

September 30, 2019

The Japan-South Korea Dispute: Part I

Since early July, the financial press has been reporting on a continued trade spat between Japan and South Korea. The reports have focused on a series of tit-for-tat trade restrictions the countries have imposed on each other, which are ostensibly tied to South Korean anger over Japan's behavior in the runup to World War II. The reports rightly point to the conflict as an example of how trade policy has been weaponized by populist, nationalist leaders around the world, but we think it reflects much more than that. For one thing, the dispute is only the latest chapter in a long history of conflict between the Koreans and the Japanese – a centuries-old story of mutual fear and loathing, colonization and rebellion, and even the assassination of a powerful, beautiful queen. Just as important, the conflict is an example of how the U.S. retreat from its traditional hegemonic leadership role has unleashed dangerous conflicts that had previously been frozen.

In Part I of this report, we'll show how today's dispute fits into the history of Japanese-Korean relations over the last several centuries and demonstrate that the enmity between these two ancient peoples is probably much worse than most U.S. observers realize. In Part II, we'll discuss how the changing U.S. approach to international relations has allowed the dispute to grow. We'll also discuss the likely ramifications for investors.

Japan and Korea: Too Close for Comfort

Without reference to a map of northeast Asia, it's easy to think of Japan and Korea in isolation – Japan as a long, mountainous chain of islands somewhere off the Asian coast in the Pacific Ocean, and Korea as a small, frigid peninsula jutting down from northern China. In reality, the Japanese islands of Kyushu and Honshu lie just 120 miles off the southern coast of Korea (Figure 1). On a clear day, a hiker mounting the summit of Japan's Tsushima Island, in the middle of the Korea Strait, can just make out the hills and mountains of Korea to the north. Such a short maritime distance has proven easily surmountable for at least two millennia. Since ancient times, the Strait has served not as a barrier but as a two-way bridge for settlers, traders, scholars, missionaries, diplomats, and soldiers. From the perspective of the Koreans, that means their homeland is at risk of invasion from both the Chinese and Russians to the north and the Japanese to the south. From the perspective of the Japanese, it means Korea is the most likely conduit from which they could be attacked.

Figure 1.



(Source: Wikimedia Commons)

Attacked by Japan, Then by China

Despite their vulnerability to China's power, the Koreans have embraced and absorbed many elements of Chinese culture. Whether they were enjoying a period of national unity or suffering through a period of division, the Koreans often looked to China for inspiration in government, law, religion, technology, and the arts. Prior to the Mongol invasions, for example, Korea became an important center of Chinese-style Buddhism and Confucianism. Likewise, the Chinese saw the Koreans as important allies and vassals. In 1592, when the Japanese *daimyo* Hideyoshi sent 158,000 troops into Korea on their way to conquer the Ming Dynasty, Chinese and Korean forces fought shoulder-to-shoulder to turn them back.

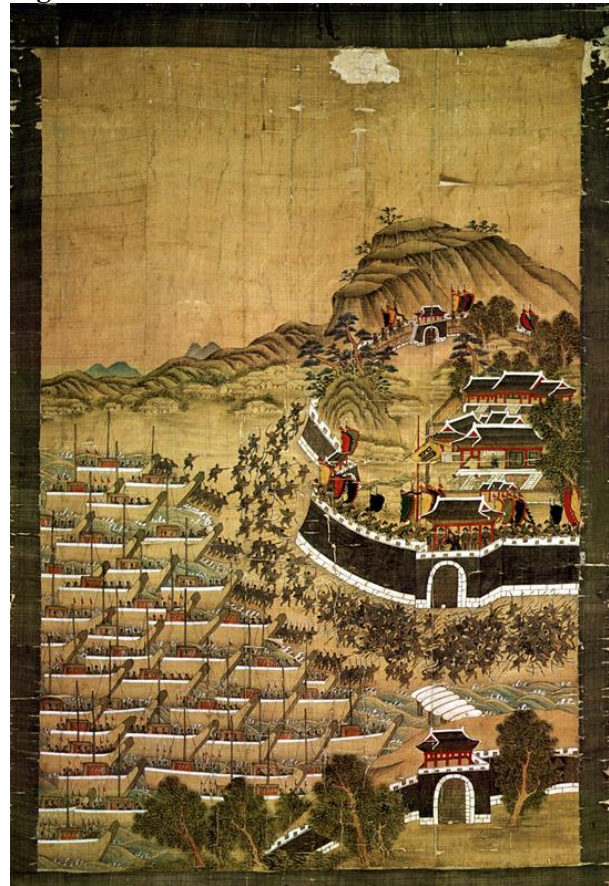
Unfortunately, however, the Koreans also know what it's like to be invaded by the Chinese. As it turns out, the cost of the campaign against Hideyoshi sparked a political crisis in Manchuria (located in northeastern China). Not only did Manchu rebels overthrow the Ming Dynasty in 1644, replacing it with the Qing Dynasty, but they also attacked the Koreans in retaliation for their alliance with the Ming. Together, these long-ago invasions from Japan and China have given the Koreans a sense that they are a distinct people with common interests. Koreans tend to discount the Manchu invasion as an illegitimate act of barbarian rebels, but they look on the Japanese attack under Hideyoshi as the greater insult to their nationhood.

