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Abstrakt

Wirtschaftssanktionen blicken auf eine lange Geschichte zurück, und gerade in letzter Zeit wird ihre Anwendung als Zwangsmittel in der Außenpolitik immer beliebter. Allerdings konzentrierten sich bisher nur wenige Studien auf solche Wirtschaftssanktionen, die ausschließlich auf der Verfolgung nationaler Interessen zwischen demokratischen Ländern basieren. Diese Arbeit überprüfte die bestehende Literatur sowie die Definition und den Umfang von Wirtschaftssanktionen, und entwickelte einen analytischen Rahmen mit einer interdisziplinären Sichtweise. Dabei wurde das Modell auf den "Handelsstreit" zwischen Japan und Südkorea im Jahr 2019 angewendet, bei dem Japan restriktive Exportkontrollmaßnahmen gegen Südkorea eingesetzt hat. Während diese Maßnahmen zweifelsfrei zur besseren Rechtsdurchsetzung erlassen wurden, behauptete Japan die Maßnahmen wären eine Gegenmaßnahme zu Südkoreas politischer und rechtlicher Haltung in der Frage der Kriegsarbeit, da diese mit der Japans in Konflikt stand; auf der Basis dieser Behauptung wurden Japans Maßnahmen als wirtschaftliche Sanktionen wahrgenommen und haben auch die damit erwartete Wirkung entfaltet. Südkoreas optimaler Grad an Kompromissbereitschaft nahm sofort deutlich ab, als es so schien, als gäbe es nahezu keinen Spielraum für irgendwelche Kompromisse. Dann jedoch stieg er aufgrund des Faktors Außenbeziehungen (Interessen der USA und der Allianz). einem gewissen Maße war Japans strategischer Schachzug eine Form von Politik des äußersten Risikos mithilfe wirtschaftlicher Sanktionen. Einige der Ergebnisse der Fallstudie sind wie folgt: wenn es einen signifikanten Nationalismus-Faktor zwischen zwei Parteien gibt, dann sinkt der optimale Grad der Kompromissbereitschaft des Gegenspielers aufgrund der steigenden politischen Kosten (verursacht durch die öffentliche Anti-Sender-Stimmung) und der sinkenden wirtschaftlichen Kosten (verursacht durch den "rally round the flag"-Effekt) Während der Interessengruppen-Faktor nicht zur Senkung der politischen Kosten des Ziels beiträgt, wenn es einen wichtigen Nationalismus-Faktor gibt, kann der Faktor Außenbeziehungen zur Senkung der politischen Kosten des Ziels führen. Die wirtschaftlichen Kosten würden auf die Partei zurückfallen, die die Maßnahme erlässt, wenn es einen signifikanten Nationalismus-Faktor gibt - ob dies strategisch tolerierbar ist, ist eine inhärent politische Frage.

Abstract

Economic sanctions have a long history, and recently they are becoming more and more popular in coercive foreign policy. However, few studies focused on those based exclusively on the pursuit of national interests between democratic countries. This paper reviewed the existing literature and the definition and scope of economic sanctions and developed an analytical framework from an interdisciplinary viewpoint. This paper then applied the model to the Japan-South Korea 'Trade Dispute' 2019, where Japan used restrictive export control measures against South Korea. Japan had to implement these measures in any case for better law enforcement, but Japan signaled the measures taken as a countermeasure to South Korea's political and legal stance on the wartime labor issue, which has conflicted with that of Japan; therefore, Japan's measures were perceived and worked as economic sanctions. South Korea's optimal degree of compromise once decreased significantly, where it seemed there was almost no room for any compromise, but then increased due to external relations (U.S. and alliance interests) factor; in a sense, as overall, Japan's strategic move was a form of brinksmanship by economic sanctions. Some of the findings of the case study are as follow: when there is a significant nationalism factor laying between two parties, the optimal degree of the target's compromise decrease due to the increasing political costs (brought by the anti-sender public sentiment) and decreasing economic costs (brought by the 'rally round the flag effect'); whereas interest groups factor will not work for decreasing the target's political costs if there is a vital nationalism factor, external relations factor may work for decreasing the target's political costs; and the economic costs would inflict back to the sender when there is a significant nationalism factor, and whether it is strategically tolerable is an intrinsically political question.

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I. Introduction

Economic sanctions are by no means new instruments in the domain of foreign policy. From the time the Athenian Empire enforced the Megarian Decree in 432 BC, states have used economic means for political ends in various forms and contexts. With the increasing use of economic sanctions, particularly after the Cold War, it has become a popular foreign policy practice in exerting political influence. Consequently, various questions have been raised: Do they work? Why do they fail? When and how do they work? What types of economic sanctions are effective to what targets? What political objectives can be achieved by them? How can a sender make them work better? How can a target minimize the costs of economic sanctions?

Despite the accumulating pieces of literature, however, the domain of economic sanctions seems still understudied. One reason for this is the underlying ambiguity in defining economic sanctions. Some economic sanctions are based mainly on international and multilateral interests, Others based mainly on the pursuit of national interests. The development of new databases showed that the economic sanctions with normative objectives, such as protecting human rights and democracy, are significantly increasing recently. Consciously or not, most of the studies seem to pre-assume these normative types when discussing economic sanctions.

Unlike economic sanctions with normative objectives, few studies focused on those driven primarily by national interests. The supposed consensus of liberal international order might have long forestalled them. Yet now, the use of economic instruments as political device is becoming more and more popular in practice. The economic and political competition between the U.S. and China, with the organized use of economic statecraft as a means, has put this dimension more in the spotlight. Blackwill and Harris's *War by Other Means: Geoeconomics and Statecraft* may have increased awareness of this trend.¹ Nevertheless, it seems that the domain of economic sanctions remains incomprehensive in adequately capturing and analyzing the effects and strategic efficacy of economic sanctions used mainly in pursuing national interests in foreign policy.

Given this context, this paper focuses on those economic sanctions motivated by national interests and used as a political instrument in a dispute context between democratic countries. This

¹ Robert D. Blackwill and Jennifer M. Harris, *War by Other Means: Geoeconomics and Statecraft* (Cambridge, Massachusetts: Harvard University Press, 2016).

paper defines economic sanctions as a sender's imposition of economic costs on a target through economic instruments to achieve the sender's substantive or demonstrative foreign policy goals, following the target's specific political decision or diplomatic activity which goes against the sender's interests. The research question in this study include: What are the costs and benefits of economic sanctions as a coercion foreign policy measure in a bilateral context? What are the key variables increasing or decreasing the target's degree of compromising? What are the effects of economic sanctions on a bilateral dispute situation?

As for methodology, this paper takes the case study approach, analyzing the Japan-South Korea' Trade Dispute' 2019. Japan tightened export control on three high-tech materials essential for semiconductor production, removing South Korea from the trusted trade partners' list in August 2018. South Korea perceived Japan's restrictive measures as a political action made by economic tools, which aimed at retaliating to the order of Supreme Court of South Korean (October, 2018). The Court had ordered Nippon Steel Corporation to compensate four Koreans for their forced labor during the Second World War. Although Japanese official accounts denied that the measures were designed for political retaliation, Japan did signal to South Korea that Japan's measures were not politically neutral. The economic sanctions' objectives are multiple in general and are not always evident to the analyst of them; the students of economic sanctions should thus rely on public media reports to supplement official accounts to capture the real political intention of the sender.² Though the case can be seen as a trade dispute, its essence embodies economic sanctions.

This case is suitable as a topic for this program for the following reasons. Firstly, the case has been discussed and studied from either an economic or political point of view, but not from both; therefore, an interdisciplinary study on it would pile up additional knowledge and contribute to the existing literature. Secondly, as it is confined to a bilateral context with conflicting national interests, it allows us not to mix the point up with those economic sanctions based on international or multilateral interests and values. Thirdly, the case entails some significant implications on how the nationalism factor would affect the effects of economic sanctions, and therefore it has universal applicability to similar episodes. Last but not least, the Japan-South Korean relations are becoming

² For example, David A. Baldwin, *Economic Statecraft* (New Jersey: Princeton University Press, 1985), 14-17; Gary Clyde Hufbauer et al, *Economic Sanctions Reconsidered*, 3rd ed. (Washington, DC: Peterson Institute for International Economics): 52-55.

even crucial for peace amid the growing geopolitical tension between the U.S. and China; hence, the case also has the general importance to discuss in international relations.

These are some of the questions to be covered through the case study: Why did the Japanese government decide to impose export restrictions on South Korea? How did South Korea perceive Japan's measures? What economic and political costs did these sanctions have on South Korea? How much did the economic sanctions achieve their political objectives? What economic costs and political benefits did they have on Japan? How did Japan's measures affect the bilateral dispute situation? Were the measures, after all, strategically efficacious as a foreign policy tool?

This paper's discussion proceeds as follows. To begin with, Chapter II reviews the existing literature on economic sanctions and sanctions studies. Chapter III discusses the definition and scope matter of economic sanctions. Chapter IV then provides a framework to analyze the effects of economic sanctions. While these three chapters are for the theoretical and analytical discussion, the following two chapters are for the case study. Chapter IV provides general information about the Japan-South Korea 'Trade Dispute' 2019. Chapter V analyzes the case using the analytical framework provided in Chapter IV. This paper focuses on the relation between economic costs and political costs in the analysis. Given these five chapters, Chapter VI concludes the discussion.

The contributions of this paper include the rethinking of the definition and scope matter of economic sanctions, the proposal of an analytical framework focused on the relationship between economic costs and political costs, and the adding-up of a new case study from an interdisciplinary viewpoint. Economic sanctions are a complicated topic as sanctions' intentions are not necessarily explicit, and the sender's political objectives could technically be multilayered. A simplistic cost-benefit analysis approach would thus not be the best in discussing economic sanctions. However, this complexity of sanctions should not be an excuse not to propose any frameworks. Through this study, political leaders can derive significant insights applicable to other cases, particularly where the nationalism factor is involved.

II. A Historical Review on Economic Sanctions and Sanction Studies:

Economic sanctions boast a long history. In 432 BC, the Athenian Empire enforced the Megarian Decree, which blocked Megarians from accessing Athenian ports and markets to punish their inclination to Sparta, Athenians' rival at the time.³ From 1765 to 1767, American colonies boycotted English goods to urge Britain to revoke the Stamp Act and Townshend Act.⁴ In the Napoleonic Wars, Britain and France imposed sanctions on both sides to curb their military capacities, respectively.⁵

This chapter provides a brief historical review of economic sanctions and sanction studies. Economic sanctions started to attract attention from World War I, as statecraft that possibly substitutes the military. Although the GATT system delegitimized the utilization of economic means for political ends to some extent, economic sanctions continued to be used as a coercive foreign policy tool with or without legal authorization or international law. The study on economic sanctions initially focused on whether they work, where most of the answers were negative, but later, the center of gravity in sanction studies has moved to when and how these instruments exert effectiveness. Concerning the current international situation, as “trade has become an acceptable weapon in a country’s diplomatic arsenal,”⁶ an interdisciplinary point of view would be necessary for the domain more than before.

Legitimacy question on economic coercion for national interests

From the mainstream point of view, it would seem that economics and politics are “relatively separable and autonomous sphere of activity” and that “economic rationality ought to determine political relations,” not the other way round.⁷ Though Bertrand Russell once described economics as a part of “the science of power,”⁸ “the whole power problem has been neglected in economics

³ Baldwin, *Economic Statecraft*, 155-159

⁴ Hufbauer, *Economic Sanctions Reconsidered*, 3rd ed., 39-41.

⁵ Ibid.

⁶ Ian Bremmer, “Why the Japan-South Korea Trade War Is Worrying for the World,” TIME, October 3, 2019.

⁷ Robert Gilpin, *U.S. Power and the Multinational Corporation: The Political Economy of Foreign Direct Investment* (New York: Basic Books, 1975): 28.

⁸ Bertrand Russell, *Power: A New Social Analysis* (New York: W. W. Norton, 1938): 135.

literature and has never been systematically treated,” according to K. W. Rothchild.⁹ In reality, however, economic means were used for political ends throughout history. There was an area where economic rationality cannot define political relations even for the father of classical free-market economic theories. Although in a different context from economic sanctions, Adam Smith once wrote that “As defense, however, is of much more importance than opulence, the act of navigation is, perhaps, the wisest of all the commercial regulations of England.”¹⁰ The overlapping of economics and politics in external relations is ubiquitous by nature; the question would be how much it should be allowed in the particular context of international relations.

To some extent, the GATT system from 1947 must have delegitimized the strategic use of economic means to pursue national interests, following the international reflection upon the fatal mistakes of hegemonic competition by the bloc economy, which partially contributed to the outbreak of World War II. The GATT’s system created a norm to prohibit the use of these national-interests-driven economic means, though with some exceptions. In a way, the Bretton Woods system was successful in “encapsulating them [the political elements of financial and trade negotiations] into technical discussions within an institutional framework.”¹¹

Nevertheless, states have continued to use economic sanctions to pursue national interests regardless of this legitimacy question. Economic sanctions were used between the U.S. and USSR in the Cold War and between former colonial powers and emerging economies.¹² In fact, the use of economic means for foreign policy objectives was “effectively vitiated” by the provision XXI of GATT, making it basically hard to discern which is a legitimate national security cause and which is not.¹³ From the late 20th century, economic sanctions were inclined to be used to restore democracy, improve human rights, destabilize non-democratic regimes, and maintain nuclear safeguards more than ever before.¹⁴ The end of the Cold War accelerated the use of those types

⁹ K. W. Rothchild, ed., *Power in Economics: Selected Readings* (Middlesex: Penguin, 1971): 7, 16.

¹⁰ Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (Edited by Edwin Canaan. New York: Modern Library, 1937): 431.

¹¹ Braz Baracuchy, “Geo-economics as a dimension of grand strategy: Notes on the concept and its evolution.” Chapter 2 of *Geo-Economics and Power Politics in the 21st Century: The Revival of Economic Statecraft* (Edited by Mikael Wigell, Sören Scholvin, and Mika Aeltola. London and New York: Routledge, 2019), 21. Original source: Richard N. Cooper, “Trade Policy is Foreign Policy,” *Foreign Policy*, No. 9 (Winter, 1972-1973): 18-36.

¹² Based on the review of the cases compiled in Hufbauer, *Economic Sanctions Reconsidered*, 3rd ed., 20-41.

¹³ Richard N. Gardner, “The hard road to World Order,” *Foreign Affairs* 52 (April 1974): 556-576.

¹⁴ Based on the review of the cases compiled in Hufbauer, *Economic Sanctions Reconsidered*, 3rd ed., 20-41.

with normative and humanitarian characteristics. In 2016, most part of economic sanctions were those imposed for protecting democracy and human rights.¹⁵

From a useless instrument to a popular coercive foreign policy tool

Economic sanctions came to be considered convenient strategic foreign policy tools that could substitute military statecraft effects from World War I,¹⁶ and after World War II, it became even more so as “the costs of military statecraft have substantially increased.”¹⁷ From the 1960s to the 70s, studies on economic sanctions started to attract significant attention, but they were more or less pessimistic about economic sanctions' effectiveness. A study by Johan Galtung, one of the earliest pieces of literature, concluded that “the probable effectiveness of economic sanctions is, generally, negative,” referring to the UN sanctions on Rhodesia.¹⁸

In the 1980s, however, the significance of economic sanctions came to be reconsidered. David A. Baldwin shed new light on economic sanctions and their complex nature in his seminal work *Economic Statecraft*, indicating the necessity of a nuanced approach to the topic. Baldwin's comprehensive reconsideration cast doubt on the conventional wisdom at the time, which considered economic statecraft as being only ineffectual.¹⁹ His discussion prompted an overall reconsideration of economic sanctions.

After the Cold War, economic sanctions were disparaged as the “chicken soup diplomacy” just enforced for making the sender “feel good” regardless of their efficacy.²⁰ On the other hand, there was a vital optimism coming up on the use of economic sanctions. Although the studies of Hufbauer et al., one of the earliest Large-N research on the topic, concluded that only 34% of 114 cases from 1914 to 1990 were successful,²¹ its recommendations with regard to the effectiveness

¹⁵ Gabriel Felbermayr, Aleksandra Kirilakha Constantinos Syropoulos, Erdal Yalcin and Yoto V. Yotov, “The Global Sanctions Data Base,” *LeBow College of Business, Drexel University, School of Economics, Working Paper Series, WP 2020-02* (2020): 45.

¹⁶ Robert A. Pape, “Why Economic Sanctions Do Not Work,” *International Security* Vol. 22, No. 2 (Fall, 1997): 90.

¹⁷ Baldwin, *Economic Statecraft*, 69.

¹⁸ Johan Galtung, “On the Effects of International Economic Sanctions: With Examples from the Case of Rhodesia,” *World Politics*, Vol. 19, No. 3 (Apr., 1967): 378-416

¹⁹ Jonathan Kirshner, “Review Essay: Economic Sanctions: The State of the Art,” *Security Studies* 11, No. 4 (2002): 160-179.

²⁰ Blackwill, *War by Other Means: Geoeconomics and Statecraft*, 216.

²¹ Hufbauer, *Economic Sanctions Reconsidered*, 3rd ed., 158-160.

of economic sanctions served as a logic of choice for sanctioning Iraq after the end of the Persian Gulf War in 1991.²² Basically, it opened the door for the discussion under the assumption that with the proper studying on it, economic sanctions can exert substantial effects on the target, and they can serve as a practical instrument of coercive foreign diplomacy.

This new effectiveness discourse evoked significant backlash. Robert A. Pape censured the use of economic sanctions in his famous paper *Why Economic Sanctions Do Not Work*. He pointed out that “sanctions may not be as liberal an alternative as to military force,” even if someone finds a way to make them work.²³ Baldwin counterargued to Pape’s discussion in another paper, and it eventually marked a theoretical debate on the topic in the last 1990s,²⁴ as we will review in the next chapter. Meanwhile, in practice, the number of economic sanctions kept increasing, and it made them one of the popular foreign policy tools. One of the reasons for this gap between the theory and practice must have been, as Baldwin once well-articulated, because “policymakers and scholars are addressing different questions.”²⁵

A new stage of sanctions discourse—where interdisciplinarity matters

After the 2000s, it seems that this theoretical debate started to dim. More studies came to focus on when and how economic sanctions work rather than whether they really work.²⁶ Asking whether economic sanctions “work” and whether they “should be” imposed are critically different,²⁷ and this shift of attention toward the economic sanctions’ effecting process had a significant influence on the discourse. Concurrently, targeted and smart sanctions, which are considered more effective and ethical than comprehensive sanctions damaging the target country’s whole body, started to gather more attention. Some new sanctions databases were created, enlarging the range of episodes and dataset the students of economic sanctions can review.

²² Pape, “Why Economic Sanctions Do Not Work,” 91-92.

²³ Ibid: 136.

²⁴ David A. Baldwin and Robert A. Pape, “Evaluating Economic Sanctions,” *International Security*, Vol. 23, No. 2 (Fall, 1998): 189-198.

²⁵ David A. Baldwin, “The Sanctions Debate and the Logic of Choice,” *International Security*, Vol. 24, No. 3 (Winter, 1999-2000): 81.

²⁶ Susan Hannah Allen, “The Domestic Political Costs of Economic Sanctions,” *The Journal of Conflict Resolution*, Vol. 52, No. 6 (Dec., 2008): 916-917.

²⁷ Baldwin, “The Sanctions Debate and the Logic of Choice,” 97.

The TIES database, developed by T. Clifton Morgan et al. and first released in 2006, for example, covers 1,412 cases during 1945-2005.²⁸ The Global Sanctions Data Base (GSDB) covers 724 cases from 1950 to 2016, providing affluent data sorted by sanctions' types and political objectives.²⁹ The Targeted Sanctions Consortium (TSC) database contains the UN sanctions from 1991, covering 23 cases sorted by country and 63 by objectives.³⁰ The EUSANCT is newly created by Patrick Weber and Gerald Schneider and covers 325 cases during 1989-2015, focusing on the EU sanctions.³¹ With the new database, it became easier to capture the big picture and trends. According to GSDB, the use of economic sanctions is on the rise; the most frequent senders are European countries, and the most frequent targets are African countries; the share of democracy and human rights as the sender's political objectives are increasing.³²

Jean-Marc F. Blanchard and Norrin M. Ripsman, who made a comprehensive theorization of the economic sanctions as statecraft, summarized the theoretical background of the discourse from the viewpoint of international relations.³³ According to them, there are three schools of thought in evaluating the effects of economic sanctions. One is that of economic liberals, which assumes the immensity of economic sanctions can directly influence the target and leads to a policy success by changing the target's behavior. For realists, however, sanctions are not sufficient in dragging the target into compromise. Conditionalists consider that both realists and liberals are only partially capturing reality. Following the third stance, economic sanctions are only effective under whatever specific conditions. This view and questioning seem to be gaining more currency in the domain, where most of the studies had just focused on whether they work.

Meanwhile, the growing tension between the U.S. and China has made the liberal economic consensus seems not functioning well as it so seemed before. In fact, in 1990, Edward N. Luttwak predicted that "the logic of conflict" would continue even after the Cold War, but this time it would

²⁸ T. Clifton Morgan, Navin Bapat and Yoshiharu Kobayashi, "Threat and imposition of economic sanctions 1945–2005," *Conflict Management and Peace Science*, Vol. 31, No. 5 (2014): 541-558.

²⁹ Felbermayr et al, "The Global Sanctions Data Base."

³⁰ Thomas Biersteker, Sue E Eckert, Marcos Tourinho, and Zuzana Hudakova, "UN targeted sanctions datasets (1991–2013)," *Journal of Peace Research*, 55(3) (May., 2018): 404-412

³¹ Patrick M. Weber and Gerald Schneider, "Post-Cold War sanctioning by the EU, the UN, and the US: Introducing the EUSANCT Dataset," *Conflict Management and Peace Science* (August., 2020).

³² Felbermayr et al, "The Global Sanctions Data Base," 35-37.

³³ Jean-Marc F. Blanchard and Norrin M. Ripsman, "A Political Theory of Economic Statecraft," *Foreign Policy Analysis*, Vol. 4, No. 4 (October 2008): 371-398.

be “with the methods of commerce.”³⁴ Though his account was indeed an insightful foresight in hindsight, the optimism on the liberal economic consensus may have been so strong in the 1990s that the conventional thoughts did not welcome his discussion. In practice, the strategic use of economic means for political ends seems now becoming more and more acceptable and pursuable. Blackwill’s seminal work *War by Other Means* skillfully captured and shed light on this trend. Though seemingly somewhat unorthodox in the conventional realm of economics and sanctions studies, this overall trend and the implications of these adjacent domains should be reflected in reconsidering economic sanctions. In a sense, the studies on economic sanctions are now in a stage to be upgraded by an interdisciplinary point of view.

³⁴ Edward N. Luttwak, “From Geopolitics to Geo-Economics: Logic of Conflict, Grammar of Commerce,” *The National Interest*, No. 20 (Summer 1990): 17-23

III. Definition and Scope Matter of Economic Sanctions:

Despite having a long history in practice, the epistemology of economic sanctions in theories seem to be somewhat puzzling. This chapter reviews the definition and scope of economic sanctions in the following three sections: three common meanings of economic sanctions, the Baldwin-Pape debate in the late 1990s, and international and national interest elements in economic sanctions.

Three common meanings of economic sanctions:

Baldwin pointed out there are three “common meanings” of economic sanctions.³⁵ The first one is those authorized by international law. The second is the costs and benefits intended to decrease or increase in the target country. The third is the one based on the “concept of economic techniques of statecraft.” He argued that the term economic sanctions should be used in the third context.³⁶

Art. 41 of the UN Charter stipulates, “The Security Council may decide what measures not involving the use of armed force are to be employed to give effect to its decisions, and it may call upon the Members of the United Nations to apply such measures. These may include complete or partial interruption of economic relations and of rail, sea, air, postal, telegraphic, radio, and other means of communication, and the severance of diplomatic relations.”³⁷ This is the narrowest definition of economic sanctions. The UN sanctions on Rhodesia in the 1960s and those on Iran and North Korea in the 2000s should belong to this category, for example. However, the most part of economic sanctions in reality were deployed without UN authorizations.³⁸ Limiting economic sanctions in the realm of international law would indeed be misleading.

The second meaning is coming from Galtung’s discussion in 1967. He defined sanctions as “actions initiated by one or more international actors against one or more others with either or both of two purposes: to punish the receivers by depriving them of some value and or to make the receivers comply with certain norms the senders deem important,” and listed three types of them,

³⁵ Baldwin, *Economic Statecraft*, 35.

³⁶ Ibid.

³⁷ “United Nations Charter,” United Nations, 26 June 1945.

³⁸ Based on the review of the cases compiled in Hufbauer, *Economic Sanctions Reconsidered*, 3rd ed., 20-41.

which are, diplomatic sanctions, communication sanctions, and economic sanctions which consist of economic sabotage and import/export boycotts.³⁹ True, Galtung shed light on how statecrafts work, focusing on the concept of sanctions. However, as Baldwin criticized, Galtung's approach was too focused on the "intended effects" of sanctions rather than the "means"; other statecrafts can also achieve the former, so the particularity of economic sanctions fades away if focusing on the effects.⁴⁰ Moreover, the "norm" factor Galtung put in the definition is more complicated than it may seem, as we will see later.

