



JAPAN AND SOUTH KOREA: ALLIES IN CONFLICT

The long-standing contradictions between Japan and South Korea went beyond the bounds of diplomacy, and, as a result, the world's 3rd and 11th largest economies unleashed a trade war against each other. Potential consequences of this conflict between Washington's two key allies in Asia can be significant, leading to changes not only in the global electronics supply chain, but also regional geopolitics and nuclear security since the Washington-Seoul-Tokyo triangle is a fundamental alliance in addressing the North Korean nuclear issue. Meanwhile, the parties demonstrate an uncompromising determination to continue the confrontation, and the White House is not taking the initiative to reconcile the allies.

Japan and South Korea are key trading partners for each other. Based on this dependence and with the U.S. support, the relations of the two countries were at a high level and void of complex crises. However, after Shinzo Abe came to power in Japan in 2012 and Park Geun-hye in South Korea in 2013, relations between the partners began to deteriorate. First of all, this was caused by the strengthening of militarism of Japan, including the changing role of the military forces and attempts to abolish Article 9 of the country's constitution, which prohibits maintaining an army. At the same time, Seoul became concerned with the symbolic actions of the Japanese establishment, for example, visits to the Yasukuni Shrine, including by the Prime Minister himself, as well as with Japan's position on a number of controversial historical issues, especially the 'Comfort Women' issue related to Korean women forced by the Japanese into sexual slavery in military field brothels before and during World War II. However, the countries showed flexibility and were able to resolve these issues, achieving a formal settlement in 2015, when Japan set up an \$8 million fund to compensate for the victims of exploitation. In South Korea, the agreement provoked a popular protest, and two years later the foundation was disbanded.

There are other complex historical issues between the countries that need to be resolved, such as the participation of the male population of South Korea in World War II on the side of Japan, labor exploitation of Koreans by Japanese companies, and the forced change of Korean names by Japanese authorities. Ideally, South Koreans would like Japan to issue an official apology, following Germany's example, but at the moment Tokyo's position is far from that of Berlin.

The next issue that has sharply aggravated recently is the territorial dispute over the Dokdo / Takeshima Islands as the Abe government decided to raise this topic again. The islands themselves are not a controversial issue, but the real dispute is about the 200-mile economic zone surrounding them,

which contains rich gas deposits and fish stock. In general, this conflict is difficult to resolve, and the countries are engaged in ongoing consultations. However, the unresolved status of the islands always becomes a reason for the exacerbation of the situation, depending on certain goals pursued by the leaders of the two countries.

The reason for the current escalation of the conflict between the countries is related to one of the historical issues, namely the exploitation of Korean citizens by Japanese companies. In October 2018, the South Korean Supreme Court took the side of the workers and their heirs, ruling that Japanese enterprises, including Mitsubishi and Nippon Steel & Sumitomo Metal Corp., should pay money as compensation for forced labor. Japanese business, on the advice of their government, refused to comply with the judgment. Then the South Korean court arrested the shares of Nippon Steel and ordered to sell them.

Japanese authorities immediately criticized this decision, insisting that the problem had been settled "completely and finally" in 1965, when the Republic of Korea and Japan signed an agreement on the complete settlement of this issue, with Japan paying compensation of more than \$2 billion. Tokyo decided to prove that Seoul was in breach of its obligations and bring the case on the compensation for forced labor to the international arbitration court. However, South Korea refused international arbitration, which further worsened the situation.

The Japanese leadership's response was the July 4, 2019 introduction of the restriction on imports from South Korea of a number of chemicals and components used in the manufacture of displays for smartphones and TV sets, as well as for the manufacture of semiconductors. Next, in August, Japan excluded South Korea from the 'white list' of countries that can freely acquire Japanese electronic components intended for military production. Tokyo also plans to limit the transfer of certain technologies used in the production of some high-tech goods. If the two Asian economic giants engage in a full-scale trade war, it will cause enormous damage to electronics supply chains around the world since both countries are important players at the market of electrical products. This will put an additional pressure on the global economy, which has already suffered from the trade war between the United States and China.

