, 10 countries belonging to the ASEAN regional organization, as well as 5 countries of cooperation with ASEAN, signed a document that confirms the Regional Comprehensive Economic Partnership (RCEP) of the states, increasing the opportunities and potential for developing relations. Japan and South Korea, being on this list, also signed this document, which will become a new stage of bilateral relations for both countries. RCEP, by reducing

tariffs and promoting economic integration, will help countries form a new trade structure, smoothing out conflict situations. At the moment, this agreement is the first signed Free Trade Agreement (FTA) between the countries of Japan and Korea. This event can further resolve the deterioration of problems concerning historical contradictions and problems in the current economic relations [15].

Summing up, it should be noted again that the main unsolved problem is still the history, because of which the countries have long-lasting coolness in relations. The economic trade war that emerged in 2019 is not as extensive as the dispute between the United States and China, but still it negatively affects and worsens bilateral and regional relations. Taking into account all possible future scenarios between the two Asian countries, experts continue to doubt the compromise. Although the leaders of the countries have repeatedly spoken positively about the future of Japanese-Korean relations, which proves the importance of maintaining cooperation and strengthening it not only on a bilateral scale, but also at the regional level. Economic cooperation is a priority dimension for these two countries, as a result of which the deterioration of this area attracts many other problems. Ignoring the solution to the problem, both countries will continue to suffer from poor economic performance, not only in the region, but also in the world. Thus, the events and meetings that were held by the leaders of the countries gradually create a new foundation with new agreements and partnerships.

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