Baldwin defined those economic techniques of statecraft (the third common meaning of economic sanctions he pointed out) as "governmental influence attempts relying primarily on resources that have a reasonable semblance of a market price in terms of money," and point out three similar subcategories: economic sanctions, economic warfare, and foreign aid.⁴¹ These three are overlapping in different ways. In economic warfare, economic techniques are used to impair the enemy's war capacity to win the war. The U.S. oil embargo to Japan in 1941, for example, was to punish Japan for its revisionist move, but at the same time, it was to impair Japan's capacity in case of war, which was becoming more probable at the time.⁴² Foreign aids also use the economic technique to influence the recipient by providing positive values, not negative ones; however, once being provided, it is arguable that their withdrawal may work as negative sanctions, and therefore they have significant political influence. The Marshal Plan in 1948 and Japan's ODA from the 1950s to Asian countries should be good examples of the case. The overlapping of these techniques makes the definition of economic sanctions hard to speak for itself. Moreover, the literature on economic sanctions "tends to focus on multilateral influence attempts, reflecting the interest of the authors in international law and organizations," and the lack of a "conceptual framework" that can combine these economic statecrafts is because, according to Baldwin, the domain was not studied enough from the viewpoint of "foreign policy and international politics."⁴³

³⁹ Galtung, "On the Effects of International Economic Sanctions," 379-383.

⁴⁰ Baldwin, *Economic Statecraft*, 35.

⁴¹ Ibid: 55.

⁴² Ibid: 171-180.

⁴³ Ibid: 55.

The Baldwin-Pape debate in the late 1990s over the definition matter:

Robert A. Pape argued that the broadened concept of economic sanctions to "encompass all aspects of economic statecraft" is misleading in the following way: firstly, if the goals of each economic statecraft are different, different standards to examine their success should be applied, and thus they cannot be discussed on the same basis; secondly, if a success is defined in a gradual way, there would be no apparent failure, and the theory does not match the standards of science as it "cannot be falsified."⁴⁴

Instead, he proposed a different categorization, focusing on the political goals—economic sanctions, trade wars, and economic warfare. In economic sanctions, the political goal is to change the target's specific policy and or political behavior.⁴⁵ According to Pape, economic sanctions are "To lower the aggregate economic welfare of a target state by reducing international trade in order to coerce the target government to change its political behavior."⁴⁶ The trade war is economic coercion to make the target accept the terms of trade in favor of the sender, and economic warfare is when coercive economic means were deployed to impair the target's military capacity, according to his discussion.⁴⁷ For Pape, the distinctions among these three seem to be clear.

Pape's argument, which was intrinsically a criticism to Baldwin's approach, was promptly counterargued by Baldwin. Baldwin wrote in 1997, he "never argued in favor of broadening the concept of economic sanctions to encompass all aspects of economic statecraft"; he reiterated that the concept of economic statecraft would be convenient in capturing influence attempts pursued by economic means and techniques, and so economic sanctions should be based on it.⁴⁸ He then argued that Pape's approach, which focuses on political goals, has some difficulties: firstly, discerning political objectives and non-political objectives is in reality very difficult; secondly, economic sanctions are imposed by multiple objectives; and thirdly, Pape's way of considering the success and effectiveness of economic sanctions is too simple and binary, ignoring the complexity of economic sanctions.⁴⁹

⁴⁴ Pape, "Why Economic Sanctions Do Not Work," 93-98.

⁴⁵ Ibid.

⁴⁶ Ibid: 93-94.

⁴⁷ Ibid.

⁴⁸ Baldwin and Pape, "Evaluating Economic Sanctions," 190.

⁴⁹ Ibid: 189-195.

In hindsight, the Baldwin-Pape debate may have arisen from their different stances on the effectiveness of economic sanctions rather than the definition matter itself. Whereas Pape put his energy to demonstrate ineffectiveness of economic sanctions, Baldwin took a more nuanced stance, trying to stress the complexity of the practice and the importance of case-by-case consideration. Baldwin assumed that economic sanctions studies should “produce policy-relevant knowledge,”⁵⁰ and if that is so, focusing on the means and having economic statecraft as a superordinate concept of economic sanctions must have made more sense to him than Pape’s approach. Moreover, in his seminal work *Economic Statecraft* he reiterated that the domain is understudied or neglected by the existing literature. This very unsatisfaction he had on the conventional thoughts may have encouraged him to stress the complexity of economic sanctions.

Baldwin’s approach is flexible and so is useful in capturing the wide variety of sanction episodes; however, the very flexibility makes his definition less functional. Indeed, most empirical studies prefer Pape’s definition,⁵¹ and in fact, Pape’s definition is not too inflexible. The point that divides the answer in this debate is whether to focus on the means (economic instrument) or ends (political objectives). Baldwin argued that one should focus on the former because only in that way economic sanctions become comparable to another statecraft and appraisable as a foreign policy option in practice. The other statecrafts that Baldwin referred to were military statecraft, propaganda, and diplomacy.⁵² Pape’s point was that these means could not be compared on the same basis without taking their goals into account. To the point that he asserted the importance of the focus on political objectives, Pape was right. Nevertheless, he overlooked the point that these goals are nuanced and varied within the category of economic sanctions itself. To change the target’s political behavior is not the only nature of economic sanctions which discerns them from other coercive economic techniques—this perspective should be added to his discussion.

⁵⁰ Baldwin and Pape, “Evaluating Economic Sanctions,” 189.

⁵¹ Cesar Andalon, “Smart Sanctions or Silly Statecraft?” *The Efficacy of Targeted Sanctions*, University of San Diego, Master of Arts in International Relations, *Capstone Paper* (May, 2019), 6.

⁵² Baldwin, *Economic Statecraft*, 12.

International and national interest elements in economic sanctions:

Focusing on the characteristics of political objectives of economic sanctions, some sanctions are based primarily on international and multilateral interests, and others are based mainly on national interests. The economic sanctions authorized by the UN should belong to the former category by definition. The international human rights regimes such as the EU Global Human Rights Sanctions Mechanism⁵³ also belong to the former. The economic sanctions imposed on Zimbabwe by the U.S., EU, and some other western countries from the 2000s aiming at restoring democracy and protecting human rights⁵⁴ can be seen as belonging to this category as well.

On the other hand, India's economic blockade against Nepal in the late 1980s, which aimed to impair Nepal's pro-China tendency,⁵⁵ for example, would belong to the latter category. China's economic sanctions on France over France's military equipment support to Taiwan in the early 1990s⁵⁶ would also belong to the latter. China's strategic export control on its rare earth metals, such as that targeted Japan in 2010 following Japan's capturing of the Chinese fisherman operating around the *Senkaku* Islands (*Diaoyudao* in Chinese: Disputed islands between China and Japan),⁵⁷ would also be a good example of those belonging to the latter type of economic sanctions.

It goes without saying that there is an overlapping area between the two categories, which makes some cases indistinguishable in this context. Though the international sanctions during the Ukrainian crisis from 2014 were initiated under international interests, it is hard to deny that they also had some strategic and national interests of the U.S. and EU, considering the long-standing geopolitical conflict of interests in the region between NATO and Russia.⁵⁸ The previously mentioned sanctions on North Korea and Iran have had vital attributes as international interests; however, in some aspect, it would indeed be hard to deny their relevance to the conflict if national interests in high levels, such as those between the U.S. and China or other authoritarian countries. Nevertheless, the existence of binary cases does not make this distinction pointless.

⁵³ Martin Russell, "An EU Human Rights Sanctions Regime?" European Parliament, European Parliamentary Research Service, PE 637.892 (April 2019).

⁵⁴ Hufbauer, *Economic Sanctions Reconsidered*, 3rd ed., 34-35.

⁵⁵ Ibid: 28.

⁵⁶ Ibid: 30.

⁵⁷ Keith Bradsher, "Amid Tension, China Blocks Vital Exports to Japan," *The New York Times*, September 22, 2010.

⁵⁸ Robert E. Hunter, "NATO in Context: Geopolitics and the Problem of Russian Power," *A Journal of the Center for Complex Operations, PRISM*, Volume 6, No. 2 (July 12, 2016)

While most studies seem to presuppose the former types, few worked on the latter category. Baldwin pointed out the very tendency by mentioning the lack of sanction studies based on the viewpoint of foreign policy and international politics (not international law or world politics). The point he made relates to this distinction, though he might not have realized. Considering that most of the senders are western countries (primarily the U.S. or EU) and the targets are African countries, most studies may have unconsciously pre-assumed those where the normative leaders of the world are punishing the 'problematic' countries.

The problem of this tendency is that a student of sanctions might be unaware to the point that the standard of success would significantly differs in these two categories. For those sanctions with international values, the effectiveness would matter less than those based exclusively on national interests. Normative economic sanctions should possibly be imposed in some cases even though they are not intended to have any substantive effects. It would ultimately be arguable that they should be imposed as they must represent specific international and multilateral symbols, no matter whether and how they work. In that way, the sender(s) can signal other countries what is right and wrong—in a sense, countries can use as a tool for norm-making. One may counterargue that China's strategic export control on rare metals mentioned above, for example, must have had a similar signaling effect as well. However, what is right and what is wrong in this case's context was only relevant to China's national interests rather than international and multilateral values. Unlike normative economic sanctions, those based mainly on strategic and national interests would require a stricter examination of economic sanctions' appropriateness as an instrument of influence attempt in the foreign policy. The analyst should be aware of this distinction.

George E. Shambaugh's definition of economic sanctions would be the most suitable for our discussion. According to him, economic sanctions are "an economic penalty or cost that is imposed by a sender on a designated target, regardless of the particular form that it takes or the ends that it serves."⁵⁹ With this simple definition, it is possible to circumvent the normative aspect of sanctions discourse. Moreover, the terms of Shambaugh's definition can technically include

⁵⁹ George E. Shambaugh, *States, Firms, and Power: Successful Sanctions in United States Foreign* (State University Press of New York (SUNY); Illustrated edition: 1999)

both normative (international and multilateral interests) and strategic (national interest) economic sanctions, which make it stand out as a flexible definition of economic sanctions.

IV. Analytical Framework for Case Study and Analysis

This chapter discusses and proposes an analytical framework for the case study in this paper. The definition and scope of economic sanctions, the political benefits and the economic and political costs of sanctions, and the relation between economic and political costs and the optimal degree of compromise will be provided in this chapter.

Definition and scope of economic sanctions in this paper:

This paper focuses on negative economic sanctions. Based on the discussion made in the previous chapter and Shambaugh's definition, this paper defines economic sanctions as follows: A sender's imposition of economic costs on a target through economic instruments to achieve the sender's substantive or demonstrative foreign policy goals, following the target's specific political decision or diplomatic activity which goes against the sender's interests.

In this paper, the sender's substantive goal is to coerce the target to compromise; in other words, to neutralize the target's particular political decision or diplomatic activity that bothers the sender. This paper considers compromising as a gradual concept. That means what matters is not whether compromise or not but the degree of compromise. The sender's demonstrative goal, on the other hand, is to win (or to avoid losing) public support from its constituents. By imposing economic sanctions, the sender can show its unwavering stance to its voters and signal the target and any other potential targets for possible consequences of any of their future political decisions and diplomatic activities.

States may and may not admit that specific economic measures taken to the other side are economic sanctions aiming for particular political goals. That means, in other words, the sender's specific measures may and may not constitute economic sanctions no matter what official accounts say. What is essential for considering the qualification of a particular case is to see whether the sender's message and the target's perception make the sender's economic measures work as economic sanctions. What matters is the target's perception, and any economic measures may become a sanction case under specific conditions. This paper assumes that a rational international actor would be aware of what diplomatic meaning certain economic actions taken at the particular point of time would have to other relevant international actors. Correspondingly, to analyze the

goals of the sender's specific economic measures and capture the target's perception, the analyst should rely not only on the official accounts made by the sender and the target but also on the general media reports (that of the sender, target, and international).

The context of economic sanctions this paper assumes is as follows. First of all, a particular target's political decision or diplomatic activity in advance concerns the sender's national interests. To neutralize it, the sender would endeavor to strategically influence the target by the sender's foreign policy tool. This influence attempt is undertaken by more than one of the following four statecrafts: diplomacy (negotiation), propaganda, economic statecraft, and military intervention. Though not a statecraft, international dispute settlement should be added here as another option. This paper considers economic sanctions as one form of economic statecraft—economic statecraft here means the use of economic means for foreign policy ends in general.⁶⁰ Suppose the sender calculates that the use of economic sanctions is strategically appropriate for its substantive or demonstrative political goals. In that case, the sender imposes them through trade relations (export and import), capital market (outflow and inflow), and any other channels to exercise influence.

Political benefits and economic and political costs of economic sanctions:

This paper assumes "that a foundational goal of all political leaders is to maintain their positions of power."⁶¹ The political benefits in this paper accordingly mean the positive interests the sender's political leaders can get (or avoid losing) when they promote a policy that fits in primary public perception. These benefits are twofold: substantive and demonstrative, as shown in the previous section. The weight between these two depends on the sender's strategic conditions.

The economic sanctions impose economic costs to the target. The level of economic costs depends on the economic means that the sender deployed against the target, the level of the target's dependence on the sender in terms of the sanctioned goods, and the target's degree of success to circumvent these costs. The initial economic costs—together with the hostile signal from the sender—should put the target in a position to deal with domestic political costs inevitably. Once

⁶⁰ Baldwin wrote "This is a study of economics as an instrument of politics" at the beginning (Chapter 1. Introduction, p.1) of his seminal work *Economic Statecraft*.

⁶¹ Blanchard and Ripsman, "A Political Theory of Economic Statecraft," 377.

facing the significant economic costs imposed by the sender, the target should decide at some point whether or not and to what degree they should compromise. The political costs in this paper mean the costs of political or diplomatic action for the target's political leaders to promote an unpopular policy or not to promote a popular policy. To compromise in favor of the sender thus intrinsically involves high political costs for the target.

The economic sanctions on trade relations use trade dependence as leverage. Economic sanctions are, according to Shambaugh, most "likely to be successful" when the target's trade dependence on the sender is high, and the target's possibility to alternate trading partners for sanctioned goods is low; and "not likely" to be successful when it is the other way round.⁶² When both are high, then "additional sanctions or policy instruments [are] needed."⁶³ When both are low, only the sanctions by other suitable senders may work.⁶⁴

The target's countermeasures may curb the level of economic costs to mitigate it. The target may substitute (promote domestic production or find other partners), adjust (increase efficiency and or learn to live without the sanctioned goods or capital), impede (make new rules), and regulate (win public support against the sender and protect the affected establishment actors) to make this dependence weaker and so avoid the pain.⁶⁵

The point that the economic costs also accrue to the sender's side should not be overlooked. The level of the sender's economic costs depends on the economic traits of sender's measure itself that affects its trade relations (direct costs) and the target's retaliation (indirect costs). The target's reactions depend on the traits of the target's leaders, public opinion, and the bilateral relations the target has with the sender and other crucial stake-holding parties. Economic sanctions also would have "spillover effects" to other countries and "diffused effects" on the international economic system.⁶⁶ In order to maintain simplicity, however, this paper focuses only on the costs accrue to the target and the sender and excludes spillover and diffused effects of sanctions.

⁶² Shambaugh, *States, Firms, and Power*, 14-18.

⁶³ Ibid: 16.

⁶⁴ Ibid: 14-18.

⁶⁵ Karen Smith Stegen, "Interdependence, Statecraft and Leverage: Can coercion be avoided?" ECPR General Conference, Oslo, Norway (September 8, 2017): 6-7.

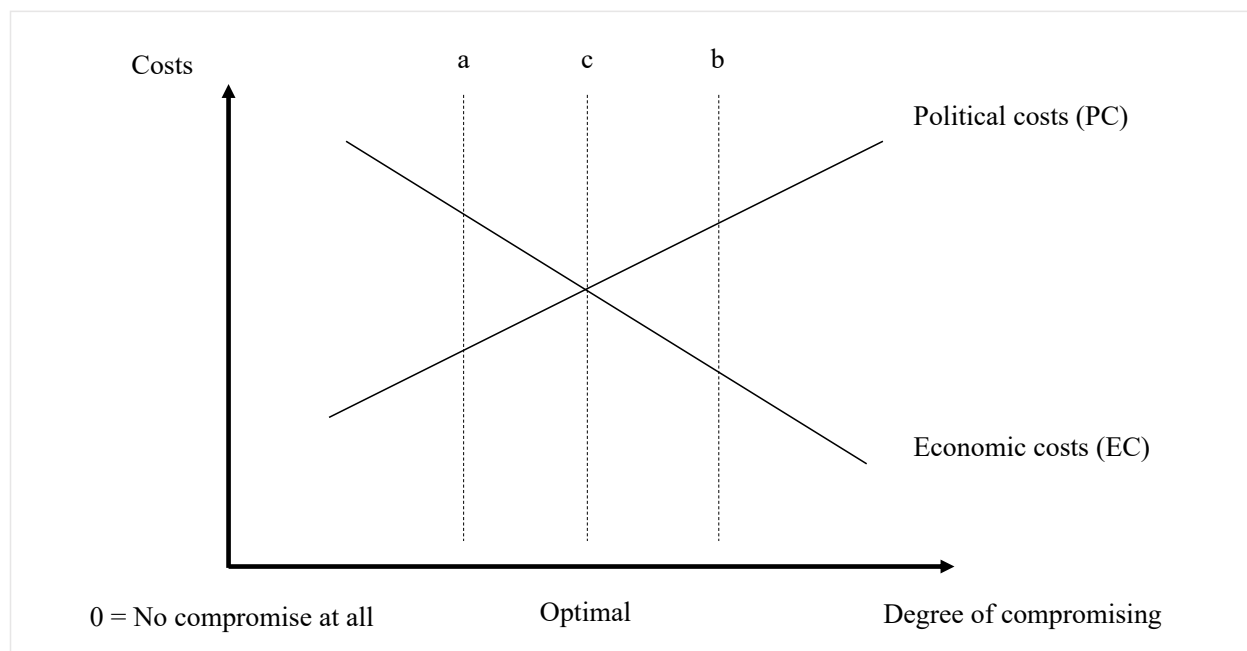
⁶⁶ Margaret Doxey, "Economic Sanctions: Benefits and Costs," *The World Today*, Vol. 36, No. 12 (Dec., 1980): 484-489.

The relation between economic costs and political costs:

With regard to the relation between the target's economic costs and political costs of economic sanctions, this paper considers it as follows. The economic costs are high when the degree of compromise is low and vice versa; the political costs are high when the degree of compromise is high and vice versa. These points mean that if the target compromises with the sender, the target will have to face a substantial public backlash, though the target can reduce the economic costs. Conversely, if the target resists against the sender, the target will have to suffer a substantial level of economic costs, though the target can avoid facing public backlash.

When economic costs are higher than political costs, a rational target considers increasing the possible degree of compromise to reduce the economic costs (situation a); at this point, the target can get additional economic benefits by compromising more. When political costs are higher than economic costs, the target will choose to decrease the degree of compromise by bearing a higher level of economic costs in order to avoid public backlash (b). The optimal degree of compromise, for a rational target, would be the point where the perceived economic costs equate to political costs (c). The level of economic and political costs of the compromise degree at "c" is considered the most optimal cost to bear. This basic logic is visualized in **Chart 4-1**.

[Chart 4-1] The relation between the economic costs and political costs of the target



Source: Created by the author, based on the discussions with the supervisor, to visualize the logic of this analytical framework.

Concerning the economic costs curve, the target's countermeasures taken to curb the costs, if successful, will shift the curve downward. Additional sanctions imposed by the sender after the initial sanctions will shift the curve upward. The form of the curve depends on the sender's measures and the perception of the target's political leaders.

This paper considers the following three essential factors determine the target's political costs: public perception, interest groups, and external relations. While interest groups concern the rational and economic interests, public perception is not necessarily so, embodying emotional reaction. The external relations factor is contextual but rational in terms of geopolitical calculations. The anti-sender public sentiment within the target will shift the political costs curve upward; the anti-target sentiment may push the political costs curve downward.⁶⁷ Interest groups will try to reduce the level of these political costs to increase the optimal degree of compromise. However, when there is a significant nationalism factor laying between the target and sender, it may urge interest groups to concentrate on curbing the economic costs rather than on mitigating political costs. As for external relations factors, the stake-holding third party may affect the level of political costs, but the way how would depend on the context: it may shift the political costs curve upward or downward. If there is a crucial ally sharing interests with both disputed parties, this third party will work on the mediation (reduce the target's political costs) to protect its own interests.

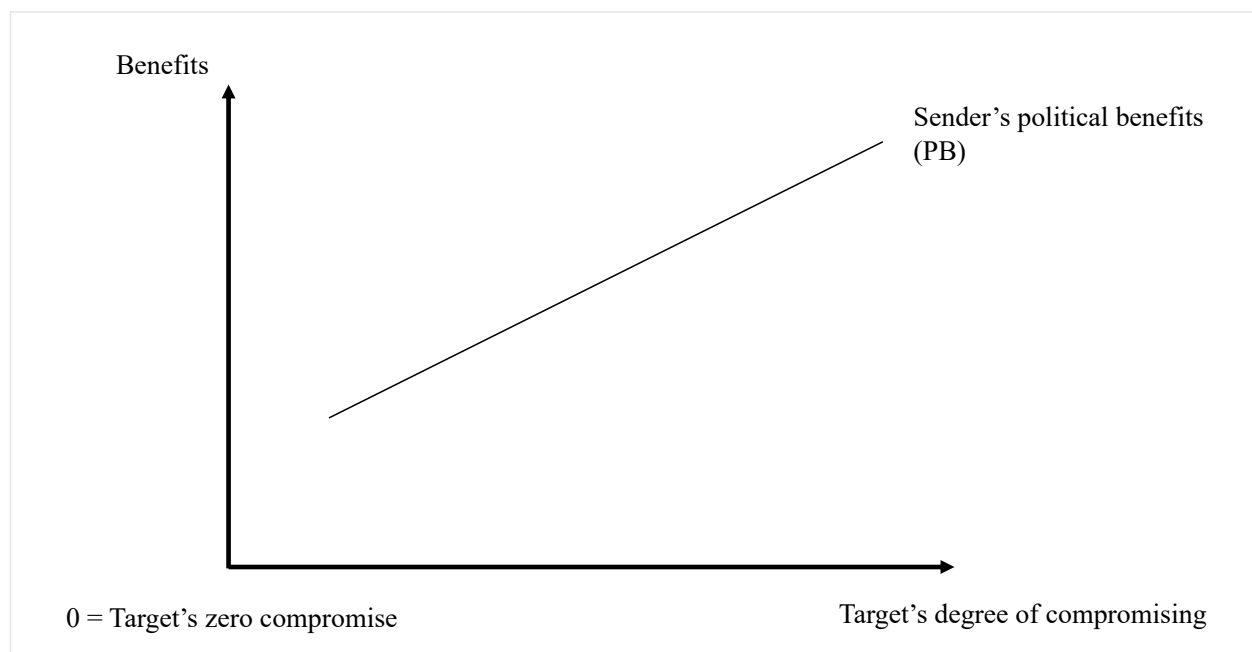
When there is a nationalism factor, the public sentiment will always work for reducing the optimal degree of compromising, while the interest groups and external stakeholder factors would try to maintain the status quo ante; hence, an analysis on the public perception would be the key. It is worth emphasizing that the nationalism factor has a significant implication on the effects of economic sanctions. Under certain circumstances, economic sanctions ignite nationalism and unite the target against the sender, which provokes the target's organized counter-reaction to the sender's influence attempt and neutralizes the effects of economic sanctions. This point has been known as the rally 'round the flag effect from the early times. As Galtung put it, "as an organism with a certain self-maintaining potential," the target "reacts...in such a way as to try to undo the damage and to restore the status quo ante" when it faced bearing pain.⁶⁸

⁶⁷ This point depends on the regime types. In authoritarian states, the latter sentiment may work, but it would depend on the context of sanctions. This paper focus on democratic states and thus do not reflect on this point.

⁶⁸ Galtung, "On the Effects of International Economic Sanctions," 409.

The sender's political benefits related to the sender's substantive goals depend primarily on the degree of the target's compromise—the higher the latter, the higher the former (**Chart 4-2**). A rational sender would endeavor to maximize its political benefits (the highest possible degree of the target's compromise) with the minimum economic costs inflicted back to itself. To increase the target's degree of compromise, the sender can endeavor to increase the target's economic costs and reduce the target's political costs; however, putting additional economic costs on the target would trigger an upward shift of its political costs curve (pouring oil to the fire of nationalism), which reducing the optimal degree of compromise for the target. Thus, if the national factor is present, a rational sender would strategically concentrate on reducing the target's political costs through the effects of interest groups and external relations factors. When the sender has only demonstrative goals, the question would be whether these benefits are significant enough against the economic costs inflicted back to the sender itself—which is a political question rather than economic.

[Chart 4-2] The sender's political benefits related to the sender's substantive objectives



Source: Created by the author, based on the discussions with the supervisor, to visualize the logic of this analytical framework.

V. Case Study: Japan-South Korea ‘Trade Dispute’ 2019

This paper now moves on to the case study part, discussing the Japan-South Korea ‘Trade Dispute’ 2019. Although this is a trade dispute case, the episode entails significant aspects and implications as an economic sanction case study. This chapter provides the general information to lay the foundation for the case analysis, which comes to the next chapter. It includes the course of events in the Japan-South Korea ‘Trade Dispute’ 2019, a brief overview on wartime labor and historical perception issue, and the Japan-South Korea trade relations and trade dependence.