Japan and the Meiji Restoration

For their part, the Japanese are often accused of seeing Korea as a less-advanced culture that is nevertheless a potential risk. After the trauma of Hideyoshi's failed Asian invasion and his death in 1598, the new Japanese shogun turned inward and adopted a policy of strict isolationism. Western

traders and missionaries were expelled from Japan, and Japanese citizens were restricted from traveling abroad. The policy gradually turned the society into a social and technological backwater. It remained so until 1853, when U.S. Commodore Matthew Perry sailed into Tokyo Bay with his gunships and forced Japan to re-open.

Figure 2.



Japanese siege of Korea's Busan fortress, 1592. (Source: Wikimedia Commons)

Japan's modern greatness lies largely in how it responded to the shock of Perry's actions. The societal re-opening sparked a civil war in which the emperor was restored to power. During the "Meiji Restoration" that followed, the new administration decided that regaining Japan's independence and sovereignty would require it to emulate the powerful nations of the West. The government launched a deliberate,

comprehensive program of learning from the developed countries. New schools were established, and students and businessmen were sent abroad to study at places like Harvard. Modern infrastructure and new factories were studied, put into place, and improved. In less than eight decades, the Japanese were able to catapult themselves from feudal peasants to a nation of technological masters, to the point where they became the main challengers to U.S. power in the Pacific.

With their new power, Japanese leaders once again turned acquisitive eyes toward Asia and its resources. They also sought justification for their designs. Conveniently, former Japanese ambassador to the U.S., Toyokichi Iyenaga, wrote in 1912 that, “From a strategic standpoint, Korea is to the Japanese Empire as a spear pointed at its heart. Whatever nation holds this weapon becomes supremely important to Japan.”

A Queen Dies, and Korea is Colonized

While Japanese power and confidence were surging in the late 1800s and early 1900s, Chinese power was waning. The Qing Dynasty continued to lose vitality, and large Chinese territories had fallen under the influence of Western powers such as Britain and the United States. As in the late 1500s, the most obvious route to a Japanese takeover of China and the rest of Asia was to go through Korea. In 1894-95, when the Korean government turned to China for help in squashing a rebellion, Qing troops were dispatched to the peninsula and Japan had its pretext for war. The Japanese invaded, crushed the Chinese forces, and drove them back into China. Sensing an opportunity, the Russian Empire tried to expand its influence in Manchuria shortly thereafter, sparking a war with Japan that the Japanese won in 1905.

Japan’s victories in the Sino-Japanese War of 1894-95 and the Russo-Japanese War of 1904-05 showed just how much power it had gained from the Meiji Restoration. For the Koreans, Japan’s new power was fateful. Following the defeat of China in 1895, Japan embarked on a systematic campaign to eliminate Chinese influence in Korea and recast the country in its own image. Along with an economic modernization program that provided Korea with a new judicial system, monetary policy, public education, and infrastructure, Japan also tried to stamp out Korean culture and identity. The most notorious event came in 1895 as Japan was trying to consolidate its control over the Korean government and position Korea firmly under its thumb. The account of Korea’s King Gojong and Queen Min is one of the most important reasons for today’s hostilities between Korea and Japan. It’s also one of the world’s great love stories.