1. The Japan-South Korea ‘Trade Dispute’ 2019: The Course of Events

In hindsight, the dispute in question developed in the three phases: The escalation of the tit for tat (from July 1, 2019); the first signs of possible détente appeared, which were nothing but an illusion (from October 1); and the re-escalation and pause without settlement (from June 1, 2020).

The primary fact-finding sources for this part are the Japanese news media (particularly Nikkei, the leading business and economic newspaper in Japan), the Japanese version of South Korean news media (Yonhap News and JoongAng Ilbo), official accounts and reports provided by the Japanese and South Korean government, economic data and polls provided by think tanks and other institutions, and financial statements and statistical data of relevant companies, and industries.

Phase 1: The escalation of the tit for tat—the worst in their postwar bilateral relations

Since July 2019, Japan-South Korea relations have deteriorated—possibly the worst in bilateral history after the 1965 Agreement on the Settlement of Problems concerning Property and Claims and the Economic Cooperation between Japan and the Republic of Korea. On July 1, the Japanese government announced the tightening of export control on three high-tech materials—photoresist, high-purity hydrogen fluoride, fluorinated polyimide. Simultaneously, the Japanese government

declared that it would shortly remove South Korea from its trusted trade partners' list.⁶⁹ Most of these export controls are still in effect at the time of submission of this paper.

Whereas Japan has competitiveness in semiconductor materials and equipment, including these materials, South Korea has it in semiconductor manufacturing.⁷⁰ According to the Nikkei Staple Commodities and Service Share Survey 2018, South Korea accounts for 76.7% and 46.6% of global DRAM and NAND flash supply, respectively.⁷¹ These three materials are used by South Korean firms such as Samsung Electronics and SK Hynix (leading South Korea's national brands) for their semiconductors and organic EL panel productions.⁷² Photoresists are used to transfer circuit patterns onto semiconductor wafers; hydrogen fluoride is used as an etching gas in the chipmaking process; fluorinated polyimides are used in displays.⁷³

The South Korean producers were significantly dependent on Japanese suppliers for these materials. Based on the data provided by the Korea International Trade Association (KITA), according to Japanese media, 91.9% of imported photoresist, 43.9% of imported hydrogen fluoride, and 93.7% of imported fluorinated polyimide from January to May 2019 were from Japan.⁷⁴ For photoresists, only the exports of those used for extreme-ultraviolet lithography were restricted (they are all displayed in the same Harmonized Commodity Description and Coding System (HSK) number, which is 3707.90, in trade statistics).⁷⁵ The five Japanese producers have had about 90% of all global supply of photoresists: JSR Corporation, Tokyo Ohka Kogyo, Shin-Etsu Chemical, Sumitomo Chemical, and Fujifilm.⁷⁶ For hydrogen fluoride, highly developed technology is

⁶⁹ Nikkei, "Japan's government announced the tightening of export control against South Korea; South Korea may take countermeasures (韓国への輸出規制を強化、政府発表 韓国は対抗措置も)," July 1, 2019.

⁷⁰ Samuel M. Goodman, Dan Kim and John VerWey, "The South Korea-Japan Trade Dispute in Context: Semiconductor Manufacturing, Chemicals, and Concentrated Supply Chains," U.S. Office of Industries, Working Paper ID-062 (October 2019): 6-12.

⁷¹ Nikkei, "Samsung achieved a breakthrough in growth markets such as semiconductors, according to Nikkei World Share Survey (サムスン、半導体など成長市場で躍進 世界シェア調査)," July 11, 2018.

⁷² Nikkei, "Concerns over reviewing the semiconductor supply network arose [in South Korea]: Japan's presence may decline (半導体供給網に見直し懸念 日本の存在感低下も)," July 13, 2019.

⁷³ Reuters, "Factbox: The high-tech materials at the heart of a Japan-South Korea row," July 2, 2019.

⁷⁴ Nikkei, "Concerns over reviewing the semiconductor supply network arose," July 13, 2019. These figures are in line with KITA's communications to Goodman as showed in "The South Korea-Japan Trade Dispute in Context."

⁷⁵ Hidehiko Mukoyama, "Whereabouts of the 'de-Japanification [reducing the dependence on essential materials supply sources]' of the Korean semiconductor industry: Unintended consequences of Japan's tightening export control to South Korea (韓国の半導体産業の「脱日本化」の行方: 日本の対韓輸出管理強化の「意図せざる」結果)," The Japan Research Institute, Research Focus, Serials: Looking to the future of the Korean economy, No.2019-35, February 3, 2020: 5.

⁷⁶ Ibid.

required to make them highly purified: while 43.9% of South Korea's imports of hydrogen fluoride were from China, the high-purity hydrogen fluoride was from Japan (all displayed in the same HSK 2811.11, no matter highly purified or not).⁷⁷ Their primary Japanese suppliers are Morita Chemical Industries and Stella Chemifa.⁷⁸ For fluorinated polyimide, Japanese media reported that about 90% of the worldwide production of these restricted types of polymers was in Japan.⁷⁹ Although KITA's communication tells us that 93.7% of South Korea's fluorinated polyimide imports (from January to May 2019) were from Japan, the figures based on K-Statics (KITA's comprehensive trade database) were about 22% for powder (HSK: 3920.99.9010) and 85% for film (HSK: 3911.90.90000).⁸⁰ In fact, for fluorinated polyimide exports, a very limited part of them was restricted under Japan's renewed export control system.⁸¹ In any case, with this industrial dependence South Korea had on Japan, Japan's July 1 measures provoked significant concerns among South Korean political and industrial leaders concerning the sustainability of the supply chain network for their semiconductor production.

The export control system in question is based on the multilateral export control regime, which is a complex of international agreements such as the Wassenaar Arrangement, the Zangger Committee, the Australia Group, etc. In these agreements, each state takes responsibility to control restricted goods, and the decision depends upon each state's administration; in other words, it does not require any consultation with the importing party.⁸² For the exports of restricted goods to the countries put in Japan's trusted partners' list, the exporters in Japan can acquire comprehensive licensing, which exempt them from applying for individual licensing that would take up to 90 days in maximum each time (based on the standard period for the relevant laws and regulations; usually it takes about 30 to 40 days).⁸³ Having South Korea in Japan's trusted trade partners' list, the Japanese suppliers had comprehensive licensing approved and could smoothly export the essential

⁷⁷ Mukoyama, "Whereabouts of the 'de-Japanification' of the Korean semiconductor industry," 4.

⁷⁸ Nikkei, "Concerns over reviewing the semiconductor supply network arose," July 13, 2019.

⁷⁹ Reuters, "Factbox."

⁸⁰ Goodman et al, "The South Korea-Japan Trade Dispute in Context," 17 (comments No.72).

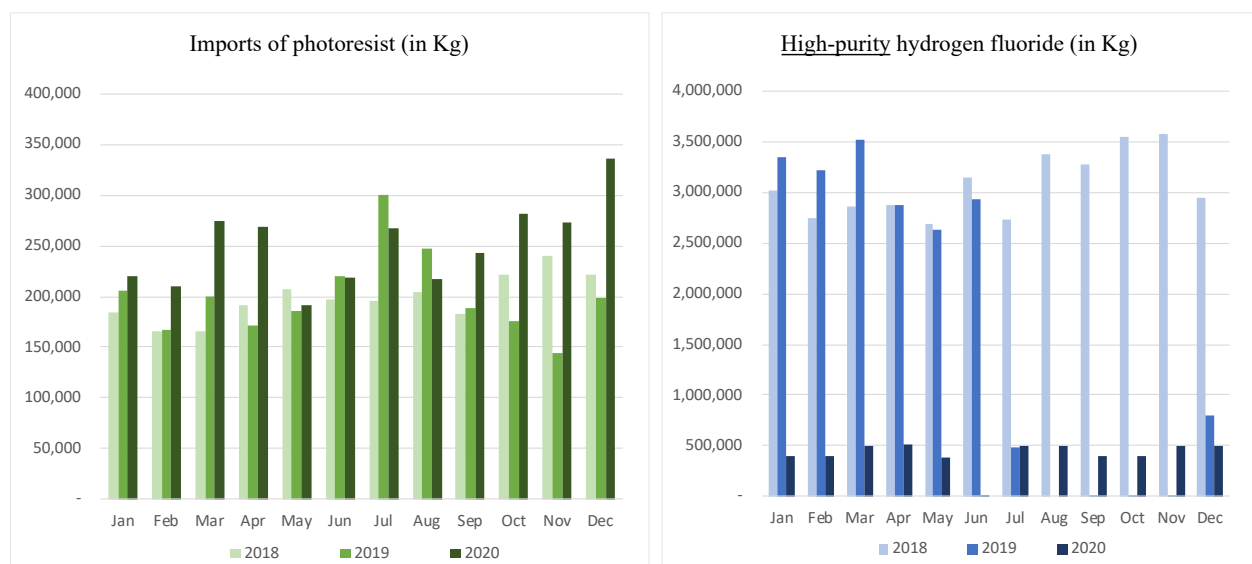
⁸¹ Mukoyama, "Whereabouts of the 'de-Japanification' of the Korean semiconductor industry," 4 (comments No.6).

⁸² Tomoyoshi Nakashima, "Japan's tightening of export control against South Korea (日本の対韓国輸出管理強化)," ERINA REPORT PLUS No.158 (February, 2021): 32.

⁸³ Center for Information on Security Trade Control (CISTC), "On the renewal of export control to South Korea and its legitimacy based on WTO system: Misunderstanding-based disputes are barren (日本の対韓国輸出管理の運用見直しと安全保障輸出管理のWTO適合性について：誤解に基づく争いは不毛)," Presentation materials of CISTC's Administrative Office, November 1, 2019.

materials in question to South Korea. With the tightening of the export control scheme, they now must apply for individual licensing before the shipment. This new scheme placed "unwanted risks for both supplying and purchasing firms in the supply chain," and for South Korean importers, it "would be highly uncomfortable with a continuous dependence on uncertain licensing producers that may fluctuate with political tensions."⁸⁴ Therefore, though Japan's measures did not constitute an embargo, they raised the transaction costs for the South Korean producers that compete in one of the most rapidly developing industries in the world.

[Chart 5-1] South Korea's imports of photoresist and hydrogen fluoride from Japan



Source: Created by author, based on the information provided by the Ministry of Finance of Japan in its "Trade Statistics of Japan."

The most affected material among the three was high-purity hydrogen fluoride. Based on the trade statistics provided by the Ministry of Finance of Japan, the average amount of hydrogen fluoride (high purity) in Kg exported to South Korea from January to June 2018 was about 3.1 million. The amount abruptly plummeted to below 0.5 million level a month after Japan's July 1 announcement, and although it once slightly increased to about 0.8 million in December 2019, it remained lower than 0.5 million level throughout 2020. The annual amount declined from about 36.8 million in 2018 to 19.8 million in 2019 and 5.0 million in 2020. The exports of photoresists

⁸⁴ Goodman et al, "The South Korea-Japan Trade Dispute in Context," 4-6.

also declined after the July 1 announcement from August to November 2019. Nevertheless, it rebounded from the yearend of 2019 and marked 3.0 million as the annually exported amount in 2020, while it was about 2.4 million in 2018 and 2019. **(Chart 5-1)**. Considering that only the limited types of fluorinated polyimide were restricted under Japan's new export control system, this paper only refers to high-purity hydrogen fluoride and photoresists.

It should be noted that the Japan-South Korean relations had already been on the course of deterioration even before Japan's July 1 announcement. It started in October of 2018 when the Supreme Court of South Korea ordered Nippon Steel Corporation (a Japanese company) to compensate four Koreans for alleged forced labor during the Second World War. For Japan, this wartime labor issue (called as "Cho-Yo-Ko" issue in Japan) had already been settled by an official agreement in 1965, and the order was an unacceptable violation of the bilateral agreement.⁸⁵ On June 19, as the G20 Osaka Summit was approaching, South Korea's Foreign Ministry proposed a settlement plan to Japan, which based on the idea that both Japanese and South Korean companies voluntarily raise funds for settlement—compensating the alleged victims based on the Supreme Court order with the fund raised mainly by the private actors and interest groups that endeavor to solve the issue. However, the Japanese government denied the proposal, insisting that the issue should be settled by the initiative of the South Korean government. According to Japan's foreign ministry spokesman, "Japan strongly calls on Korea to take appropriate measures, including redressing the violation of international law, but the proposal currently put forth by the Korean side does not do this."⁸⁶ Japan's July 1 announcement came out in this context.

Japanese media reported Japan's measures as an actual countermeasure to the Cho-Yo-Ko issue.⁸⁷ Many articles pointed out that they were detrimental to the South Korean semiconductor industry and the whole supply chain in Asia. Akio Fujii, one of the editorial committee members of Nikkei, wrote that the measures were antithetical to the free and fair trade regime, undermining

⁸⁵ Ministry of Foreign Affairs of Japan, "Request for consultation on the issue of workers from the former Korean Peninsula based on the Agreement Between Japan and the Republic of Korea Concerning the Settlement of Problems in Regard to Property and Claims and Economic Cooperation (旧朝鮮半島出身労働者問題に係る日韓請求権協定に基づく協議の要請)," January 9, 2019.

⁸⁶ Hyonhee Shin, "Japan rejects Korean fund plan to compensate forced wartime labor," Reuters, June 19, 2019.

⁸⁷ For example, the previously cited Nikkei, "Japan's government announced the tightening of export control against South Korea" (see citation number 69).

the very promises Japan uphold in the G20 Osaka Summit.⁸⁸ However, overall public reaction was positive: the Japanese government received about 40,666 public comments from July 1 to 24, and about 95% of them supported Japan's measures.⁸⁹ No matter how the Japanese people perceived the measures against South Korea (a retaliation related to Cho-Yo-Ko or a mere law enforcement), the government had a support base to promote the tightening of control against South Korea.

South Korea showed strong resentment against Japan's measures. The Democratic Party of Korea urgently established the commission for measures against Japan's export control and later changed its name from the special commission against "Japan's retaliation" to that of "Japan's economic invasion."⁹⁰ The head of the commission, Choi Jae-Sung, criticized Japan with some strong nationalistic words, reminding their colonial past. He stated that Japan's export control was a "clear declaration of war on the global economic order" and warned Japan as "if this economic war becomes a reality, Japan will be recorded as an economic war criminal nation that has once again disrupted the international trade order."⁹¹ He even denounced Japan that "the economic aggression of the Shinzo Abe administration seeks to establish a controllable pro-Japanese administration in South Korea through economic means."⁹² The words were sensational, but in any case, Japan's move provoked considerable nationalistic sentiments in South Korea, which, as we will see later, make the South Korean people unite against Japan.

The Japanese government consistently denied that the measures were taken as political retaliation to the Cho-Yo-Ko issue. On July 2, Hiroshige Seko, Minister of Economy, Trade, and Industry of Japan (METI), stated in a public press conference that the tightening of export control is not a countermeasure to the Cho-Yo-Ko issue but a legitimate measure constituted in Article 21

⁸⁸ Akio Fujii, "There is no 'winner' in the chain of retaliations (報復の連鎖に『勝者』はいない)," Nikkei, July 2, 2019.

⁸⁹ Ministry of Internal Affairs and Communications of Japan, "Regarding the results of the public opinions on the draft Cabinet Order to partially revise the Export Trade Control Ordinance (輸出貿易管理令の一部を改正する政令案の意見募集の結果について)," e-GOV, Results of Public Comments, August 2, 2019.

⁹⁰ JoongAng Ilbo (Japanese version), "The special committee of South Korea's ruling party for countermeasures against Japan's tightening export control changed the name from 'Japan's retaliation' to 'Japan's invasion' and stated that 'Japan will be recorded as an economic war criminal' (『報復』→『侵略』に名称変えた韓国与党の日本特別委『日本、経済戦犯国と記録されるだろう』)," July 18, 2019.

⁹¹ Yonhap News (Japanese version), "South Korea's ruling party warned Japan against its renewed export control system that 'Japan will be recorded as an economic war criminal' (韓国与党『経済戦犯国として記録される』輸出規制巡り日本に警告)," July 18, 2019.

⁹² Ibid.

of GATT, and it is in line with the multilateral export control regime.⁹³ According to this official account, Japan had detected some "inappropriate incidents" in the activities of some South Korean companies that were incompatible with the international security regime in question, and thus these measures were taken to protect and improve the regime.⁹⁴

In fact, the South Korean authorities were themselves aware of the inappropriate incidents. Fuji Television, one of the largest Japanese television networks, got an official document of South Korea's Ministry of Trade, Industry, and Energy (MOTIE), and it reported that, according to this document, the South Korean authorities had noticed 156 incidents of unlawful exports of strategic goods (administered under the multilateral export control regime in question) between 2015 and 2019.⁹⁵ They were exported to various destinations, including China and Middle Eastern countries. MOTIE responded to this Fuji's reporting that "most of these incidents were the consequence of carelessness or procedural mistakes on the part of the exporters who were small- or medium-sized companies."⁹⁶ No matter what caused them, Japan had a good reason to take administrative action to correct these inappropriate incidents in the name of international interests.

However, it should not be overlooked that, in the same conference on July 2, Seko also mentioned that "the export control system is built on the basis of international relationships of trust," but "unfortunately, no satisfactory solution on the wartime labor issue was shown by the end of G20," and thus, "as a result of various consultations with related ministries and agencies, we have to say that the relationship of trust with South Korea has been significantly impaired."⁹⁷ On July 3, he reiterated what he had stated in the press conference on Twitter.⁹⁸ As it is a regime

⁹³ Ministry of Economy, Trade and Industry of Japan, "Minister Seko's press conference after the Cabinet meeting of Japan (世耕経済産業大臣の閣議後記者会見)," July 2, 2019.

⁹⁴ Ibid.

⁹⁵ Yasuhiro Watanabe, "Strategic Materials Leaked from South Korea? A list of 'illegal exports' from South Korea, angered by the removal of preferential treatment: Experts shocked...156 cases of illegal export of strategic goods in 4 years (韓国から戦略物資ダダ洩れ？優遇措置撤廃で怒る韓国の「不正輸出」リスト入手)," FNN Prime Online, July 10, 2019

⁹⁶ Katsuhisa Furukawa and Daniel Sneider, "RESOLVED: Japan Has More to Gain Than to Lose from Its Export Controls on South Korea," Center of Strategic and International Studies, Debating Japan Vol. 2 Issue 8 (September 24, 2019).

⁹⁷ METI, "Minister Seko's press conference after the Cabinet meeting of Japan (July 2, 2019)."

⁹⁸ Nakashima, "Japan's tightening of export control against South Korea." 31. Just to be noted, the author checked the Twitter account in question but could not find the same comments. Since Nakashima copied and pasted the whole comment in question in his paper, it is reasonable to assume that there is a possibility the Japanese government deleted the comment at some point afterward.

based on multilateral cooperation, Japan had a good reason to refer to the inauspicious mutual trust, but by mentioning the Cho-Yo-Ko issue in the context, Japan did signal South Korea that the Cho-Yo-Ko issue had an influence on Japan's decision to tighten its export control against South Korea. This communication has consequently provided South Korea with a good reason to demonstrate publicly that Japan's measures were politically motivated. Indeed, South Korea used the event as a political opportunity to stimulate nationalism and patriotism on its side.

Given the significant dependence on the Japanese suppliers for essential materials used in semiconductor production, the South Korean government started to plan to support and promote the domestic production of these essential materials by investing 1 trillion won every year.⁹⁹ It was long considered that domestic production would be difficult because the South Korean producers lack the necessary technology for it.¹⁰⁰ Japan's measures raised severe concerns for South Korea, where the semiconductor industry contributed significantly to its whole economy. According to the Korea Institute for International Economic Policy (KIEP), Japan's measures will have about 2.2% pressing down effect to Korea's GDP and about 0.04% to that of Japan if the shortage of three materials goes up to 30% in South Korea in the short run; in case South Korea retaliates, the figure will worsen to about 3.1% pressing down effect to Korea's GDP and about 1.8% to Japan.¹⁰¹

The global semiconductor industry raised concerns over the measures taken by Japan. In a letter sent to the Japanese and South Korean government issued on July 23 by the signature of the Computing Technology Industry Association, the Consumer Technology Association (CTA), the Information Technology Industry Council (ITI), the National Association of Manufacturers (NAM), the SEMI, and the Semiconductor Industry Association (SIA), it was expressed that the "non-transparent and unilateral changes in export control policies can cause supply chain disruptions, delays in shipments, and ultimately long-term harm to the companies that operate within and beyond" because of the "regulatory uncertainty, potential supply chain disruptions, and delays in shipments that may result from this ongoing dispute," and accordingly Japan and South

⁹⁹ Kenichi Yamada, "Domestic production of semiconductors is doubtful when it comes to the its effectiveness, according to South Korean industry executives, following Japan's tightening of export control against South Korea (半導体国産化『効果疑問視』韓国業界幹部 日本の規制で)," Nikkei, July 9, 2019.

¹⁰⁰ Ibid.

¹⁰¹ Sotaro Suzuki, Hisashi Kawakami, and Masayuki Miyake, "Japan's tightening of export control against South Korea may affect China: there is a possibility that the production of semiconductors will decline (対韓規制 中国に飛び火も 半導体、減産の可能性)," Nikkei, July 19, 2019.

Korea should "expeditiously seek resolution of this issue and refrain from actions that could escalate the situation further in order to avoid potential long-term damage to the global ICT and manufacturing industries."¹⁰²

South Korea appealed to the international community through various channels. On July 9, the South Korean ambassador attended the WTO Board of Directors Meeting, criticized the Japanese's measures.¹⁰³ On July 17, South Korea's director of trade cooperation attended the senior working-level conference of East Asia Summit meeting explained there that Japan's measures were unreasonable.¹⁰⁴ On July 24, the topic went on the agenda at the WTO general board meeting held, but there were no statements from any other country than Japan and South Korea, and it was concluded by the chair "that she hoped that a bilateral, amicable solution could be found."¹⁰⁵ By August 4, South Korea actively appealed at various high-level meetings, such as the Korea-ASEAN Foreign Ministers' Meeting, ASEAN Plus 3 Foreign Ministers' Meeting, East Asia Summit Foreign Ministers' Meeting, and South Korea and Mekong Region Five Foreign Ministers' Meeting, that Japan's measures were unjustifiable.¹⁰⁶ Despite these efforts, however, it seems the international community considered the issue limited in a bilateral context.

Concerning the issue, the overall South Korean public attitude was pro-government and anti-Japan. According to the results of Gallup Korea's survey issued on July 12, about 61% of the South Korean people believed that Japan is responsible for the worsening of Japan-South Korea relations, and about 67% answered "yes" to the question of whether they will take part in the boycott movement targeting Japanese goods.¹⁰⁷ On July 27, 2019, millions of South Korean people gathered in Seoul to protest against Japan with bunches of placards written "No Abe [Shinzo,

¹⁰² Computing Technology Industry Association (CompTIA), Consumer Technology Association (CTA), Information Technology Industry Council (ITI), National Association of Manufacturers (NAM), SEMI, and Semiconductor Industry Association (SIA), "Multi Association Letter: Japan-South Korea Export Controls," July 23, 2019.

¹⁰³ Yonhap News (Japanese version), "The South Korean government explains the impropriety of Japanese export control at an EAS related meeting (韓国政府 EAS 関連会議で日本輸出規制の不当性を説明)," July 17, 2019.

¹⁰⁴ Ibid.

¹⁰⁵ World Trade Organization, "Summary of General Council meeting of 23-24 July 2019," General Council, July 23 and 24, 2019.

¹⁰⁶ Yonhap News (Japanese version), "There were some 'results' in diplomacy set in the ASEAN conference: South Korean could win sympathize from ASEAN countries regarding Japan's inappropriate export control system (ASEAN 会議舞台にした外交『成果あった』日本の不当措置に共感)," August 4, 2019.

¹⁰⁷ Yosuke Ochi, "According to a South Korean opinion poll, 61% thinks that Japan should be blamed for the dispute, and 67% says they are going to take part in boycotting Japanese products (日韓対立『日本の責任』61% 韓国世論調査：日本製品の不買、67%が賛意)," Nikkei, July 12, 2019.

Japan's Prime Minister at the time]" and "Stop Japan's economic invasion" in hands.¹⁰⁸ The interest groups in the business community, on the other hand, were not necessarily aligned with this stance. According to an emergency survey conducted by the Federation of Korean Industry and issued on July 14, about 48% of industry stakeholders in South Korea believed that diplomatic efforts rather than political confrontations should solve the issue.¹⁰⁹ Only 10% thought that the South Korean government should take the case to the WTO, and 30% believed that the government must promote domestic production of the materials in question.¹¹⁰ These results should indicate a perception gap between the general public and the government and interest groups.

The South Korean government started to retaliate against Japan's economic coercion. On August 8, South Korea announced the tightening control on the coal ash imports, where almost all of them came from Japan by requiring a stricter radioactive examination.¹¹¹ On August 22, South Korea announced the withdrawal from the General Security of Military Information Agreement (GSOMIA) as of November 23, 2019.¹¹² At around the same time, on September 11, South Korea officially appealed on the international dispute settlement, requesting consultations with Japan to the WTO, where the bilateral talks based on the WTO agreement were to initiate on October 11.¹¹³ Additionally, South Korea announced that it had excluded Japan from its own trusted trade partners' list on September 18, though it said "this is not a countermeasure."¹¹⁴

In the meanwhile, South Korean boycotts on Japanese products and services significantly undermined the bilateral economic relations. Here are some segments affected the most:

¹⁰⁸ Yosuke Ochi, "Hundreds of South Korean people protest against Japan's tightening of export controls at anti-Japanese rally in Seoul (ソウルで数百人が反日集会 輸出規制強化に抗議)," Nikkei, July 27, 2019.

¹⁰⁹ Sotaro Suzuki, "Relevant business leaders of two countries believe that the Japan-South Korea dispute should be 'Resolved by Diplomacy,' according to an urgent survey of South Korean economic organization (日韓対立『外交で解決を』韓国経済団体が緊急調査)," Nikkei, July 14, 2019.

¹¹⁰ Ibid.

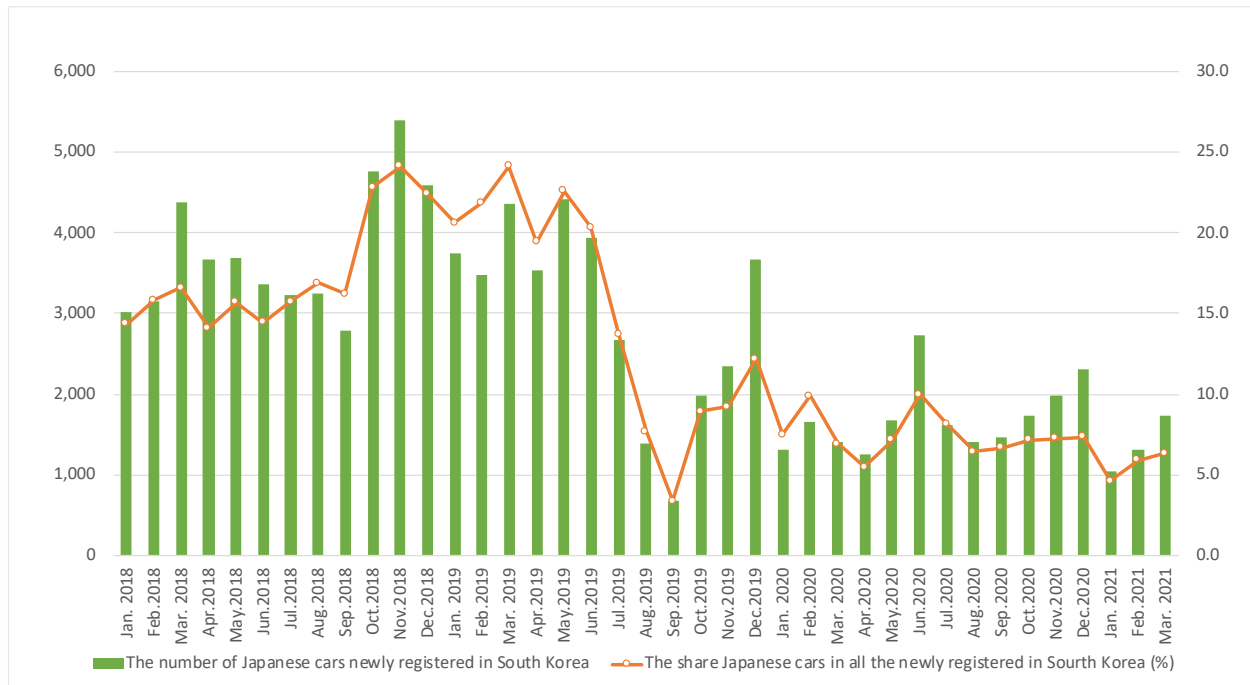
¹¹¹ Kyodo News, "South Korea strengthens inspections on waste plastic imports—possibly as a countermeasure against Japan's tightening of export control (韓国、廃プラ輸入も検査強化、日本の輸出規制への対抗措置か)," August 16, 2019.

¹¹² Yosuke Ochi, "The South Korean government decides to withdraw from the Japan-South Korea General Security Agreement (日韓軍事情報協定を破棄 韓国政府が決定)," Nikkei, August 22, 2019.

¹¹³ World Trade Organization, "Japan – Measures Related to the Exportation of Products and Technology to Korea: Request for the Establishment of a Panel by the Republic of Korea," WT/DS590/4, June 19, 2020.

¹¹⁴ Yonhap News (Japanese version), "The South Korean government says the removal of Japan from its trusted trade partners list is not an retaliation to Japan's tightening of export control against South Korea (ホワイト国から日本除外『対抗措置ではない』＝韓国政府)," September 18, 2019.

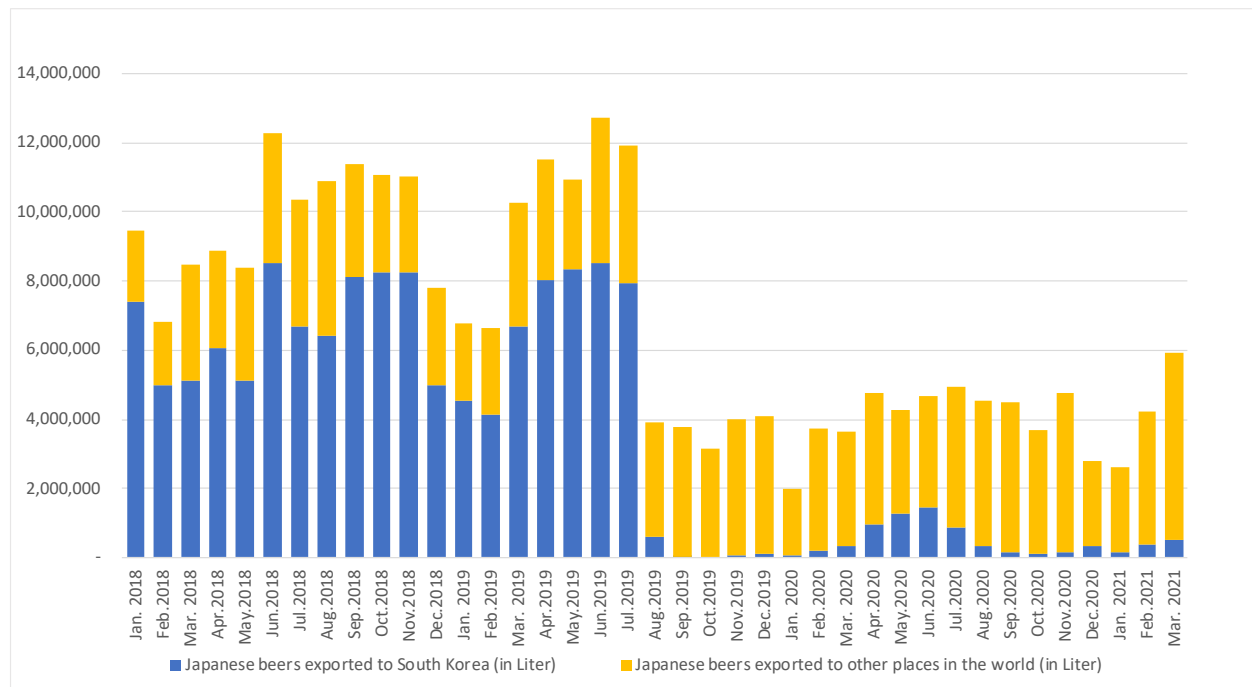
[Chart 5-2] The Japanese cars newly registered in South Korea and their share



Source: Created by author, based on the information provided by the Korea Automobile Importers & Distributors Association (KAIDA) in its statistics regarding the newly registered cars in South Korea.

Japanese cars: Car manufacturing is one of Japan's most essential industries; Japanese car now have a significant brand value worldwide. The number of all five Japanese primary car brands in the South Korean market (Honda, Infinity, Lexus, Nissan, and Toyota) newly registered in 2018 was 45,300 (in average, 3775 new registrations in a month), accounting for about 20% in all of the newly registered cars in South Korea. However, it plummeted just after Japan's July 1 official announcement. The figure was almost 4,000 in June, but it went down to about 2,500 in July, 1,500 in August, and 500 in September. Although it recovered from the bottom, the monthly average ended up going down to 3,020 (2019) and 1,714 (2020). During the first three months of 2021, the monthly registration stays low, between 500 and 1000. Consequently, the share of Japanese cars in South Korea decreased from around 20% to near 5% (**Chart 5-2**).

[Chart 5-3] The Japanese beers exported to South Korea and the world

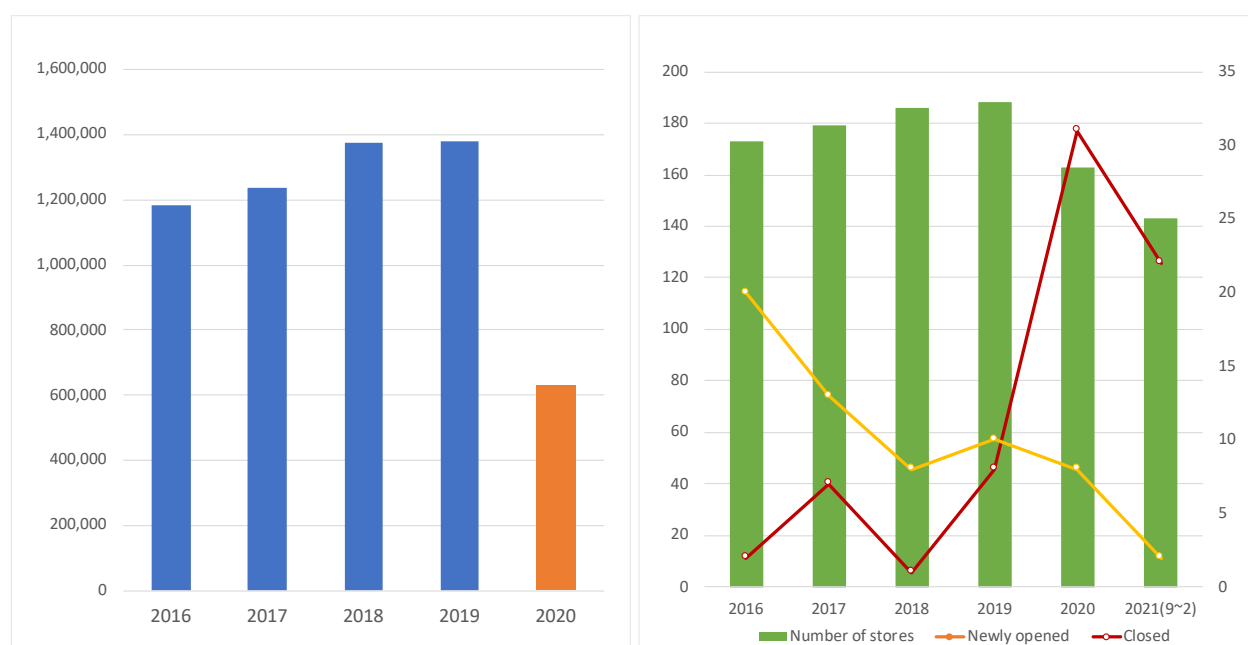


Source: Created by author, based on the information provided by the Ministry of Finance Japan in its “Trade Statistics of Japan.” Last consulted by the author on May 4, 2021.

Japanese beers: Similar effects appeared in the sales of Japanese beers. For Japanese manufacturers and exporters, the South Korean market was crucial as it accounted for nearly 80% of all the exported beers to the world. The exports of the Japanese beers, however, plummeted after July 2019. The monthly average of the Japanese beers exported to South Korea in liter was nearly 7 million in 2018, but the figure went down to about 1,000 in August, and most of the time, the monthly export stayed critically low (below 1 million) after that. The monthly average of 2020 was about half a million, which was a striking contrast to the previous month of July 1 (**Chart 5-3**). It is reported that the Japanese leading beer maker Asahi Group Holdings lost 86% of its sale in South Korea in about two years, which correspond to about 29 million US\$ loss in value, based on the data provided by South Korea’s Financial Supervisory Service.¹¹⁵

¹¹⁵ JoongAng Ilbo (Japanese version), “Asahi Breweries loses 32.2 billion won in South Korea in two years ... Sales down 86% (アサヒビール、韓国で2年間に322億ウォンの営業損失...売上86%減),” April 19, 2021.

[Chart 5-4] The sales (in won; the chart on the left) and the number of stores of Uniqlo

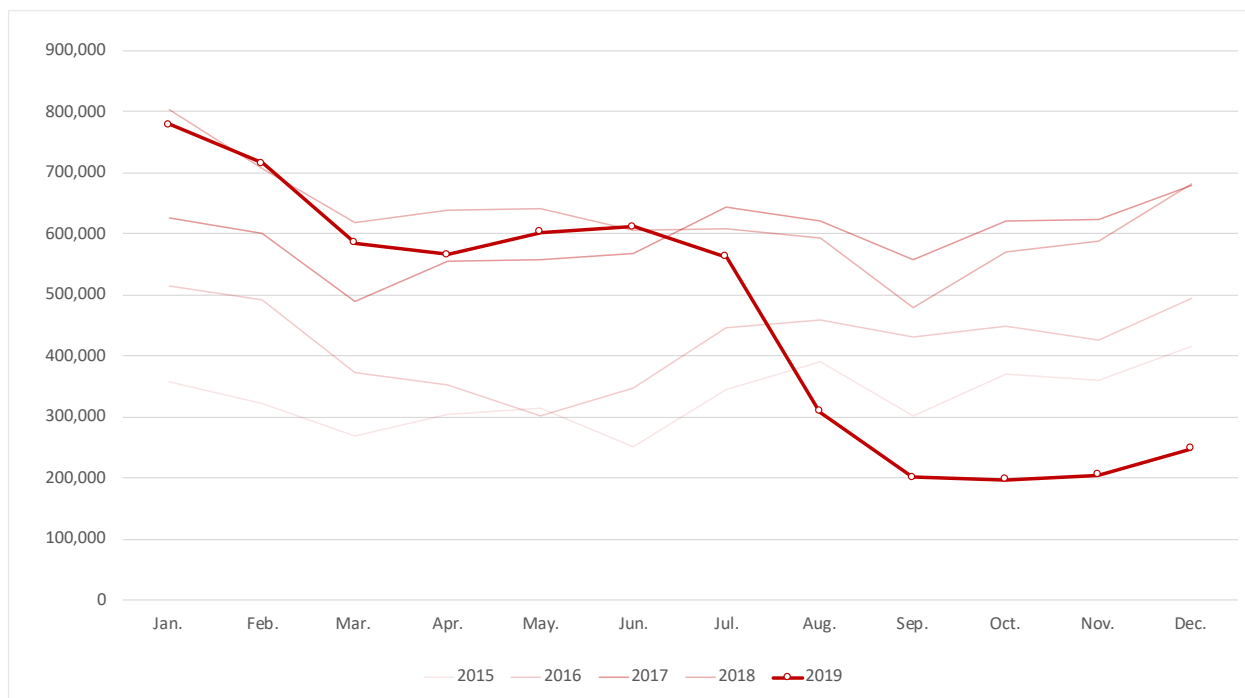


Source: Created by author, based on the information provided by Fast Retailing Co. Uniqlo's Korean subsidiary in their websites and financial statements (compiled in the bibliography).

Businesses operations in the South Korean market: The boycott hit the Japan-related businesses in the South Korean market. The performance of 14 companies where more than 10% of the sale was from the South Korean market declined 33% from July to September, compared to the same period of time a year before.¹¹⁶ One of the most sensationally reported was Japanese clothes and sportswear—the Uniqlo business, a Japanese casual wear manufacturing and retailing owned and run by Fast Retailing. Until 2019, its number of stores in South Korea was increasing, and the sale was growing up to nearly 1.4 million won. However, the sales plummeted after July 2019, and the annual sales of 2020 were about 0.6 million won, less than half of 2019. The number of the stores closed jumped up from 8 to 31 just in a year. In a quarter of the fiscal year of 2021 (from September 2020 to January 2021), 22 stores were closed (**Chart 5-4**).

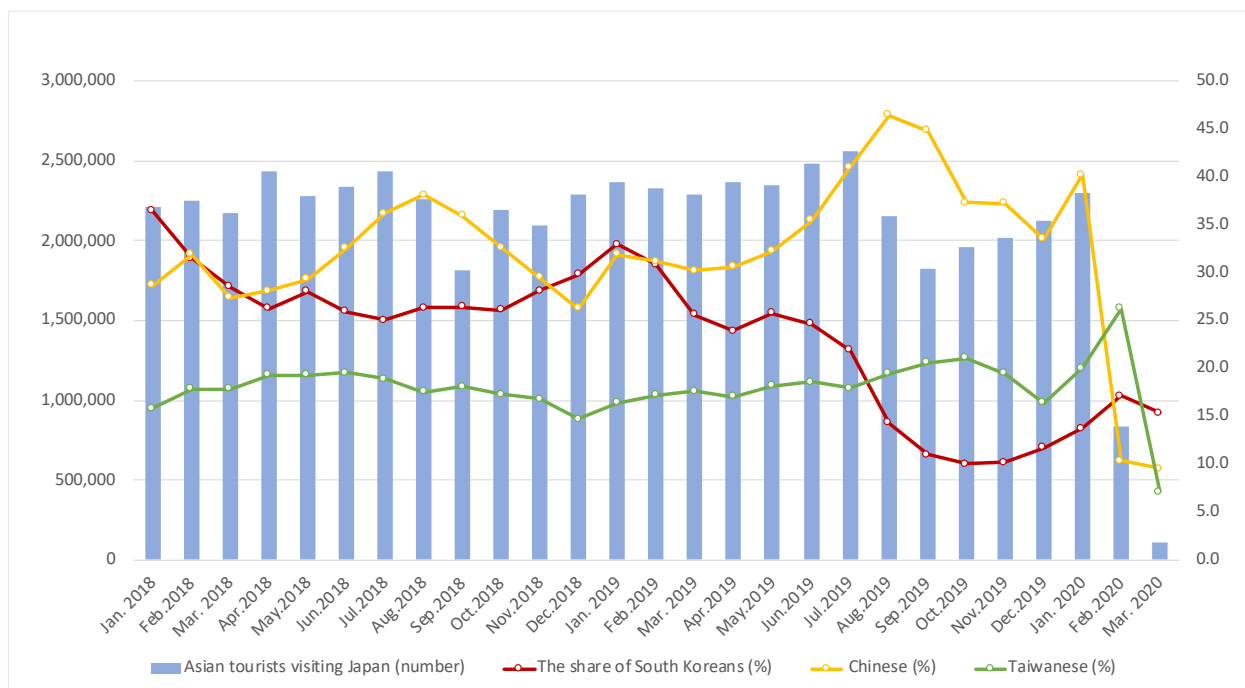
¹¹⁶ Nikkei, “Japanese companies (Descente, etc.) with high sales ratio had 33% decrease in profits due to the Japan-Korea economic cooling down (日韓冷え込み 33%減益 売上比率高いデサントなど),” November 6, 2019.

[Chart 5-5] The number of the South Korean tourists visited Japan



Source: Created by the author based on the information provided by the Japan National Tourism Organization in its “Monthly and Annual Statistics on Inward and Outward People Movement.”

[Chart 5-6] The number of all Asian tourists visited Japan and the share of major nationalities



Source: Created by the author based on the information provided by the Japan National Tourism Organization in its “Monthly and Annual Statistics on Inward and Outward People Movement.”

Tourism industry: The signs of cooling down of bilateral economic relations were also evident from the movement of people. The South Koreans who visited Japan in 2018 were about 7.5 million (630 thousand monthly), and they accounted for about 30% of all Asian tourists in Japan. However, after July 2019, the figure declined: it was about 300 thousand in August and about 200 thousand each month from September to November. The share in all Asian tourists declined from about 30% to 10-15% level. Although some signs of recovery appeared in December 2019 and January 2020, it was because the number of Chinese tourists declined after the outbreak of the COVID-19, which hit the country earlier than South Korea. It is reasonable to assume that the data is only reliable until the end of 2019 due to the COVID-19. That said, the trend of decline of the South Korean tourists after July 2019 is evident from the data, which led to the declining revenue for Japanese tourism and tourism-related industries (**Chart 5-5 and 5-6**).

Katsuya Okada, the opposition leader, had questioned the government in the parliament on August 1, 2019—before these adverse effects became evident.¹¹⁷ In his questioning, he mentioned that it is unsurprising that South Korea perceived Japan's export control as retaliation and asked Shinzo Abe, the Prime Minister of Japan at the time, for a straightforward answer on the unaffected intentions of the measures taken on July 1. To this question, Abe categorically denied that it was enforced as a retaliation to the Cho-Yo-Ko issue and stated that "at the moment, there is no sign for negative impacts on Japanese companies or Japanese economy as a whole."¹¹⁸

Japanese people were overall supportive of Japan's tightening of export controls against South Korea. According to a public poll conducted by Nikkei in the last of August, 67% supported the measures, and 19% were against them.¹¹⁹ Compared to the previous survey conducted a month before, the support rate increased by about 9%.¹²⁰ In the same survey, about 67% (the same level by coincidence) was supportive of the idea that "There is no need for Japan to rush into improving the Japan-South Korea relations if Japan has to compromise for that."¹²¹ These results were the

¹¹⁷ The House of Representatives of Japan, "Question text information: Questionnaire regarding export control measures for South Korea (質問本文情報：韓国に対する輸出規制措置に関する質問主意書)," Question No. 20, Asked by Katsuya Okada (August 1, 2019)

¹¹⁸ The House of Representatives of Japan, "Answer text information: Cabinet Q&A No.199-20 (答弁本文情報：内閣質疑一九九第二〇号)," Answer No. 20, Replied by the Prime Minister Shinzo Abe (August 15, 2019)

¹¹⁹ Nikkei, "About 70% responded they support Japan's tightening of export control against South Korea, according to Nikkei's opinion poll (韓国向け輸出管理強化、支持 7 割 日経世論調査)," September 1, 2019.

¹²⁰ Ibid.

¹²¹ Ibid.

same in both supporters and non-supporters of the then Japan's administration, implying that these can be seen as an overall popular stance in Japan.

Phase 2: The first 'détente' signs appeared—nothing but an illusion

Some signs of seeming reconciliation started to appear in the autumn of 2019. On October 24, Japanese Prime Minister Shinzo Abe and Lee Nak-yeon, the South Korean Prime Minister, met in Tokyo and agreed to try to resolve trade and diplomatic disputes.¹²² On November 4, Abe and Moon Jae-in, the President of South Korea, met for the first time after July 1 for about 11 minutes in an ASEAN-related conference held in Bangkok.¹²³ On November 17, the Japanese government permitted Stella Chemifa's apply for the individual export licensing on liquid hydrogen fluoride, which Japan had not been approved after the renewal of export control against South Korea.¹²⁴

In the meanwhile, on October 30, KIEP issued another report concluding that "the impact of Japan's new export control regime on the economy of South Korea would be marginal."¹²⁵ This new report examined two scenarios: if South Korea's semiconductor production decrease by 10% due to Japan's measures; and if Japan's chemical, electric, and machine exports decrease by 5%, due to Japan's exclusion of South Korea from its trusted trade partners' list. For the former scenario, the reports concluded that South Korea's export would decline by 0.347~0.579%, and its GDP would decrease by 0.320~0.384%. South Korea's export would decline by 0.026~0.036% for the latter scenario, and its GDP would decrease by 0.015~0.020%.¹²⁶ In both scenarios, the impact of Japan's measures on the South Korean economy was marginal, though they were initially perceived as more substantial among the South Korean political and business leaders.

¹²² Ministry of Foreign Affairs of Japan, "Prime Minister Abe meets South Korean Prime Minister Lee Nak-yeon (安倍総理大臣と李洛淵 (イ・ナギョン) 韓国国務総理との会談)," October 24, 2019.

¹²³ Yonhap News (Japanese version), "President Moon and Prime Minister Abe talk at ASEAN conference (文大統領と安倍首相 ASEAN 会議で歓談)," November 4, 2019.

¹²⁴ Sotaro Suzuki, "Japan approved [individual] export license of liquid hydrogen fluoride to South Korea, according to South Korean media (液体フッ化水素の韓国向け輸出許可 韓国メディア報道)," Nikkei, November 17, 2019.

¹²⁵ Seongchun Jeong, Younggwi Kim, Cheonki Lee, Cheon-gi Li, and Seunghyun Kim, "Japan's 100 Days of Export Regulations, Impact, and Future Responses (일본 수출규제 100 일의 경과, 영향 및 향후 대응)," Korea Institute for International Economic Policy (KIEP), No. 19-35 (October 30, 2019): 7-9

¹²⁶ Ibid.

The consultations based on the WTO agreement were conducted on October 11 and November 19, 2019.¹²⁷ Though it did not reach a mutually acceptable settlement, South Korea announced on November 22 that it would suspend the filing of Japan's export control to WTO and the Notice of Termination of Japan-Korea GSOMIA.¹²⁸ GSOMIA was crucial not only for Japan but also for the U.S. With GSOMIA, the U.S. can take effective countermeasures in case North Korea launches missile attacks.¹²⁹ The significance of U.S.-Japan-South Korean trilateral relations cannot be overlooked in capturing the context in question. Indeed, it was reported that there was active political pressure from the U.S. to South Korea behind South Korea's softening attitude.¹³⁰

This seeming mood of reconciliation continued for a while. A preparatory meeting for the section chief of the Export Control Policy Dialogue was initiated on November 28,¹³¹ and the Director-General Level Preparatory Meeting for the Seventh Japan-Korea Export Control Policy Dialogue was held in Vienna on December 4.¹³² On December 16, Japan hosted the Seventh Japan-Korea Export Control Policy Dialogue Held in Tokyo.¹³³ After the meeting, METI stated that "both sides share the view that it is necessary to continue promoting effective export controls within their areas of responsibility and discretion," and that "both sides agreed to continue the Dialogue and communications in order to contribute to exploring resolution of issues of concern."¹³⁴

¹²⁷ World Trade Organization, "Japan – Measures Released to the Exportation of Products and Technology to Korea."