King Gojong had been installed on the throne at age 12 as the result of political maneuvering by his father, who was ineligible to be king himself but wanted to rule as regent. When Gojong was 15, his father arranged for him to marry a minor noble girl named Min Chirok, who he thought would be passive, subservient, and politically safe. However, Min proved to be serious and ambitious. She put no value in the leisure, socializing, and sultry fashion favored by the other court ladies and her playboy husband. Instead, Min dedicated herself to study and learning, and the marriage devolved into mutual revulsion. The relationship continued to sour as Min began to develop her own political base within the ruling family. It only improved when she eventually pushed Gojong’s father from the regent role, allowing Gojong to take full kingly powers, at which point they were finally able to fully appreciate and admire each other’s strengths. By the time

of Japan’s invasion in 1894, the king and queen were deeply in love, but it was the queen who was the dominant political power in Korea, with a clear vision of the threat from Japan and the need to strengthen Korea against it.

Figure 3.

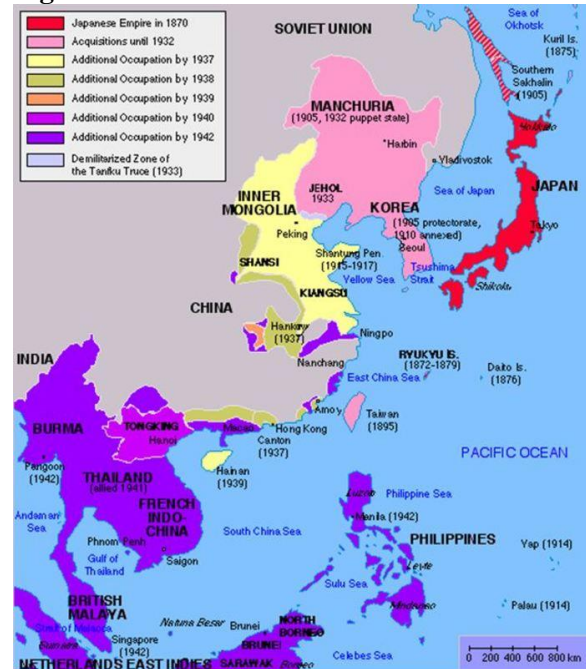


Queen Min. (Source: Wikimedia Commons)

With her dedication to Korean independence and her power over the Korean nobility, Queen Min was naturally the key obstacle to Japan’s efforts to consolidate control over the peninsula. From Japan’s perspective, she had to be eliminated. Therefore, on October 8, 1895, a large team of Japanese agents working in collaboration with Korean opposition figures broke into the royal palace in the dead of night and murdered Queen Min at swordpoint. In his dejection at losing his great love, Gojong locked himself in his chamber and refused to exercise his powers for several weeks.

When he finally emerged, he had lost both the will to live and the will to resist, and he signed a series of unequal treaties imposed on him by the Japanese. In 1910, Japan formally annexed Korea (Figure 4).

Figure 4.



The Japanese Empire to 1942. (Source: The Asia-Pacific Journal)

World War II and Beyond

As illustrated above, the friction between Japan and Korea goes far back in history. All the same, the relatively short period of Japanese colonization from 1910 to 1945 remains much fresher in Korean memory. The main reason the current Japan-South Korea dispute is usually traced back to the colonial period is probably because so many Koreans alive today actually suffered through it.

Along with the usual depredations of being a colony, millions of Koreans were subjected to forced labor and sex slavery for the Japanese military in the years before and during World War II. After Japan’s surrender and the nearly immediate start of the Cold War (including the division of

Korea into the communist North and capitalist South), the U.S. became the hegemon of the non-communist world and [pressured Japan and South Korea to subsume their complaints against each other in the interest of collective security](#). A key step in that regard was normalizing relations between the two countries via the Treaty on Basic Relations in 1965. The treaty established diplomatic ties between the countries and required Japan to provide South Korea with some \$300 million in grants and \$200 million in loans. As a result, the treaty [stipulated that “the problem concerning property, rights, interests . . . and claims” between the countries would be considered “settled completely and finally.”](#)

Part II

On the surface, it may seem like the power of U.S. hegemony and the Treaty on Basic

Relations would have set the stage for a permanent reconciliation between Japan and South Korea – a rapprochement not unlike the reconciliation between King Gojong and Queen Min. As we’ll show in Part II, however, it was a recent South Korean court case on the treaty that was the proximate cause of the current dispute. In addition to discussing that court case, next week we’ll also examine how the changing U.S. approach to international relations has allowed the dispute to grow. Finally, we’ll consider the likely impact of the dispute on the Japanese and South Korean economies, and the probable ramifications for investors.

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