¹²⁸ Nikkei, "South Korea Suspends Notice of Withdrawal of GSOMIA: The Revocation was avoided (日韓 GSOMIA 失効回避 韓国、破棄通告を停止)," November 22, 2019.

¹²⁹ Yasuyo Sakata, "North Korea issue and Japan-US-Korea security cooperation: Evaluation and current status in 2019 (北朝鮮問題と日米韓安全保障協力—2019年の評価と現況)," The Japan Institute of International Affairs, North Korea issue and Japan-US-Korea security cooperation: Chapter 4 (『不確実性の時代』の朝鮮半島と日本の外交・安全保障): 81-84

¹³⁰ Yosuke Ochi, "Last-minute conversion. South Korean could not ignore American pressure (土壇場の転換 韓国、アメリカの圧力無視できず)," Nikkei, November 22, 2019.

¹³¹ Ministry of Economy, Trade, and Industry of Japan, "Outline of the press conference after the Cabinet meeting of Minister Kajiyama of the Ministry of Economy, Trade and Industry of Japan (梶山経済産業大臣の閣議後記者会見の概要)," November 29, 2019.

¹³² Ministry of Economy, Trade, and Industry of Japan, "The director-level preparatory meeting for the 7th Export Control Policy Dialogue was held (第7回輸出管理政策対話に向けた局長級準備会合を開催しました)," December 5, 2019.

¹³³ Ministry of Economy, Trade, and Industry of Japan, "The Seventh Japan-Korea Export Control Policy Dialogue Held," December 16, 2019.

¹³⁴ Ibid.

Moon Hee-sang, the chairman of the South Korean parliament, submitted a settlement plan in the yearend of 2019.¹³⁵ The plan was based on the idea that both Japanese and South Korean companies and individuals voluntarily raise funds and use them for compensating the victims of alleged wartime forced labor. The proposed bill required the recipient to abandon the right of the further allegation once accepted the compensation. In January 2020, Moon Hee-sang met Takeo Kawamura, the secretary-general of Japan-Korea Parliamentarians' Union, and told him that he would try his best to pass the bill in the South Korean government by April.¹³⁶

Meanwhile, South Korea kept promoting and supporting the domestic production of those essential materials. On January 2, South Korea announced that it was very close to succeed in the domestic production of high-purity hydrogen fluoride.¹³⁷ In this announcement, the MOTIE made public that one of the South Korean chemical manufacturers succeeded in purifying hydrogen fluoride to the 1/1,000,000,000,000 level. It was reported that, according to South Korean media, South Korea will now be able to cover about 70% to 80% of the national demand for high purity hydrogen fluoride with this success.¹³⁸ The South Korean semiconductor companies had started to use domestically produced hydrogen fluoride as a trial in the September of 2019, but the purity was not enough for the needed level.¹³⁹ This time it made a significant step forward.

South Korea's overall value (in US\$1,000) of hydrogen fluoride imports decreased from July 2019, when Japan announced the tightening of export control. The data shows that the primary reason for it was the decline in imports from Japanese suppliers. Before July 2019, nearly 40% of the hydrogen fluoride imports were from Japan; however, after that, it plummeted and remained at about 10%. In the meanwhile, the share of other suppliers increased. The share of Taiwanese suppliers more than doubled in a month from below 10% to above 20% level. It remained nearly 20% until it went back to below 10% level in March 2020. The share of Chinese suppliers was about 60% to 70% before July 2019, but it went up to more than 80% and remained high all the

¹³⁵ Yosuke Ochi, "South Korea abolished the settlement bill for the Cho-Yo-Ko issue: The South Korean parliament adjured without deliberation on the proposal (元徴用工法案が廃案 韓国国会、審議せず閉会へ)," Nikkei, May 20, 2020.

¹³⁶ Ibid.

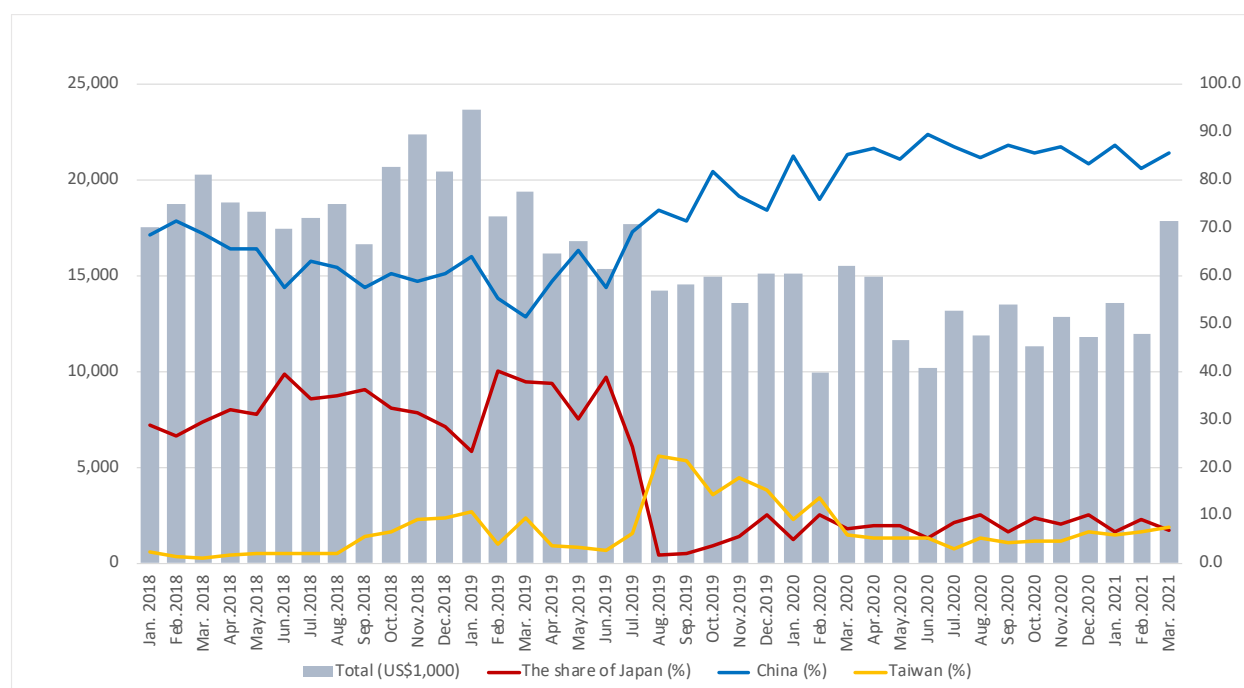
¹³⁷ Kyodo News, "The South Korea government announced that South Korean firms produced domestic hydrogen fluoride in mass scale (韓国、フッ化水素国産化か 高純度で大量生産と発表)," January 2, 2020.

¹³⁸ Ibid.

¹³⁹ Sotaro Suzuki, "Samsung launches mass production line test of hydrogen fluoride produced in South Korea (サムスン、韓国産フッ化水素を量産ライン試験投入)," Nikkei, September 4, 2019.

time after. In a sense, South Korea promoted the domestic production of high-purity hydrogen fluoride and the diversification of its supply sources. It is reasonable to assume that domestic production replaced the rest of the overall decline of the value (**Chart 5-7**).

[Chart 5-7] South Korea's imports of hydrogen fluoride and the share of major suppliers



Source: Created by the author based on the information provided by the Korea International Trade Association in its “K-Statistics: Specific commodity.”

During his new year's address in January, Moon Jae-in said, "In the face of Japan's export restrictions, business, labor, the Government and the people all joined forces to localize production of key materials, components and equipment. The whole nation came together to realize the goal of building a country that cannot be shaken. This task had been left undone for several decades; however, we made significant achievements in just half a year," and, "We are now replacing imports of some key items from Japan through domestic production. With regard to some of these items, we've succeeded in attracting foreign investments."¹⁴⁰ South Korea continued to promote countermeasures while pursuing seeming endeavors for settling. The impact of Japan's measures

¹⁴⁰ The Republic of Korea, "2020 New Year's Address by President Moon Jae-in," Cheongwadae, January 7, 2020.

must have been significant enough to mobilize the South Korean political leaders to keep publicly reminding the case (and used it as a narrative) to strategically promote a symbolic decoupling from Japan and encouraging the South Korean anti-Japan nationalism.

The outbreak of COVID-19 brought a chance for both parties to cooperate against the common enemy, but things did not develop as such. Following Japan's decision on restricting the people visiting Japan from China and South Korea as of March 9, South Korea decided to suspend the visa exemption measures (90 days) and all other visas granted to Japanese nationalities as of the same day (March 9).¹⁴¹ "It is inevitable for South Korea to take countermeasures over Japan's inappropriate measures," said South Korea's Prime Minister Chung Sye-kyun at a coronavirus-related meeting on March 7.¹⁴² Foreign Minister Kang Kyung-wha criticized Japan's measures as "unfriendly and unscientific" when she called Koji Tomita, the Japanese Ambassador to South Korea, on March 6.¹⁴³ However, this move was rather emotional than rational: even in South Korea, the criticism that "the measures South Korea took were rather based on political speculations than that of the epidemic" was raised.¹⁴⁴ In any case, it seems both parties lost the chance to use the pandemic as a chance for cooperation, shifting the hostile perception to another enemy.

Amid the increasing concerns over the pandemic, the seeming reconciliation on the dispute started to dim. On March 10, the 8th Export Control Policy Dialogue was held, and according to METI's statement, "both sides agreed to continue the Dialogue and communications in order to contribute to exploring resolution of issues of concern discussed between export control authorities such as the three items, list of preferred trade partner countries, catch-all control for conventional weapons and reinforcement of organization and personnel."¹⁴⁵ However, according to a media report, though South Korea claimed at the meeting that it had improved its export control system, Japan seemed to have remained cautious about easing strict operations.¹⁴⁶ For Japan, there was a

¹⁴¹ Takeshi Kamiya, "Travel restrictions to Japanese nationalities. Criticism even from within South Korea: 'the measures were rather based on political speculations than that of the epidemic (対日入国制限。韓国内からも批判「防疫より政治的思惑」)," Asahi, March 7, 2020.

¹⁴² Ibid.

¹⁴³ Ibid.

¹⁴⁴ Ibid.

¹⁴⁵ Ministry of Economy, Trade, and Industry of Japan, "The Eighth Japan-Korea Export Control Policy Dialogue," March 11, 2020.

¹⁴⁶ Nikkei, "South Korea says it had 'legal development for improvement' in export control. Japan emphasizes reality [taking wait-and-see attitude] (輸出管理協議、韓国『改善へ法整備』日本は実態重視)," March 10, 2020.

good reason not to quickly put South Korea back to the trusted trade partners' list, considering the complexity of the multilateral export control system. For South Korea, however, Japan's refusal must have seemed unjustifiable, which consequently provided them with a good reason to bolster their nationalistic narrative—showing to the South Korean public that Japan's measures were indeed politically motivated from the beginning.

On May 20, the settlement plan for the Cho-Yo-Ko issue submitted by Moon Hee-sang to the South Korean parliament in the last yearend was abandoned without any proper discussion in the parliament bodies.¹⁴⁷ It was abandoned because the voice of the alleged victims claiming that "the fact-finding and apology of the perpetrator is required first" was so strong, and thus it was unrealistic for South Korea's ruling party to uphold the idea and discuss it in the parliament.¹⁴⁸ As already mentioned, a similar plan had already been proposed by the South Korean government to the Japanese government in June 2019, and the Japanese government had denied it; this time, it was proposed within South Korea's political body, but it was denied there. At the last of May, all the nine members who tried to promote this compromising settlement act retired with the closing of the parliamentary discussions—the important mitigating actor withdrew from the scenes.¹⁴⁹

In the same month, it is reported that Sanjo Kim, the head of economic policies in the Blue House of South Korea, said that "Our national industry on material production will significantly develop, and the day when we can say 'Thank You Abe!' will come soon."¹⁵⁰ On July 9, the South Korean Government announced that it is going to triple the strategically designated materials for the domestic production.¹⁵¹ It may have seemed that the situation was moving on the reconciliation from the late 2019, with the summit meetings and subsequent administrative meetings activating. But in substance, nothing changed. South Korea kept using Japan's measures as a narrative to boost nationalism and promote the domestic production of essential materials. The adverse effects of the

¹⁴⁷ Ochi, "South Korea abolished the settlement bill for the Cho-Yo-Ko issue," Nikkei, May 20, 2020.

¹⁴⁸ Ibid.

¹⁴⁹ Ibid.

¹⁵⁰ Kotaro Hosokawa and Tan Umekuni, "South Korea speed up reduction of dependence on Japanese suppliers for semiconductors materials: Significant hit for Japanese suppliers (韓国、脱・日本企業急ぐ 輸出管理で素材会社の打撃続く)," Nikkei, May 20, 2020.

¹⁵¹ Kotaro Hosokawa, "South Korea tripled the designated strategic items for the reduction of dependence on Japanese suppliers (国産化支援、品目3倍に 韓国『脱日本』にはなお課題)," Nikkei, July 9, 2020.

boycott on Japan continued in the meanwhile, as shown in the previous section. The seeming signs of détente that once appeared were nothing but an illusion.

Phase 3: Reescalation and pause without settlement

On June 2, 2020, South Korea announced that it resumed the WTO procedure against Japan.¹⁵² On June 19, Hiroshi Kajiyama, the new minister of METI, stated that South Korea's move was "deeply regrettable as it would undermine agreements at the previous Japan-Korea Export Control Policy Dialogues where both sides agreed to explore resolution of issues of concern through dialogues and communications" and that Japan "[does] not want to suspend the Policy Dialogue but our hope is to explore resolution of issues of concern by continuing the Policy Dialogue."¹⁵³ The tension between Japan and South Korea started to rise again.

The WTO dispute panel was held on July 29. South Korea reemphasized in this panel that "exports of the products in question were being seriously restricted because of Japan's amended export licensing requirements and that Korea considered these requirements to be in violation of WTO agreements covering trade in goods, services, trade-related investment measures and protection of intellectual property rights."¹⁵⁴ Japan counterargued that "the measures in question were in line with international practices regarding export controls over dual-use items... Korean companies have not suffered any damage as a result of the measures, yet Korea is challenging the fundamental premises underlying the internationally-established framework."¹⁵⁵ The U.S. maintained in the same meeting that "only Japan can judge what is necessary to protect its essential security interests."¹⁵⁶ No other parties gave any statements in this dispute panel. As shown in the previous WTO general meeting held on July 24, 2019, where the Japan-South Korea case went on

¹⁵² Sotaro Suzuki, "South Korea resumes WTO complaint procedures: It said, "Japan has no intention of resolving the issue" (韓国が WTO 提訴手続き再開「日本、問題解決の意思なし」)," Nikkei, June 2, 2020.

¹⁵³ Ministry of Economy, Trade, and Industry of Japan, "Press Conference by Minister of Economy, Trade and Industry Kajiyama on June 19, 2020," provisional translation, excerpted version, June 19, 2020.

¹⁵⁴ World Trade Organization, "Panels established to review Indian tech tariffs, Japanese export restrictions, EU palm oil measures: Japan – Measures Related to the Exportation of Products and Technology to Korea," 2020 news on Dispute Settlement, July 29, 2020.

¹⁵⁵ Ibid.

¹⁵⁶ Ibid.

the agenda for the first time, it seems, for most of the participants, the case remained confined in bilateral context this time as well.

The South Korean Court notified the Japan Steel Corporation on August 4 that it will initiate the asset seizure of the two Japanese companies in question (Nippon Steel Corporation and Mitsubishi Heavy Industry) to materialize the order of the Supreme Court of South Korea.¹⁵⁷ Japan Steel immediately made an appeal on August 7, with which it could have postponed the execution of asset seizure to autumn, but the Court refused Japan Steel's appeal on August 17.¹⁵⁸ The forced liquidation of Japanese assets had a powerful symbolic message to both parties that South Korea is not compromising at all, and accordingly, it had a considerable effect on the growing tension and expected a further escalation of the dispute.

The transition of the Prime Minister of Japan in September 2020 (from Shinzo Abe to Yoshihide Suga) possibly affected the course of subsequent events. On September 24, Moon had a phone meeting with Suga; in this meeting, Suga mentioned that "Japan and South Korea are extremely important neighbors to each other," and that "the bilateral relationship, which is in a very difficult situation, including the wartime laborers issue, should not be left as it is now."¹⁵⁹ They did not use the word "partner" during the meeting (South Korea's 2021 Defense White Paper which was issued later in the February did not use the term "partner" in describing Japan, as it had been used until the 2020 version of the document, but "neighboring country," which provoked the speculation that the bilateral relation was downgraded).¹⁶⁰ The moves for asset seizure continued concurrently regardless of this meeting. On October 11, the Daejeon District Court of South Korea started the prerequisite procedures for liquidating relevant Japanese companies in South Korea, which was eventually completed in December.¹⁶¹

¹⁵⁷ Nikkei, "South Korea's Court of Appeals to Decide on Refusing Japan Steel's Immediate Appeal (日本製鉄の即時抗告認めず 韓国裁判所、上級審判断へ)," Originally from Kyodo News, August 17, 2020.

¹⁵⁸ Ibid.

¹⁵⁹ Prime Minister's Office of Japan, "Press conference on telephone talks with South Korean President Moon (文韓国大統領との電話会談についての会見)," September 24, 2020.

¹⁶⁰ Jiji News, "From 'Partner' to 'Neighboring Country': South Korea's Defense White Paper reflects deterioration of Japan-South Korea relations (「パートナー」から「隣国」 対日関係悪化を反映—韓国国防白書)," February 2, 2021.

¹⁶¹ Yosuke Ochi, "Korean District Court moved on a new legal procedure for asset seizure for the Cho-Yo-Ko issue (元徴用工訴訟、資産現金化へ新たな手続き 韓国地裁)," Nikkei, October 11, 2020.

Against this inauspicious public backdrop, some signs for a possible reconciliation were shown from the winter of 2020. Park Jie-won, the South Korean National Intelligence Service head, visited Tokyo as a presidential envoy and met with Prime Minister Suga on November 20, 2020.¹⁶² After the meeting, Park stated to the press that he conveyed “the willingness of South Korean President to normalize the Japan-South Korean relations,” and for the Cho-Yo-Ko issue, he mentioned that “the South Korean President and Japanese Prime Minister share the need for a solution. If we keep the dialogue, it will go to the better direction.”¹⁶³ It was reported that he proposed to Suga a “joint agreement,” which was intended to follow the Japan-South Korea Joint Declaration of 1998.¹⁶⁴ On November 13, Kim Jin-Pyo, the South Korean chairman of the Japan-Korea Parliamentarians' Union, visited Suga and proposed to him to put the Cho-Yo-Ko and Japan’s export control issue “on the back burner” at least until the end of the Tokyo Olympics, which were planned to be held in 2021.¹⁶⁵ On November 23, South Korea appointed Kang Chang-il as the new ambassador to Japan, who was seen as capable of rebuilding healthy bilateral relations between two parties.¹⁶⁶ Nonetheless, the situation was nuanced; to see what drove these moves, the change in external relations should not be overlooked.

On December 16, Joe Biden, who was later elected as the new President of the U.S., has shown significant interest for the U.S. in settling the dispute between Japan and South Korea, stabilizing the bilateral and trilateral relations.¹⁶⁷ Biden was one of the key persons in the Obama administration that encouraged Japan and South Korea to start a dialogue in 2015 against the backdrop of deteriorating bilateral relations and supported the Japan-South Korea Comfort Women Agreement 2015; once before, he told the American media that he “played the role of a mediator to restore the marriage,” concerning the Japan-South Korea reconciliation in 2015.¹⁶⁸ Amid the

¹⁶² Nikkei, “Director of Korea Information Agency had a talk with Prime Minister Suga and mentioned a new joint text draft (韓国情報院長、新たな共同文章案に言及 菅首相と会談),” November 10, 2020.

¹⁶³ Ibid.

¹⁶⁴ Ibid.

¹⁶⁵ Yosuke Ochi, “proposes a ‘freezing’ plan for former wartime labor problem (韓国、元徴用工問題『凍結』を提案 五輪にらみ秋波),” Nikkei, November 19, 2020.

¹⁶⁶ Yosuke Ochi, “Mr. Kang Chang-il, former Chairman of the Japan-Korea Parliamentary Union, appointed as the new Korean Ambassador to Japan (駐日韓国大使に姜昌一氏 前韓日議連会長),” Nikkei, November 23, 2020.

¹⁶⁷ Hiroshi Minegishi, “Shadow of ‘Biden Mediation Committee’ behind (『バイデン調停委員』の影),” Nikkei, December 6, 2020.

¹⁶⁸ Ibid.

growing tension between the U.S. and China, the Biden administration had a significant interest in intervening as a mediator to keep the alliance stable.

Following these new settings, in January 2021, Moon stated in his new year's speech that he would keep working on building a "future-oriented relationship" with Japan.¹⁶⁹ On January 18, 2021, Moon mentioned that "the forced liquidation of the assets of Japanese companies in South Korea is not appropriate."¹⁷⁰ In addition, he mentioned that the Seoul Central District Court ruling of January 8, which did not admit the sovereign immunity of Japan and ordered that compensation to 12 women who claimed they were forced to do prostitution by Japan during the war (the comfort women issue), has been "confusing me, to be honest."¹⁷¹ Later in April, the same Seoul Central District Court reversed its ruling for the comfort women issue and dismissed the allegations of the groups of alleged comfort women by applying sovereign immunity. This ruling was planned to be given on January 13 at the beginning, but it suddenly was postponed; in February, some of the judges in charge were replaced.¹⁷² Examining the relationship between the government and court in South Korea is beyond the scope of this thesis. That said, it is worth noting that these events should be understood as an extension of the dispute with the same root—the alleged conducts during 1910 to 1945, when South Korea was a colony of the Empire of Japan, as we will briefly review later in the next section.

With the initiative of Antony Blinken, the U.S. Secretary of State, the Japan-South Korea foreign ministers met on May 5 in the UK.¹⁷³ In this meeting, Japan and South Korea “reaffirmed the importance of Japan-ROK [South Korea; Republic of Korea] and Japan-U.S.-ROK cooperation for regional stability,” and for the Cho-Yo-Ko issue, the Japanese Foreign Minister Toshimitsu Motegi "renewed his call for the ROK to urgently provide a solution that is acceptable to Japan,

¹⁶⁹ “Yonhap News (English version), “President Moon calls for 'future-oriented' relations with Japan,” January 14, 2021.

¹⁷⁰ Yosuke Ochi, “South Korea’s President stated that ‘it is inappropriate to execute asset seizure on the Cho-Yo-Ko issue (韓国大統領、元徴用工訴訟『資産の現金化望ましくない』),” Nikkei, January 18, 2021.

¹⁷¹ Ibid.

¹⁷² Yosuke Ochi, “Judgment changed. Sovereign immunity applied in the former comfort women proceedings in South Korean district court—possible influence from the Moon administration (判決一転、主権免除適用 元慰安婦訴訟で韓国地裁：文政権の意向影響か),” Nikkei, April 21, 2021.

¹⁷³ Kei Ishinabe, “‘Leave the problem with South Korea to Japan’—Japan’s Foreign Minister Mogi took the first move to prevent US intervention (『韓国との問題は日本に任せて』 茂木氏、米国の介入防ごうと先手), Sankei, May 6, 2021.

insisting that the liquidation of the assets of the Japanese companies must be avoided at any cost."¹⁷⁴ Some Japanese suppliers have started to set up their production sites in South Korea. Tokyo Ohka Kagyo, Daikin Industries, and Showa Denko Materials, for example, increased their direct investments for the localization of the production of photosensitizers (resist), edging gas (hydrogen fluoride), and abrasive for silicon wafer, respectively.¹⁷⁵ While Japan's export control regime still restricts the exports of these materials, there are no strict regulations for supplying them to South Korea from these localized production sites.

Most notably, on June 7, 2021, the Seoul Central District Court denied the individual rights for compensations of alleged wartime forced labor victims, which marked a contradiction to the 2018 Supreme Court decision.¹⁷⁶ The Seoul Central District Court concluded that, although the right of individual claim has not been extinguished, the exercise of the right by the Korean people against Japan and the Japanese people is restricted, and recognizing the claims, in this case, could result in a violation of international law.¹⁷⁷ It also said that if the court's decision to recognize the plaintiff's claims to become final and binding, allowing the law enforcement to seize some of Japanese companies' assets in South Korea, it would constitute an abuse of rights because it would infringe on national security and the maintenance of order.¹⁷⁸ Together with the reverse ordering concerning the comfort women issue in April, it marked a significant turn in the legal decision in South Korea with regard to the issues associated with long-standing bilateral historical problems.

It would be too early to conclude that this court decision means South Korea's change behavior in favor of Japan; technically, in legal terms, South Korea can execute asset seizure whenever it wants. Nevertheless, this course change of South Korea's authorities has some unignorable implications in considering the changes in the possible degree of compromise among South Korean political leaders. The latest court order was not associated with Japan's sanctions in Japanese media. In substance, at least for the present moment, it seems the 'trade dispute' is silently fading away without any materialization of settlement after nearly two years from its beginning.

¹⁷⁴ Ministry of Foreign Affairs of Japan, "Japan-ROK Foreign Ministers' Meeting," May 5, 2021.

¹⁷⁵ Nikkei, "Japanese producers increase production sites in South Korea and Taiwan for semiconductor materials (半導体材料 韓台で増産)," May 6, 2021.

¹⁷⁶ Yosuke Ochi, "South Korea's District Court Rejects Lawsuit by Ex-Commandees: Refuses to Allow Individuals to Exercise Their Right to Claim (韓国地裁、元徴用工の訴え却下 個人請求権の行使認めず)," June 7, 2021.

¹⁷⁷ Ibid.

¹⁷⁸ Ibid.

2. A Brief Overview on the Wartime Labor and Historical Perception Issue

A historical review of the wartime labor and bilateral historical perception issue is necessary to understand the backdrop of the dispute. Japan and South Korea had a bitter past that can be traced back from 1910 to 1945. In 1910, the Empire of Japan annexed Korea. All the Korean people at the time were given Japanese nationality with the Japan-Korea Treaty of 1910.¹⁷⁹ Following the annexation, the number of people moved from the Korean Peninsula to Japan for work. Based on the data provided by the Home Ministry of the Empire of Japan, the number of people from the Korean Peninsula living in Japan's mainland was about 30 thousand in 1920; it went up to about 300 thousand until 1930.¹⁸⁰

Concerning the growing number of immigrants from the Korean Peninsula, the Empire of Japan had implemented measures to restrict and curb Korean migration into Japan's mainland from 1919.¹⁸¹ In 1934, the Empire of Japan issued a Cabinet decision that limited the number of Korean migrants.¹⁸² With the initiation of the Second Sino-Japanese War in 1937 and the growing speculations on the possible war against the U.S. on the Pacific front, the industrial needs for the labor force increased significantly in the Empire of Japan. In July 1939, the Governor-General of Korea implemented the workforce mobilization plan based in the agreement it made with the Home Ministry of the Empire of Japan.¹⁸³ With the enforcement of this plan, a significant number of people from the Korean Peninsula moved to Japan's mainland to reinforce the overall national labor force. The recorded number of labor force inflow increased: 53,120 (during the year of 1939), 59,398 (1940), 67,098 (1941), 111,823 (1942), 124,286 (1943), and 228,320 (1944).¹⁸⁴ The labor mobilization was not necessarily based on the free will of the workers at this point.¹⁸⁵ The wartime labor (Cho-Yo-Ko) issue in this paper originates in this part of history.

¹⁷⁹ International Institute, "Treaty of Annexation [Annexation of Korea by Japan]," UCLA Global, Published December 10, 2004 (The effect date of the treaty: August 22, 1910).

¹⁸⁰ Haruki Wada and Koichi Ishizaka, *Compact Iwanami dictionary: The modern Korea* (岩波小辞典 現代韓国・朝鮮) (Japan, Iwanami Shoten: 2002), 102.

¹⁸¹ Zheng Huiqiong, "The characteristics of Koreans as expatriate laborers during the war, focusing on their delivery process (送出過程を中心に見た戦時体制期朝鮮人の国外労働員の性格)," Compiled in "The report of the Japan-South Korea joint research project on the history (the 3rd subcommittee) (日韓歴史共同研究報告書(第3分科会篇))," The Committee of Japan-South Korea Joint History Research Project (November, 2009): 233

¹⁸² Ibid.

¹⁸³ Ibid.

¹⁸⁴ Ibid: 236.

¹⁸⁵ Ibid: 233, 238-239.

Japan recovered its international status with the 1951 Treaty of Peace called the Treaty of San Francisco. It stipulates in Art. IV (a) that “disposition of property of Japan and of its nationals in the areas... and their claims, including debts.... shall be the subject of special arrangements between Japan and such authorities.”¹⁸⁶ The South Korean government, established in 1948, could not take part in this treaty as one of the victorious states—in fact, South Korea had proposed its participation in it, but the U.S. denied the proposal as Korea was part of the Empire of Japan during the Second World War and did not fight against Japan (the Rusk-Yang correspondence).¹⁸⁷ Japan and South Korea normalized diplomatic relations with the previously mentioned 1965 Agreement. With regard to the wartime labor issue, the 1965 Agreement stipulates as follows:¹⁸⁸

The Contracting Parties confirm that problem concerning property, rights, and interests... and concerning claims between the Contracting Parties and their nationals, including those provided for in Article IV, paragraph (a) of the Treaty of Peace with Japan ... is settled completely and finally (Art. II 1.)

.....no contention shall be made with respect to the measures on property, rights and interestswhich are within the jurisdiction of the other Contracting Party on the date of the signing of the present Agreement, or with respect to any claims of either Contracting Party and its nationals against the other Contracting Party and its nationals arising from the causes which occurred on or before the said date (Art. II 3.)

Though South Korea did not participate in the 1951 Treaty of Peace, it was bound by the 1965 Agreement, which incorporated the 1951 Treaty. Following the order of the Supreme Court of South Korea on November 18, 2019, Japan’s government argued that “these decisions clearly

¹⁸⁶ “Treaty of Peace with Japan,” United Nations Treaty Collections, No.1832, September 8, 1951.

¹⁸⁷ Dean Rusk, “Letter sent from the U.S. Government to the Korean Government on August 10, 1951 (Letter from Dean Rusk, the U.S. Assistant Secretary of State, to Yang Yu Chan, the ROK Ambassador to the United States [The “Rusk Letter”]),” Recorded in the U.S. National Archives and Records Administration (NARA), RG59, Lot54 D423 JAPANESE PEACE TREATY FILES OF JOHN FOSTER DULLES, Box 8, Korea., according to the Takeshima Archives Portal.

¹⁸⁸ “The Agreement on the Settlement of Problems concerning Property and Claims and on the Economic Cooperation between Japan and the Republic of Korea of 1965 (日韓基本条約),” Ministry of Foreign Affairs of Japan, June 22, 1965.

violate the 1965 Agreement. They not only overthrow the legal foundation of the bilateral relationship but also pose a serious challenge to the post-war international order.”¹⁸⁹ Same as the comfort women issue, the old problem is demising current bilateral relations.

The recent development in Japan-South Korean relations has had wax and wanes. The Japan-South Korea Joint Declaration signed in 1998 was an indeed forward-looking initiative: Japan called the declaration “Japan-South Korea Partnership.”¹⁹⁰ But the South Korean parliament voted to request the South Korean government to critically reconsider Japan-South Korea relations, including the possibility of abolishing the 1998 Declaration, following the controversy over Japanese school textbooks based on the different historical views and perceptions of the colonial past from that of South Korea.¹⁹¹ The 2002 FIFA World Cup jointly held by Japan and South Korea contributed to maintaining the momentum on the forward-looking mutual trust-building. However, the then South Korean President’s 2012 landing on Takeshima (called “Dokdo” in South Korea; contested by Japan as “indisputably an inherent part of the territory of Japan, in light of historical facts and based on international law”¹⁹²) critically worsened the situation.¹⁹³ The 2015 Agreement between Japan and the Republic of Korea, which was materialized with the U.S. mediation, was a landmark reconciliation—with this agreement, both parties accepted that the comfort women issue was now “resolved finally and irreversibly.”¹⁹⁴

It seemed South Korea and Japan decided to prioritize pragmatic solutions over nationalism eventually, but this time it did not last longer: the order of the Supreme Court of South Korea in question came merely three years after the 2015 Agreement. The Court ordered that the 1965 Agreement did not invalidate the individual rights to claim compensation for wartime forced labor.

¹⁸⁹ Ministry of Foreign Affairs of Japan, “What are the facts regarding former civilian workers from the Korean Peninsula?” November 19, 2018.

¹⁹⁰ “Japan–South Korea Joint Declaration: The new partnership between Japan and South Korea toward the 21st century (日韓共同宣言: 21 世紀に向けた新たな日韓パートナーシップ),” Ministry of Foreign Affairs Japan, October 8, 1998.

¹⁹¹ Tetsuya Hakoda, “The South Korean parliament decides with unanimous vote to reconsider the bilateral relations with Japan: Related to the controversy on the history books used in Japan (対日関係全面見直し決議、韓国国会採択: 歴史教科書問題に関連),” Asahi, September 18, 2001.

¹⁹² Ministry of Foreign Affairs of Japan, “Definitive clarifications as to why Takeshima is Japan’s territory: 10 points to understand the Takeshima Dispute,” Northeast Asia Division, Asian and Oceanian Affairs Bureau, March 2014.

¹⁹³ Kiyoyuki Uchiyama, “South Korean President lands on Takeshima: Foreign Minister Genba instructs Japan’s Ambassador to South Korea to return to Japan temporarily (韓国大統領が竹島上陸 玄葉外相、大使一時帰国を指示),” Nikkei, August 10, 2012.

¹⁹⁴ “Japan-ROK Foreign Ministers’ Meeting,” Ministry of Foreign Affairs of Japan, December 28, 2015.

The majority opinion of the order can be summarized in the following five points: (1) The Japanese government has not yet acknowledged the illegality of colonial rule over South Korea; (2) No legal and or diplomatic contents which presuppose the illegality of colonial rule can be found even in the Japan-South Korea talks which were conducted prior to the 1965 Agreement; (3) The 2005 Civil-Government Joint Committee also states that the 1965 Agreement is only for resolving financial and civil debt relationships; (4) There is no reason to consider the funds granted by Japan to South Korea after the war, which were indeed far below the amount claimed by the victims, as being part of the compensation; (5) Thus, the 1965 Agreement does not include compensation for illegal acts such as forced labor.¹⁹⁵ The illegality of Japan's annexation of Korea is embodied in the preamble of the South Korean constitution; however, there is no academic consensus to consider the colonial ruling itself as unlawful from the viewpoint of international law.¹⁹⁶

Examining the validity of this court order is beyond the scope of this paper. That said, it is worth mentioning that, in a sense, Japan and South Korea have had compound historical perception issues lying between two parties throughout the postwar era. In a way, the South Korean political leaders could prioritize pragmatic solutions based on economic interests despite the anti-Japan public sentiment when South Korea was still underdeveloped. Most of the young people in South Korea possibly considers the 1965 Agreements now as a product of this exceptional period—for them, Japan may be to blame even for the long underdevelopment of South Korea. From their eyes, now that South Korea developed significantly, compromising to this remorseless previous colonial power would be unacceptable. Hence, it is becoming conceivably challenging for the South Korean political leaders to follow the pragmatic line putting economic interests first against this backdrop.

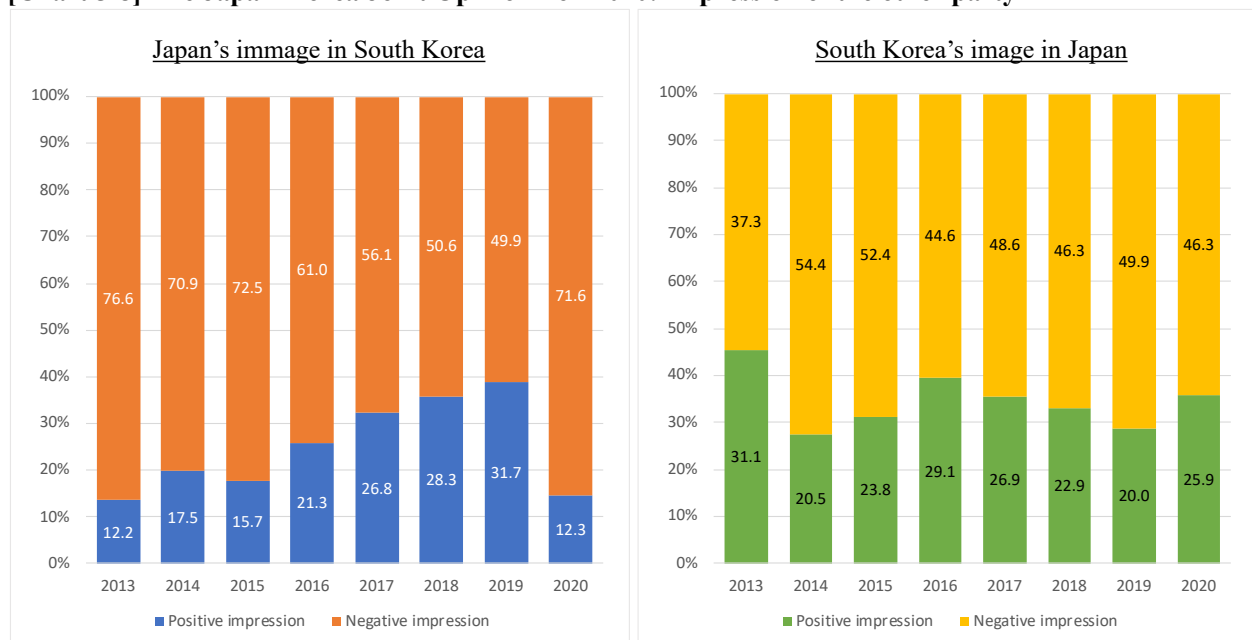
Indeed, what made the compromise in the 2019 dispute hard for the South Korean political leaders was this historical perception and nationalistic sentiments. The Japan-Korea Joint Opinion Poll 2020, conducted by the Genron NPO and the East Asia Institute and issued on October 15,

¹⁹⁵ Byungehan LEE, “A study on International law in Judgment 2018 of the Supreme Court of Korea concerning “Korean wartime laborers cases”: Focusing on the interpretative techniques (いわゆる「2018 年徴用工判決」に対する国際法上の考察: 条約解釈を中心に),” *Ritsumeikan journal of international relations and area studies*, No.50 (September, 2019): 50

¹⁹⁶ Ibid: 51-53.

showed how bilateral perceptions changed recently.¹⁹⁷ The 2020 survey was conducted from September 12 to October 4 in Japan and from September 11 to September 25 in South Korea, respectively. The number of samples was 1,000 in Japan and 1,006 in South Korea. The questions were asked both to men and women above the age of 18. The gender of the respondents was 48.6% for men and 51.4% for women. The final academic background was 6.6% for elementary and junior high school graduates, 47.5% for high school graduates, 21.3% for junior college/technical college graduates, 22.3% for university graduates, 0.9% for graduate school graduates, and 0.8% for others. The ages were 2.5% for under 20 years old, 11.8% for 20-29 years old, 14.9% for 30-39 years old, 17.4% for 40-49 years old, 14.6% for 50-59 years old, and 38.8 for over 60 years old. In South Korea, the gender of the respondents was 50% for men and 50% for women. The final academic background was 12% for junior high school graduates and below, 41.7% for high school graduates, and 46.2% for junior college graduates and above. The ages were 17.9% for 18 to 29 years old, 16% for 30 to 39 years old, 18.9% for 40 to 49 years old, 19.7% for 50 to 59 years old, and 27.5% for 60 years old and over.

[Chart 5-8] The Japan-Korea Joint Opinion Poll 2020: Impression of the other party

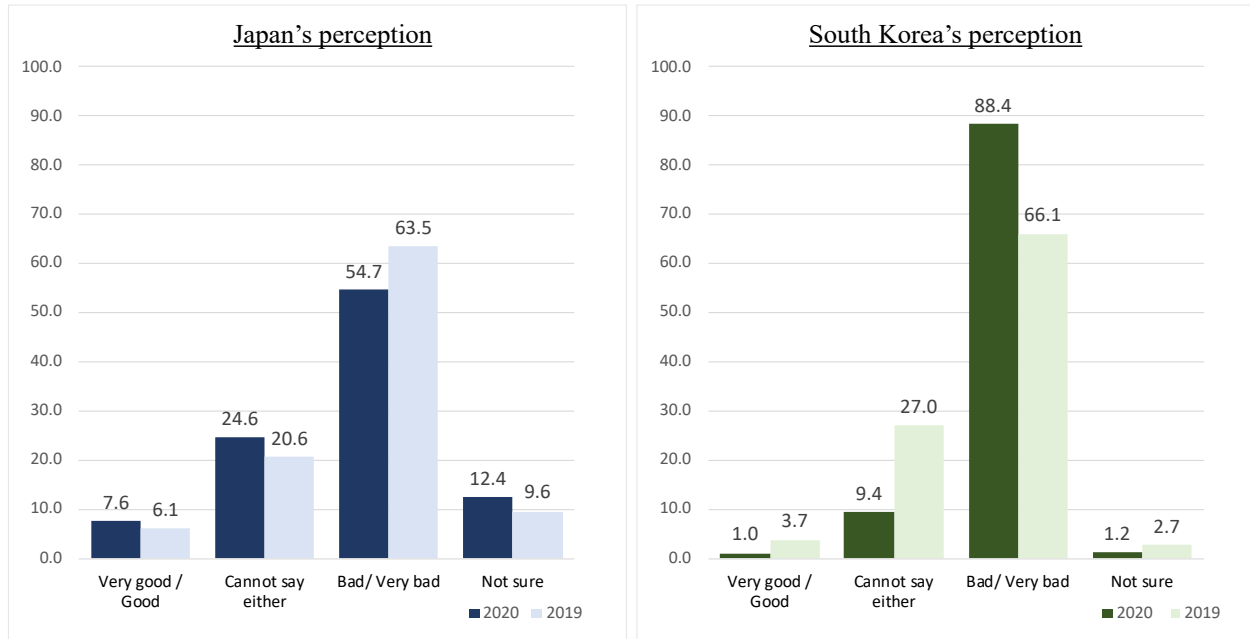


Created by the author based on the information provided by the Genron NPO and the East Asia Institute in their “The Japan-Korea Joint Opinion Poll 2020” issued on October 15, 2020.

¹⁹⁷ Genron NPO and East Asia Institute, “Koreans' Impressions of Japan Significantly Worsen: Results of the 8th Japan-Korea Joint Public Opinion Poll Released (韓国人の日本に対する印象が大幅に悪化～第8回日韓共同世論調査結果を公表しました～),” October 15, 2020.

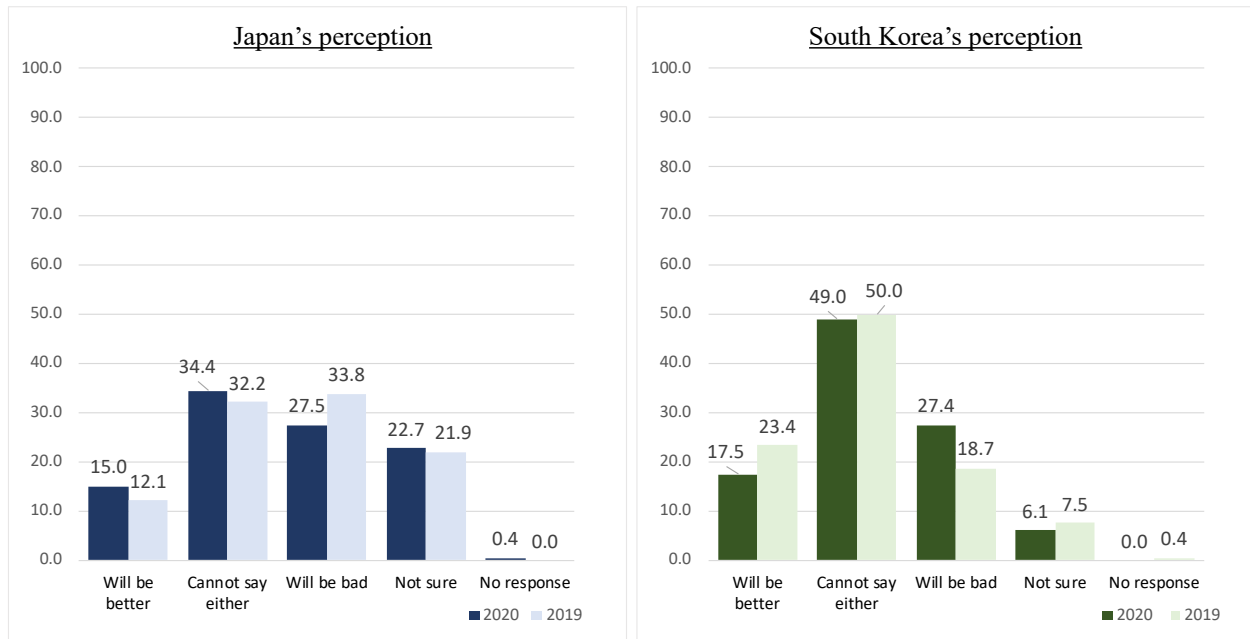
[Chart 5-9] The Japan-Korea Joint Opinion Poll 2020: Regarding the bilateral relationship

Current relationship



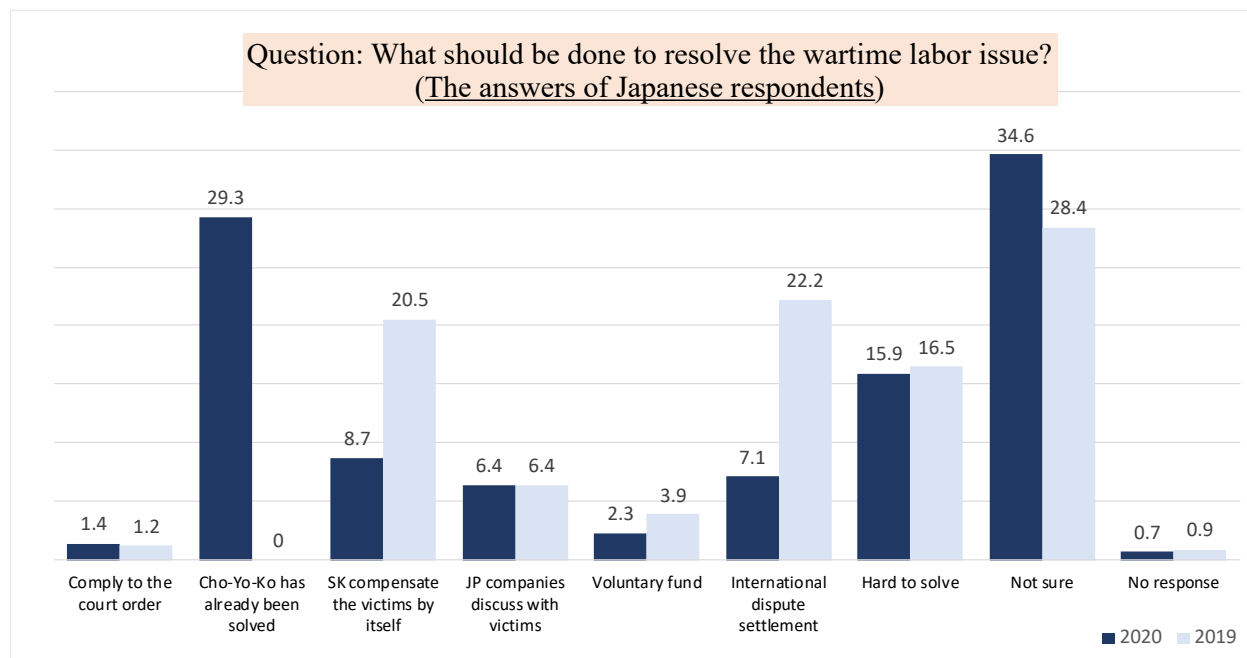
Created by the author based on the information provided by the Genron NPO and the East Asia Institute in their “The Japan-Korea Joint Opinion Poll 2020” issued on October 15, 2020.

Future relationship

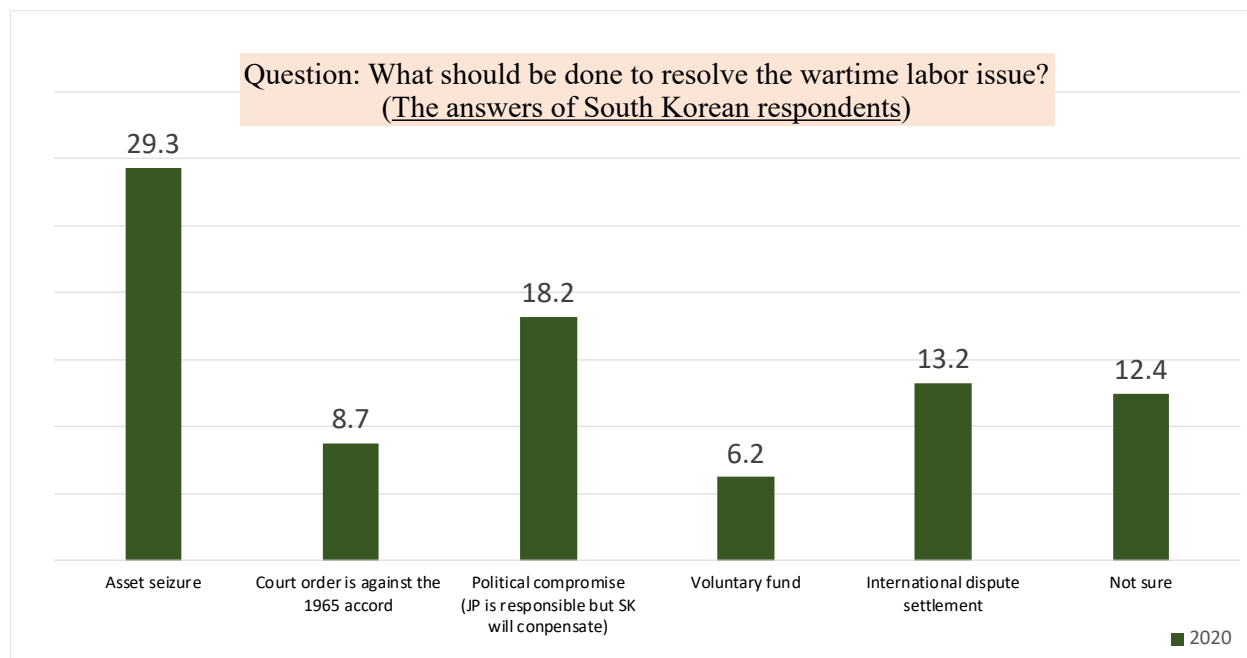


Created by the author based on the information provided by the Genron NPO and the East Asia Institute in their “The Japan-Korea Joint Opinion Poll 2020” issued on October 15, 2020.

[Chart 5-10] The Japan-Korea Joint Opinion Poll 2020: Regarding the Cho-Yo-Ko issue



Source: Created by the author based on the information provided by the Genron NPO and the East Asia Institute in their “The Japan-Korea Joint Opinion Poll 2020” issued on October 15, 2020.



Source: Created by the author based on the information provided by the Genron NPO and the East Asia Institute in their “The Japan-Korea Joint Opinion Poll 2020” issued on October 15, 2020.

The percentage of South Korean people who have negative impressions of Japan was decreasing in the last four years: the figure was 72.5% in 2015, but it went down to 49.9% in 2019. However, in 2020, the figure jumped up to 71.6%. In Japan, the positive impressions of South Korea were the highest in 2013 (31.1%), but it went down to 20.5% in 2014. It gradually recovered from 2014 to 2016 (29.1%), but it continued to decline, and it hit the lowest in 2019 (20.0%), following the order of the Supreme Court of South Korea and South Korea's reaction against Japan's tightening of export control. But the figure went up to 25.9% in 2020 (**Chart 5-8**).

The most popular answer for the reason of negative impressions was, for the South Koreans, "[Because] Japan has not properly reflected on the history of Japan's invasion of South Korea."¹⁹⁸ For the Japanese, on the other hand, it was "[Because] South Korea continues to criticize Japan for historical issues."¹⁹⁹ Indeed, the historical perception issues were the bottleneck for better relations, especially for the South Koreans. 88.4% of the South Koreans thought that the Japan-South Korean relation is in a very bad or bad situation in 2020, which increased 22.3% from 2019. On the other hand, although more than half of the Japanese people (54.7%) believed it has been in a very bad or bad situation, the number decreased 8.8% from 2019. For future bilateral relations, "Cannot say either" was the most popular answer on both sides, but South Korea was 14.6% higher than Japan. It is worth noting that, whereas the percentage of South Koreans who believe that the bilateral relations will be bad in coming years increase from 2019 (18.7%) to 2020 (27.4%), that of Japan decreased from 33.8% to 27.5% (**Chart 5-9**).

For the things both countries should improve for having a better bilateral relationship, the answer that "settling historical perception issues such as the comfort women and wartime forced labor issue" was the highest in both parties, but lower in Japan (72.2% in South Korea and 57.1% in Japan).²⁰⁰ This historical perception issue and the perceptual gap may have made the situation difficult: the percentage of South Korean people who believe that "even if the bilateral relations improve, it would be almost impossible to resolve these historical perception issues" was 43.6% in 2020, which significantly increased by 18.6% from 2019.²⁰¹

¹⁹⁸ Genron NPO and East Asia Institute, "The Japan-Korea Joint Public Opinion Poll 2020," Part 1-2.

¹⁹⁹ Ibid.

²⁰⁰ Ibid: Part 2-2.

²⁰¹ Ibid: Part 9-1.

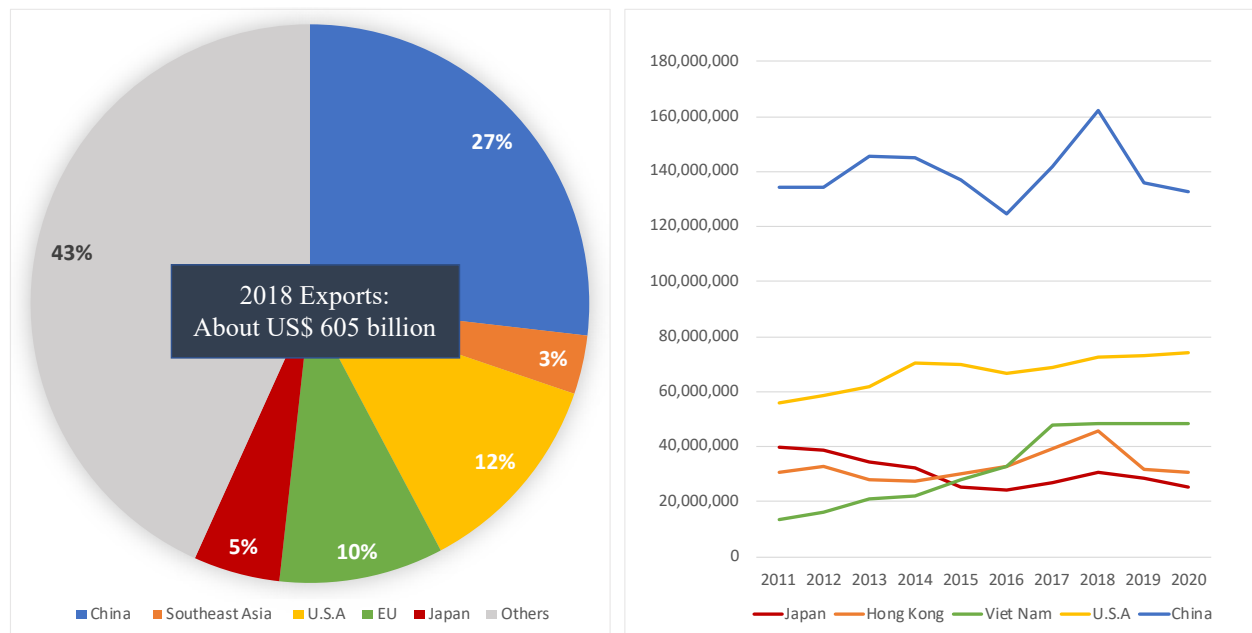
For the question "What should be done to resolve the wartime forced labor (Cho-Yo-Ko) issue," 34.6% of the Japanese answered that they are "Not sure," and 29.3% answered that "Cho-Yo-Ko issue has indeed already been solved in the past; therefore, there is no need for Japan to respect the order of Supreme Court of South Korea" in 2020. To the same question, in 2019, 28.4% had answered "Not sure," 22.2% had answered that "using international dispute settlement would be better," and 22.5% had answered that "the South Korean government should solve this issue by itself." On the other hand, 36.0% of The South Koreans answered in 2020 that "South Korea should seize the assets of Japanese companies in question." (**Chart 5-10**).

The overall key indication of this poll results are as follows: 1) The public perception of both parties recognized that the bilateral relationship was deteriorating; 2) The negative impression on Japan was increasing among the South Korean people; 3) The bottleneck of the better relation was the historical perception issues, including the wartime forced labor; 4) Whereas the majority of the Japanese people thought that the wartime labor issue has already been solved (and if South Korea seeks for the other solution it should do so by itself), the South Korean people thought that the forced measures should be taken against Japan in order to compensate the victims.

3. The Trade Relations and Industrial Competitiveness of South Korea

South Korea's trade relations and industrial competitiveness should not be overlooked in understanding the context of the case. In this part, South Korea's major trade partners, Japan-South Korea trade relations and FDI, and the share of exported goods from South Korea and that of South Korea's electric integrated circuits will be provided as background information.

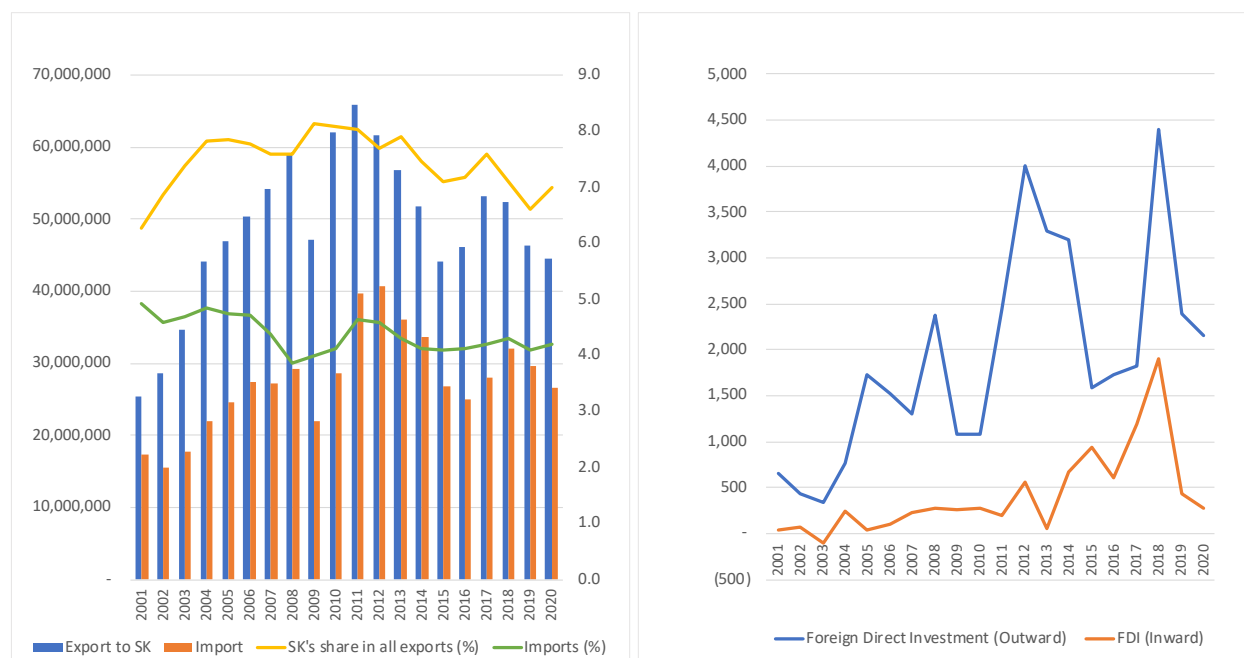
[Chart 5-11] South Korea's major trade partners (in exports) and the change from 2011 to 2020



Source: Created by the author based on the information provided by the Korea International Trade Association in its “K-Statistics: Specific country.”

South Korea's largest trading partner is China. South Korea's exports to China accounted for about a quarter in 2018, but it started to decline from then conceivably because of South Korea's sensitive geopolitical positioning amid the trade war going on between China and the U.S., South Korea's ally. The U.S. has been the second-largest trade partner. Japan was the third-largest trade partner until 2014, but the exports to Japan were in decline from the beginning of the 2010s, and Japan's position went down to the fifth-largest trade partner of South Korea (overpassed by Viet Nam and Hong Kong). The annual exports from South Korea to Japan bounded up from 2016, but they started to go down again from 2018. Among the five most significant trade partners, only the exports to the U.S. have been increasing gradually at a continuous pace in the last five years.

[Chart 5-12] Japan-South Korea trade relations (in US\$ 1,000) and FDI (in US\$ 1 million)



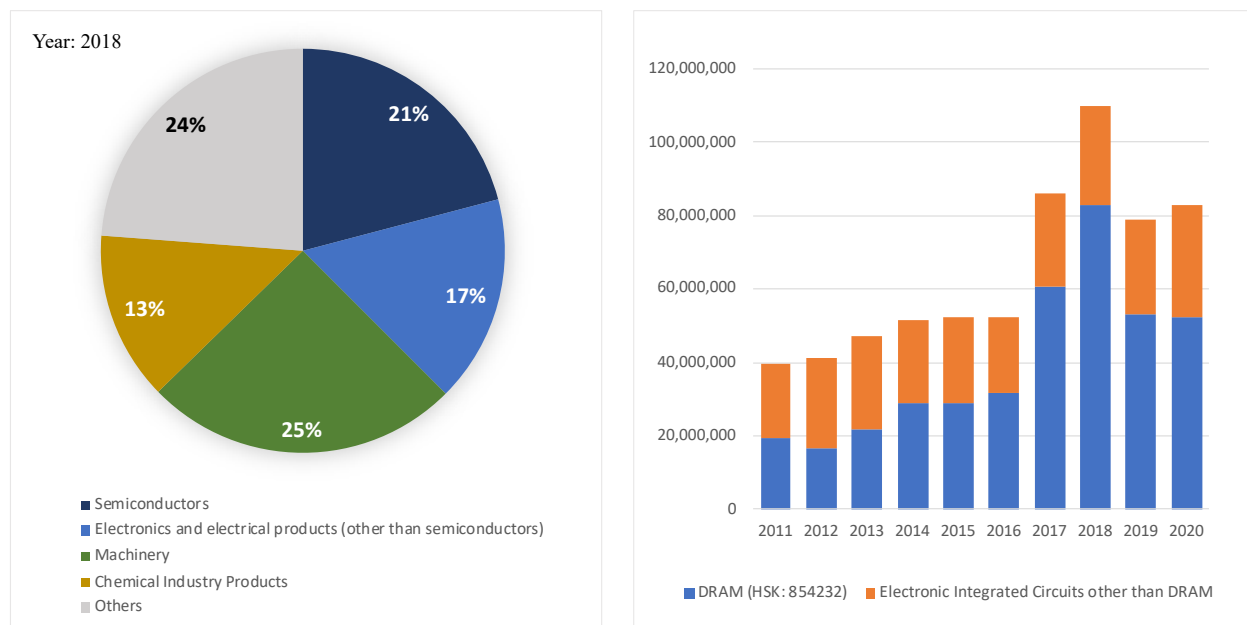
Source: Created by the author based on the information provided by the Japan External Trade Organization (JETRO) in its “Japan’s Statistics” (the pages for Japan’s international trades and FDIs were reviewed).

The overall trade between Japan and South Korea increased significantly from the early 2000s to 2011 and declined from 2012. Though it rebounded in 2015 and started to increase again, it showed a considerable decline again from 2018. South Korea’s share in Japan’s imports did not change for about a decade, but its share in Japan’s exports has been gradually decreasing since early 2010. The bilateral FDI has followed a similar trend as overall with that of trade. After their peaks in 2012 and 2018, both outward and inward FDI plummeted. In hindsight, it is arguable that political relations have affected economic relations. In 2012, the then South Korean President Lee Myung-bak’s landed on Takeshima (Dokdo in South Korea) against Japan’s will.²⁰² The year 2015 positively marked the agreement on the comfort women issue. The order of the Supreme Court of South Korea on the Cho-Yo-Ko issue in 2018 initiated the dispute in the question of this paper. It seems the “separation principle of economy and politics”²⁰³ is becoming obsolete.

²⁰² Uchiyama, “South Korean President lands on Takeshima.”

²⁰³ Qixiong zhang, Changcheng Ye, and Naoto Watanabe, “An analysis on the “separation principle of economy and politics” vs. “political and economic integration”: Postwar Formation and transformation of Japan's cross-strait policy (1952-1972) (「政経分離」対「政経一体」の「名実論」的分析: 戦後日本の兩岸政策の形成と転換 (1952-1972))” The Jinbun Gakuho Journal of Humanistic Science, No.95 (2007): 163-238

[Chart 5-13] The share of exported goods from South Korea and Electric Integrated Circuits (US\$ 1,000)



Source: Created by the author based on the information provided by the Korea International Trade Association in its “K-Statistics: Specific commodity,”

South Korea has a significant competitive advantage in semiconductor production. In 2018, the exports of semiconductor products accounted for 21%. The overall exports of semiconductors have increased significantly in the last decade. South Korea’s export of Electric Integrated Circuits was about 40 billion US\$ ten years ago. It more than doubled in 2017 and went up to about 110 billion US\$ in 2018 but plummeted in 2019. A significant decline was detected in DRAM exports. As already mentioned, South Korea accounts nearly 80% of the DRAM supply worldwide, with Samsung and Hynix as the primary producers. Japan used to have a competitive advantage in memory chip production; however, the memory chip dispute and negotiations with the U.S. in the 1990s forced Japan to curb and limit its semiconductor production worldwide, and South Korean producers benefited from this shift, filling the demand gap.²⁰⁴ DRAMs account for about 60% (the average of the last decade) of exported Electric Integrated Circuits in South Korea, and the decline of their exports in 2018 had a significant impact on the country. The decline may have simply been caused by global oversupply; the causal relation between Japan’s tightening of export control and this decline in DRAMs exports remains to be studied.

²⁰⁴ Goodman et al, “The South Korea-Japan Trade Dispute in Context,” 11.

VI. Case Analysis and Implications

Now this paper is moving on analyzing and reflecting on the implications of the Japan-South Korea ‘Trade Dispute’ 2019. South Korea’s economic and political costs following Japan’s measures, the economic costs and political benefits for Japan, and the implications of the Japan-South Korea ‘Trade Dispute’ 2019 overall will be discussed. Just to be noted, this part focuses on the aspect of Japan’s measures as economic sanctions; analyzing their aspect as law enforcement from the legal point of view is out of the scope of this paper.

South Korea’s economic and political costs following Japan’s measures:

The economic costs of Japan's measures were perceived detrimental to the South Korean economy and global supply chain at the beginning; however, as KIEP's study later demonstrated, the actual effects were marginal. There was a downturn in the South Korean economy at the same time, but it would have rather been due to the decreasing exports from South Korea to China. By diversifying the supply sources and significantly promoting the domestic production of the sanctioned materials (as shown in the trade of hydrogen fluoride), South Korea reduced the dependence on Japan and accordingly curbed the economic costs brought by Japan's economic sanctions. No apparent link between Japan's measures and the decline in South Korea's DRAM exports was found.

Japan's measures ignited nationalism in South Korea, augmenting the political costs for South Korean political leaders to compromise with Japan over the wartime labor issue. The solid public resentment against Japan led to the boycott movement and anti-Japan narrative, denouncing Japan's measures with sensational terms such as “economic invasion.” The seeming détente and the start of the negotiation in late 2019 were primarily because the South Korean political leaders perceived the initial economic costs to be significant. However, as shown later, they were marginal and avoidable by source diversification and domestic production, and therefore, the optimal degree of compromise decreased by increasing political costs and decreasing economic costs. The interest groups (such as the Federation of Korean Industry, semiconductor associations, Japan-Korea Parliamentarians' Union, etc. in addition to the business and industrial leaders) tried to find a middle ground, but they were not successful in offsetting the positive effects of South Korea’s

anti-Japanese public perception on political costs. Moreover, the nationalism factor triggered the rally 'round the flag effect, and the South Korean business leaders urged to reduce the economic costs rather than political costs. That said, the external relations factor (the U.S.-Japan-South Korea relations against China in this case) reduced the political costs, keeping South Korea away from executing asset seizure of the two Japanese companies in South Korea.

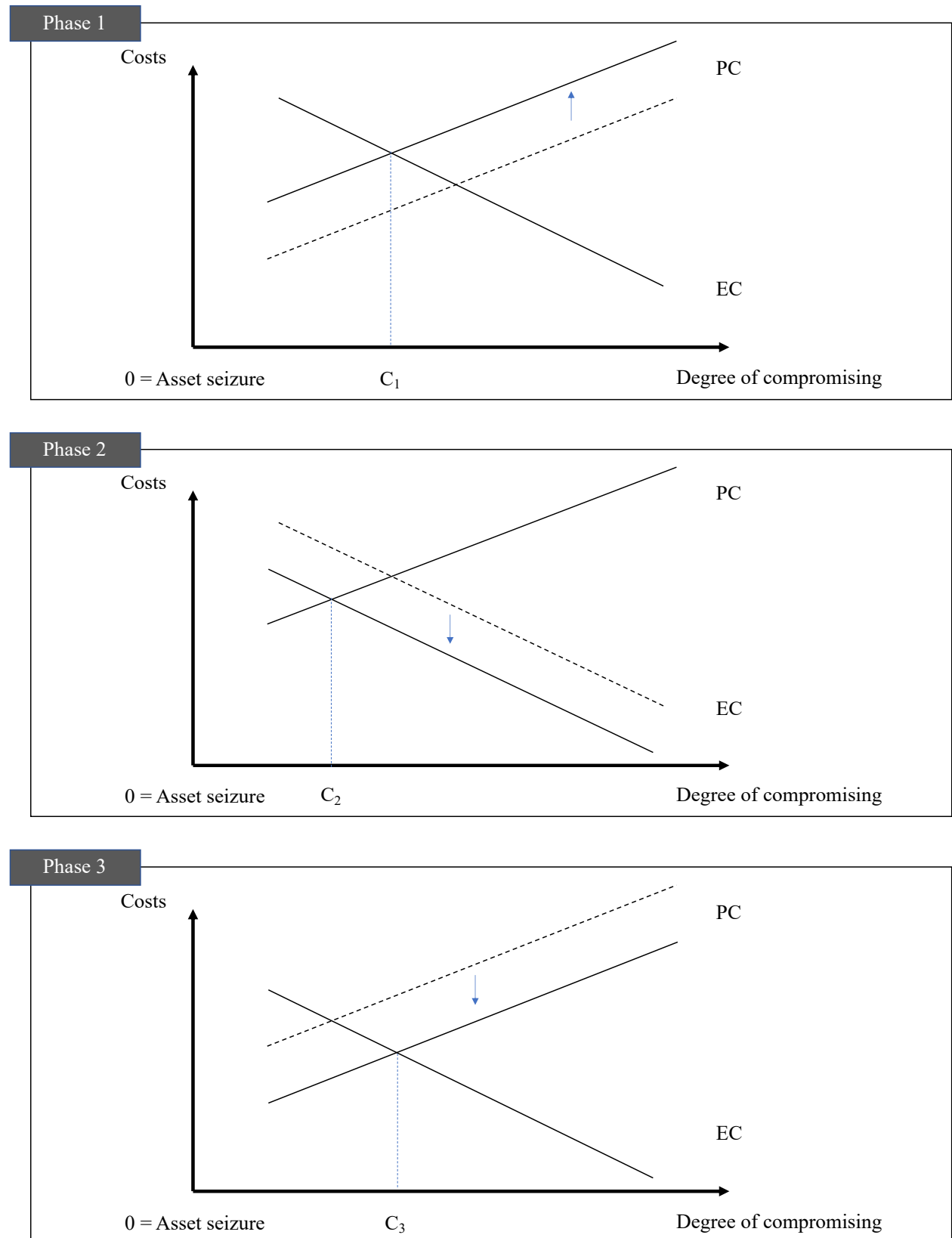
Based on our analytical framework provided in Chapter IV, the changes in South Korea's optimal degree of compromising can be explained as follows. In the first phase, Japan's measures provoked the solid anti-Japan nationalism in South Korea, and it shifted the political costs curve upward and lowered the optimal degree of compromise (**Chart 6: Phase 1, C1**). It made it hard for South Korea's political leaders to compromise with Japan. The activities of interest groups could not successfully offset the level of this upward shift of the political costs curve.

In phase two, South Korea's diversification of the supply sources and successful promotion of domestic production of the sanctioned materials shifted the economic costs curve downward and lowered the optimal degree of compromising furthermore (**Phase 2, C2**). It is possible to consider that the negotiations started in late 2019 worked as South Korea's somewhat 'buying time' strategy. Once the political costs curve shifted upward, and the economic costs curve downward, the compromising become significantly hard, and, as a matter of fact, the move on asset seizure was facilitated from the mid-2020.

In phase three, the external relations (the U.S. and alliance) factor shifted the political costs curve downward and increased the optimal degree of compromise from phase two (**Phase 3, C3**). The external relations also worked in the first détente time: the U.S.'s persuasion urged South Korea's to suspend its Notice of Termination of Japan-Korea GSOMIA. However, the U.S. intervention at that time was circumstantial, and there was no intention to solve the whole dispute. Following the regime change of the U.S. after its presidential election in late 2020, the U.S. interest is now moving on to settling the Japan-South Korea dispute in order to realize stable relations between its crucial alliance partners against China.

Overall, South Korea's optimal degree of compromise approached the lowest point (asset seizure), but it did not actually hit the lowest and then rebounded from there due to the external relations factor. That is why the South Korean President Moon could eventually declare publicly at the 2021 new year ceremony speech that the asset seizure should not be executed.

[Chart 6] Visual explanation of the case analysis based on the proposed framework



The economic costs and political benefits for Japan:

Japan had to reconsider its export control system in any case to realize better law enforcement. As shown in those revealed MOTIE's documents, the South Korean government was indeed aware of those inappropriate cases that Japan wanted to crackdown. Nevertheless, at the same time, Japan did signal South Korea that the Cho-Yo-Ko issue is not unrelated to the tightening of export control, as shown in the communication Japan's minister of METI made via press conferences. This paper assumes that a rational actor in the international arena would be aware of the message that specific measures taken at a certain period of time would give to its counterpart.

Japan's measures inflicted economic costs back to Japan. As shown in the previous chapter, there were some abysmal effects on some of the significant Japanese goods and businesses, such as cars, beers, business operations in South Korea, and the tourism industry, following South Korea's persistent economic retaliation by its "No Japan" boycott. Whether these economic costs were worth tolerating depends on how to interpret them from a strategic viewpoint, and it should be reviewed in relation to both demonstrative and substantive political objectives.

In the realm of the demonstrative political objectives, it is reasonable to consider that Japan did benefit from the measures it took against South Korea. As shown in various national surveys and public comments, Japan's public perception supported the government's measures. It is hard to discern which aspect (law enforcement or economic sanctions) did the respondents show support. However, considering that the Japanese media publicly reported them as economic sanctions to the 2018 order of the Supreme Court of South Korea, it would be unreasonable to assume that the public support was only for the law enforcement aspect of Japan's measures. As a matter of fact, the Liberal Democratic Party, the ruling party of Japan, wanted to leverage this public support to bolster political power. It was reported that the LDP executives advised their declared candidates during the House of Councillors election carried out in July 2019 to use Japan's measures as one of their key messages in their speeches to win votes.²⁰⁵

For the substantive objectives, the overall outcome is more nuanced, at least for the present moment. Japan's measures provoked South Korea's solid and persistent anti-Japan nationalism, which increased the political costs and consequently reduced the optimal degree of compromise

²⁰⁵ Nakashima, "Japan's tightening of export control against South Korea." 31.

for South Korea's political leaders. South Korea did not succumb to Japan's official political stance, which is that the Cho-Yo-Ko issue has already been settled in the 1965 Agreement and the order of the Supreme Court of South Korea is invalid and unacceptable. Also, South Korea did not (or could not) promote a middle ground compromise approach, which is to establish a fund with voluntary cooperation of the South Korean and Japanese companies to compensate alleged victims. Moreover, as the rally 'round effect worked, Japan's measures lost their effects on South Korea's economic costs, decreasing the optimal degree of compromise furthermore.

There should be two different ways of interpretations given these points. The first one is to see Japan's sanctions as strategically unfunctional—just having worsened the bilateral relations, which had already been in an inauspicious situation. The essence of this stance can be subsumed by the criticism made by Daniel Sneider on Japan's measures. According to him, Japan's measures were “both a tactical and strategic misjudgment, and ultimately, it has lost much more than it might have gained by such steps” and “Rather than mobilizing Korean firms [to mitigate the tension], the export controls gave the Blue House a club to force potential internal opposition to line up on ‘patriotic’ grounds.”²⁰⁶ He also said, “The Moon administration eagerly portrayed South Korea now as a victim of a Japanese trade war, linking Japan's actions to other threats to the global supply chain, and questioning Japan's stature as a leader of the global free trade system,” and “Japanese actions have actually served to force the conservatives [in South Korea] to yield to the anti-Japanese rhetoric and posture of the Moon government.”²⁰⁷

True, Japan's measures have had some significant countereffects on their strategic efficacy as economic sanctions and on the process of dispute settlement. This stance would lead to the argument that Japan should have resorted to diplomacy, not economic statecraft. A conventional stance would support this argument. Nevertheless, this paper sees the efficacy of Japan's economic sanctions in a more nuanced manner. Given the situation, it must have been hard for Japan to pursue the settlement through diplomacy successfully. South Korean government did propose the middle-ground solution to Japan via diplomatic channels before Japan's sanctions; however, Japan could not accept it as it meant for Japan to show to its constituents that Japan was accepting the

²⁰⁶ Furukawa and Sneider, “RESOLVED: Japan Has More to Gain Than to Lose from Its Export Controls on South Korea.”

²⁰⁷ Ibid.

order of the Supreme Court of South Korea (which for Japan was an apparent violation of international agreements) as valid. Instead, Japan decided to provoke South Korea, and by doing so, Japan put the South Korean leaders into the position that they should choose the degree of compromise depending on the economic and political costs they were going to face. Without this provocation, the external relations factor (the U.S. and alliance factor) would not have worked significantly as it did in this case.

Arguably, Japan leveraged its economic measures to pursue its nonnegotiable national interests and prioritized these interests over better diplomatic relations with South Korea. To this point, Japan's measure was not necessarily unsuccessful: Japan could successfully show to its constituents that it never accepts the court order in question and, simultaneously, steer South Korea away from asset seizure by causing tension and making the external relations factor work favorable to Japan. Japan did suffer economic costs but could get political benefits as well.

The Implications of the Japan-South Korea 'Trade Dispute' 2019:

Japan's political leaders must not have made these points mentioned in the previous chapter all happen based on their rational calculations. Nonetheless, Japan's strategic provocation worked to some extent as a result. In a way, it can be considered as a form of brinksmanship through economic statecraft. The question to be asked would be whether these costs (back to Japan) were worth to be bear. As they are different types of values (economic costs and political benefits), it is hard to simply compare. That said, at least for the moment, there is no significant domestic political backlash to them, and it seems that there is no proof to argue that the costs outweigh the benefits.

This partial success may be attributed to the ambiguity that Japan's measures embodied in enforcing sanctions. Suppose they were enforced obviously in the name of economic sanctions. In that case, Japan may have had to counter more substantial international public opinion backlash, which may have induced some more significant domestic political backlash accordingly that would have offset Japan's political benefits. It is reasonable to argue that it should be diplomacy to solve diplomatic issues—not brinkmanship. That said, the Japan-South Korea 'Trade Dispute' 2019 shows that in a hardnosed-context of bilateral dispute settlement based on conflicting national interests, the influence attempt through statecraft would be pursued in the realm of realistic interest to protect the political benefits of the sender.

The followings are the implications that can be derived from this case study. Firstly, when there is a significant nationalism factor laying between two disputed parties, the political costs of the target's political leaders increase considerably, which makes compromise difficult. It is caused because of a solid anti-sender sentiment in the target's public perception. Interest groups would try to offset this effect, but it failed in the Japan-South Korea case. External relations factors are context-dependent. In the Japan-South Korea case, it finally worked in reducing the political costs for the target, which arguably increased the optimal degree of compromise.

Secondly, the economic costs of sanctions can be mitigated by the target's national efforts of minimizing dependence on the sender for sanctioned goods. In our case study, South Korea succeeded in diversifying and promoting the domestic production of sanctioned goods. Interest groups factor would work on reducing the economic costs consequently by decreasing the political costs (and increasing the optimal degree of compromise); however, when there is a significant nationalism factor, the rally 'round the flag effect would come into effect, and interest groups in the business and industrial sector would nationally unite and directly work for reducing the economic costs themselves instead of reducing political costs.

Thirdly, when the target's political leaders and public opinion perceive the sender's specific measures as an influence attempt, the measures in question constitute economic sanctions and work accordingly even though the sender officially denies that they are sanctions. Arguably, in a bilateral context with conflicting foreign policy (national) interests, ambiguous measures—which have both legitimate law enforcement and economic sanctions aspect—may work better as in that way the sender can circumvent significant backlash from the international public opinion.

Lastly, and perhaps the most critical point to be noted, given the adversity that coercive economic influence attempts would have on diplomatic dispute settlement, the sender's political leaders should think more than twice about how their economic measures would affect the optimal degree of the target's compromise. In the Japan-South Korea case, Japan's measures negatively affected bilateral trade relations, which had already been in a bad situation. Arguably, Japan's measures augmented the overall welfare loss—or, at least, it did not turn it up from an economic point of view. It seems that Japan prioritized political benefits to better diplomatic relations and economic gain. Whether it is strategically justifiable depends primarily on political judgment.

VI. Conclusion and Final Remarks

Economic sanctions have been used in various contexts in international relations. Some economic sanctions are used to materialize international and multilateral interests and values, and others are primarily used to pursue national interests in foreign policy. Recently, those in the former category with normative significance (for example, protecting human rights and restoring democracy) are increasing, where the most frequent senders have been the U.S. and EU, and the target has been African countries. Accordingly, most of the existing literature concerning economic sanctions seems pre-assuming the former type of sanctions. On the other hand, the studies on the latter type, which actually has a long history in practice, seem to be scarce.

Currently, together with the use of economic sanctions to protect human rights and restore democracy, economic sanctions in geopolitical context with conflicting national interests are getting to be more and more present. This point has been in the spotlight more than ever before as the geostrategic tension between the U.S. and China increases. The end of the Cold War made the liberal economic consensus seem unwavering, where the use of economic means to pursue national interests primarily seemed illegitimate and unjustifiable under the ideals of the WTO regime; however, the conflicts with economic statecraft continued in parallel, and economic sanctions were frequently used as a strategic device in foreign policy. Unlike the economic sanctions used to materialize international and multinational interests, those strategic ones are hard to detect as they are not necessarily expressed so from the sender. The very point makes the definition and study on economic sanctions compound. The interdisciplinary approach is required to capture all these aspects of economic sanctions and integrate them with conventional studies.

From this fixed point of view, this paper reviewed the history of sanctions and sanctions studies and reconsidered the definition and scope matter of sanctions to lay the foundation and set the context for the subsequent discussion. This paper then developed an analytical framework focus on the relations between the target's economic costs and political costs, the target's degree of compromise, and the sender's political benefits and applied it to the case study of Japan-South Korea' Trade Dispute' 2019, which is understudied from an integrated interdisciplinary viewpoint.

The thorough analysis of the case showed that when there is a significant nationalism factor laying between two disputed parties, the target's political costs increased considerably, and it basically makes compromise difficult for the target's political leaders. In the Japan-South Korea

case, the interest groups could not successfully offset the increase in political costs, while external relations factors (the U.S. and alliance interests) eventually increased the target's optimal degree of compromise. The study also showed that the economic costs of sanctions could be mitigated by the target's national efforts of minimizing dependence on the sender for sanctioned goods. The rally 'round the flag effect worked in this case. When there is a significant nationalism factor, interest groups factor worked for reducing the economic costs instead of reducing political costs. Additionally, the study found that what matters is the perception: even though the sender officially denies that they are sanctions, when the target's political leaders and public opinion perceive the sender's specific measures as an influence attempt, the measures in question constitute economic sanctions and work accordingly.

Were Japan's economic sanctions against South Korea pointless and counterproductive? The answer to this question is not affirmative, though it may seem so at first glance. Yet, the overall consequences are indeed nuanced. It is arguable that Japan strategically leveraged its economic measures to pursue its nonnegotiable national interests and prioritized these interests over better diplomatic relations. Japan successfully showed to its constituents that it never accepts the court order in question and, at the same time, steers South Korea away from asset seizure by causing tension and making the external relations factor work favorable to Japan. Japan did suffer economic costs but could obtain political benefits on the other hand. The essential point would be whether these political benefits are worth enjoying while facing all the economic costs inflicted on Japan, which is an intrinsically political question. Japan's strategy can be seen as brinksmanship through economic statecraft; it naturally entails higher risks and costs than a diplomatic solution approach to the dispute. Thus, the political leaders who are on to use economic sanctions should think more than twice beforehand about how the key factors will affect the course of sanctions' effect. The automatic deployment of economic sanctions (sanctions for sanctions) lacks strategic competence and would bear more harm than good, at least in the context of the sanctions driven by national interests.

While the model developed in this paper explains the mechanism of the case where the conflicting national interests matter more than that of international, whether this model can be successfully applied to the case where the international interests and values matter more than that of national is not straightforward. In this case, the anti-sender sentiment (or perception) increased the target's political costs, which reduced the optimal degree of compromise. If there is a strong

anti-target within the target (as is conceivable in the context of those authoritarian states), perhaps the public perception factor works in the opposite direction (reduce target's political costs). This point should be examined in conjunction with other existing studies on the effects of economic sanctions depending on state regime types. Additionally, exploring other factors that affect the level of the target's economic costs and political costs (other than public perception, interests group, and external relations factors) would have significance. Though having a long history, the domain of economic sanctions still remains to be studied.

Appendix

Here below, all the raw data used for the charts shown in this paper are attached. Only the raw data of the charts that did not show them in the main text are attached; the raw data for the Charts 8, 9, and 10 are not attached here as they were already shown in the main part and text of this paper.

[5-1] South Korea's imports of photoresist and hydrogen fluoride from Japan p.31

Mon/Year	Imports of photoresist (in Kg)			High-purity hydrogen fluoride (in Kg)		
	2018	2019	2020	2018	2019	2020
Jan	184,476	205,836	220,071	3,025,088	3,348,338	398,260
Feb	165,532	166,450	210,142	2,746,712	3,215,576	399,026
Mar	165,994	199,520	274,667	2,865,508	3,518,522	493,080
Apr	191,249	170,948	269,089	2,879,430	2,874,918	514,290
May	207,226	185,157	191,666	2,696,336	2,628,656	378,640
Jun	197,388	220,228	218,466	3,142,366	2,932,736	1,110
Jul	195,161	299,637	268,006	2,728,396	479,064	491,972
Aug	203,900	248,067	217,247	3,378,682	-	492,776
Sep	182,446	188,678	243,260	3,283,250	100	398,005
Oct	222,218	175,750	281,925	3,549,130	896	398,198
Nov	240,093	144,876	272,561	3,582,658	947	492,482
Dec	222,146	198,150	336,592	2,946,408	793,820	492,246

[5-2] The Japanese cars newly registered in South Korea and their share
[5-3] The Japanese beers exported to South Korea and the world

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Mon/Year	Japanese cars		Japanese beers	
	The Japanese cars newly registered in South Korea (Number)	The share Japanese cars in all of the newly registered cars in South Korea (%)	Japanese beers exported to South Korea (in Liter)	Japanese beers exported to other places in the world (in Liter)
Jan. 2018	3,021	14	7,392,316	2,054,661
Feb.2018	3,157	16	4,966,367	1,834,558
Mar. 2018	4,386	17	5,142,006	3,338,881
Apr.2018	3,664	14	6,051,944	2,804,249
May.2018	3,685	16	5,124,513	3,242,902
Jun.2018	3,372	14	8,504,364	3,772,556
Jul.2018	3,229	16	6,686,976	3,666,870
Aug.2018	3,247	17	6,409,707	4,461,476
Sep.2018	2,791	16	8,119,465	3,244,342
Oct.2018	4,756	23	8,241,754	2,849,983
Nov.2018	5,402	24	8,260,738	2,779,847
Dec.2018	4,590	22	4,989,510	2,832,121
Jan. 2019	3,752	21	4,539,999	2,245,656
Feb.2019	3,473	22	4,121,460	2,539,138
Mar. 2019	4,360	24	6,706,001	3,548,763
Apr.2019	3,536	19	8,012,147	3,523,707
May.2019	4,415	23	8,323,182	2,604,564
Jun.2019	3,946	20	8,503,148	4,238,626
Jul.2019	2,674	14	7,930,591	3,972,928
Aug.2019	1,398	8	593,806	3,308,829
Sep.2019	680	3	1,010	3,792,894
Oct.2019	1,977	9	-	3,143,724
Nov.2019	2,357	9	55,060	3,929,486
Dec.2019	3,670	12	106,065	3,964,560
Jan. 2020	1,320	7	47,600	1,942,084
Feb.2020	1,651	10	201,351	3,515,433
Mar. 2020	1,406	7	347,219	3,289,724
Apr.2020	1,259	5	944,568	3,834,249
May.2020	1,672	7	1,270,144	3,016,106
Jun.2020	2,735	10	1,455,914	3,206,095
Jul.2020	1,614	8	863,244	4,057,376
Aug.2020	1,413	6	332,484	4,213,960
Sep.2020	1,458	7	139,505	4,346,121
Oct.2020	1,735	7	91,983	3,581,066
Nov.2020	1,987	7	157,975	4,622,812
Dec.2020	2,314	7	309,990	2,479,479
Jan. 2021	1,035	5	169,159	2,447,515
Feb.2021	1,311	6	368,168	3,878,858
Mar. 2021	1,737	6	490,595	5,444,322

[5-4] The sales and the number of stores of Uniqlo

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	Sales	Store numbers		
		All stores	Newly closed	Newly opened
2016	1,182,222	173	2	20
2017	1,237,657	179	7	13
2018	1,373,195	186	1	8
2019	1,378,096	188	8	10
2020	629,769	163	31	8
2021	-	143	22	2

[5-5] The number of the South Korean tourists visited Japan

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	The number of South Korean tourists visiting Japan				
Mon/Year	2015	2016	2017	2018	2019
Jan.	358,093	514,889	625,415	803,816	779,383
Feb.	321,576	490,845	600,018	708,318	715,804
Mar.	268,156	374,057	488,349	619,196	585,586
Apr.	304,619	353,660	554,627	638,523	566,624
May.	315,389	302,088	558,892	640,355	603,394
Jun.	251,504	347,365	568,877	606,162	611,867
Jul.	343,799	447,008	644,026	607,953	561,675
Aug.	390,971	458,927	620,904	593,941	308,730
Sep.	301,645	430,614	556,885	479,733	201,252
Oct.	370,842	449,555	620,936	571,176	197,281
Nov.	359,845	426,918	622,604	588,213	205,042
Dec.	415,656	494,376	678,905	681,566	247,959

[5-6] The number of all Asian tourists visited Japan and the share of major nationalities p.41

	Asian tourists visiting Japan	The share of primary Asian tourists (%)		
	Overall number	South Koreans	Chinese	Taiwanese
Jan. 2018	2,207,383	36.4	28.6	15.9
Feb.2018	2,247,213	31.5	31.9	17.8
Mar. 2018	2,172,981	28.5	27.4	17.8
Apr.2018	2,431,001	26.3	28.1	19.3
May.2018	2,283,887	28.0	29.3	19.3
Jun.2018	2,341,033	25.9	32.5	19.5
Jul.2018	2,430,752	25.0	36.2	18.9
Aug.2018	2,255,148	26.3	38.1	17.5
Sep.2018	1,817,035	26.4	35.9	18.1
Oct.2018	2,191,009	26.1	32.6	17.3
Nov.2018	2,094,808	28.1	29.5	16.8
Dec.2018	2,285,668	29.8	26.2	14.7
Jan. 2019	2,366,944	32.9	31.9	16.4
Feb.2019	2,323,258	30.8	31.1	17.2
Mar. 2019	2,287,450	25.6	30.2	17.6
Apr.2019	2,369,734	23.9	30.6	17.0
May.2019	2,344,872	25.7	32.3	18.2
Jun.2019	2,483,217	24.6	35.5	18.6
Jul.2019	2,563,058	21.9	41.0	17.9
Aug.2019	2,156,004	14.3	46.4	19.5
Sep.2019	1,827,278	11.0	44.8	20.6
Oct.2019	1,959,436	10.1	37.3	21.1
Nov.2019	2,016,676	10.2	37.2	19.4
Dec.2019	2,121,351	11.7	33.5	16.4
Jan. 2020	2,300,366	13.8	40.2	20.1
Feb.2020	840,261	17.1	10.4	26.2
Mar. 2020	108,291	15.4	9.6	7.1

[5-7] South Korea's imports of hydrogen fluoride and the share of major suppliers p.46

	Total (US\$1,000)	Share of the exporters (%)			
		Japan	China	Taiwan	USA
Jan. 2018	17,507	28.9	68.6	2.3	7.4
Feb.2018	18,790	26.7	71.5	1.5	7.9
Mar. 2018	20,267	29.4	69.0	1.1	8.1
Apr.2018	18,841	32.1	65.6	1.8	3.9
May.2018	18,346	31.2	65.7	2.1	7.7
Jun.2018	17,448	39.5	57.6	2.1	6.2
Jul.2018	18,054	34.3	63.1	2.1	4.7
Aug.2018	18,746	35.0	61.9	2.1	6.7
Sep.2018	16,690	36.3	57.5	5.5	8.8
Oct.2018	20,712	32.5	60.4	6.6	6.0
Nov.2018	22,407	31.5	58.8	9.2	6.0
Dec.2018	20,453	28.5	60.6	9.5	6.4
Jan. 2019	23,681	23.4	64.0	10.9	6.4
Feb.2019	18,118	40.0	55.5	4.1	8.0
Mar. 2019	19,385	38.0	51.5	9.6	6.4
Apr.2019	16,191	37.5	58.9	3.6	5.5
May.2019	16,851	30.2	65.4	3.3	10.3
Jun.2019	15,377	38.8	57.6	2.7	6.7
Jul.2019	17,734	24.3	69.1	6.4	4.1
Aug.2019	14,197	1.7	73.8	22.4	6.2
Sep.2019	14,536	2.2	71.3	21.5	9.2
Oct.2019	14,975	3.7	81.9	14.4	9.8
Nov.2019	13,562	5.5	76.5	17.9	7.7
Dec.2019	15,146	10.2	73.6	15.2	7.3
Jan. 2020	15,115	5.1	85.0	9.1	8.2
Feb.2020	9,962	10.1	76.0	13.8	4.0
Mar. 2020	15,514	7.3	85.4	5.8	7.0
Apr.2020	14,989	7.8	86.7	5.2	5.0
May.2020	11,669	7.8	84.3	5.3	5.8
Jun.2020	10,188	5.2	89.4	5.4	5.6
Jul.2020	13,198	8.5	86.8	2.9	4.5
Aug.2020	11,880	10.0	84.5	5.4	5.2
Sep.2020	13,492	6.4	87.4	4.4	6.3
Oct.2020	11,356	9.4	85.7	4.8	5.3
Nov.2020	12,898	8.4	86.8	4.7	6.2
Dec.2020	11,848	10.2	83.2	6.6	4.9
Jan. 2021	13,570	6.6	87.4	6.0	6.5
Feb.2021	12,001	9.2	82.4	6.7	4.8
Mar. 2021	17,868	6.8	85.6	7.6	6.1

[5-11] South Korea's major trade partners and the change from 2011 to 2020

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South Korea's major trade partners and the change from 2011 to 2020 (1,000 US\$)					
Year/Country	Japan	Hong Kong	Viet Nam	U.S.A	China
2011	39,679,706	30,968,405	13,464,922	56,207,703	134,185,009
2012	38,796,057	32,606,189	15,945,975	58,524,559	134,322,564
2013	34,662,290	27,756,308	21,087,582	62,052,488	145,869,498
2014	32,183,788	27,256,402	22,351,690	70,284,872	145,287,701
2015	25,576,507	30,418,178	27,770,750	69,832,103	137,123,934
2016	24,355,036	32,782,449	32,630,457	66,462,312	124,432,941
2017	26,816,141	39,112,281	47,753,839	68,609,728	142,120,000
2018	30,528,580	45,996,441	48,622,098	72,719,932	162,125,055
2019	28,420,213	31,912,876	48,177,749	73,343,898	136,202,533
2020	25,097,651	30,653,790	48,510,572	74,115,819	132,565,445

[5-12] Japan-South Korea trade relations and FDI

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Year	Trade with South Korea in US\$ 1,000			Share of South Korea (%)		FDI in US\$ 1 million	
	Export	Import	Balance	Export	Import	Out	In
2001	25,404,770	17,306,622	8,098,148	6.3	4.9	650.5	37.5
2002	28,546,913	15,454,028	13,092,885	6.9	4.6	437.2	63.2
2003	34,675,171	17,841,409	16,833,762	7.4	4.7	332.5	-100.6
2004	44,200,401	22,026,854	22,173,546	7.8	4.8	770.6	250.8
2005	46,880,441	24,536,365	22,344,076	7.8	4.7	1735.6	31.4
2006	50,320,970	27,344,511	22,976,459	7.8	4.7	1517.5	108.2
2007	54,199,128	27,252,468	26,946,660	7.6	4.4	1301.6	220.8
2008	58,984,805	29,247,995	29,736,809	7.6	3.9	2369.3	279.2
2009	47,247,548	21,996,783	25,250,764	8.1	4.0	1076.9	254.8
2010	62,053,705	28,541,533	33,512,172	8.1	4.1	1084.7	273.9
2011	65,862,897	39,701,959	26,160,938	8.0	4.7	2439.2	197.1
2012	61,730,934	40,658,010	21,072,924	7.7	4.6	3995.9	558.8
2013	56,882,587	36,131,559	20,751,028	7.9	4.3	3295.8	47.9
2014	51,828,375	33,578,702	18,249,673	7.5	4.1	3196.3	668.6
2015	44,048,730	26,828,974	17,219,756	7.1	4.1	1593.1	932.3
2016	46,221,351	25,027,185	21,194,166	7.2	4.1	1723.8	613.6
2017	53,206,485	28,060,001	25,146,484	7.6	4.2	1829.5	1193.8
2018	52,470,815	32,131,493	20,339,322	7.1	4.3	4393.2	1901.3
2019	46,249,285	29,586,375	16,662,910	6.6	4.1	2385.2	426.2
2020	44,583,898	26,523,741	18,060,157	7.0	4.2	2148.7	267.4

	The exports of Electric Integrated Circuits (1,000 US\$)	
Year	DRAM (HSK: 854232)	Electronic Integrated Circuits other than DRAM
2011	19,506,062	20,158,697
2012	16,611,973	24,734,605
2013	21,963,589	25,154,456
2014	28,849,464	22,694,360
2015	28,856,914	23,316,492
2016	31,612,307	20,667,946
2017	60,506,908	25,596,244
2018	83,048,246	26,728,130
2019	53,161,754	25,914,777
2020	52,358,422	30,525,933

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Pledge of Honesty

On my honour as a student of the Diplomatische Akademie Wien, I submit this work in good faith and pledge that I have neither given nor received unauthorized assistance on it.

Klevis SEVRANI

Vienna, June 11, 2021