So far, the South Korean government has not introduced retaliatory measures, but warns that it will be forced to do so. At the same time, there are calls in Korean society to boycott Japanese manufacturers and refrain from visiting Japan for tourist purposes. In addition, the South Korean alliance of supermarkets, which unites over

23,000 stores, has temporarily suspended the sale of Japanese goods.

The parties urgently need to start the negotiation process, because the crisis is deepening. South Korea has already expressed its willingness to discuss the situation at a meeting of the General Council of the World Trade Association. In turn, Japan hints that South Korea is selling goods to its northern neighbor, bypassing UN sanctions, which could result in significant sanctions for Seoul. If the conflict enters the international arena, it may become more difficult to resolve it because of the involvement of international organizations and other participants.

At the same time, it must be admitted that historical differences are an important factor that could be resolved if Japan used the example of Germany. But it must also be recognized that history is becoming a hostage of the political situation. During his election campaign, the incumbent president of Korea, Moon Jae Ying, promised to revise the agreements reached earlier on the 'Comfort Women' issue. He could have refrained from using this issue, but decided to exploit it again for his own purposes. Japan, in turn, has also sharply escalated the issue of compensation, probably for a reason. For example, by limiting South Korean exports, Japan can try to regain positions at the high-tech market. After all, now Samsung is one of the main competitors of Sony. It is noteworthy that U.S. President Trump's leadership style and actions have a certain popularity among the Japanese political elite, which does not mind using similar tactics, such as a trade war. At the same time, one should not exclude a completely complicated scheme: probably, Tokyo hopes that Washington will, as always, intervene to settle the dispute among its allies, which will reduce the White House's pressure on Japan in security and trade issues.

Summing up the analysis of the conflict between the two main Asian democracies, it is necessary to note its complexity, as well as the desire of the Japanese and South Korean political elites to use the nationalist rhetoric, which allows you to mobilize the electorate and sometimes shift the focus from internal political problems. At the same time, the conflict demonstrates the lack of multilateral diplomacy tools in Asia to resolve such conflicts, as well as the inability of even such mature democratic countries as Japan and South Korea to find a compromise themselves without a U.S. intervention. This is an interesting lesson for Central Asia, where a number of observers constantly note the inability of the regional states to reach agreements without the participation of a third party.

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Politics, Foreign Affairs, and Security

- President of Kazakhstan Kassym-Jomart Tokayev delivered his first state-of-the-nation address presenting his vision of Kazakhstan's future development. The president put forward a number of initiatives aimed at improving the efficiency of public administration, ensuring rights, freedoms and security of citizens, creating a developed and inclusive economy, modernizing social security of the population, as well as strengthening the regions.
- During his visit to Kazakhstan, OSCE High Commissioner for National Minorities Lamberto Zannier met with President Tokayev and other high-ranking Kazakh officials. The parties discussed the socio-political situation in Kazakhstan, including the country's policy in the field of interethnic and interfaith relations, and paid special attention to the youth and language policies.
- The National Council of Public Trust, established after the presidential election in Kazakhstan as a dialogue platform between the government and public, held its first meeting in Nur-Sultan. President Tokayev and more than 40 representatives of civil society discussed a number of topical issues, including recommendations for political, economic, social and legal reforms in the country.
- The first thematic consultations of the SCO member states on the prevention of an arms race in outer space was held in Moscow as part of Russia's 2019-2020 SCO presidency. Experts from the foreign ministries and diplomatic missions of the member states and the SCO Secretariat discussed the elaboration of practical measures to prevent the deployment of weapons in near-Earth space.
- Moscow hosted the 2nd high-level International Conference on Countering Illicit Arms Trafficking in the Context of Fighting International Terrorism. Representatives of security agencies, diplomatic circles and expert communities from 30 countries, as well as counter-terrorism divisions of international organizations, attended the event to discuss ways to improve interstate coordination in the fight against terrorism and trans-border arms trafficking.
- Ukraine and Russia each released 35 prisoners as part of a dramatic exchange that resulted in freedom for 24 Ukrainian sailors taken captive by Russia, as well as a potential suspect in the downing of Malaysia Airlines flight MH17. The prisoner swap is a major domestic triumph for Ukrainian President Volodymyr Zelenskiy who regards it as the first step in bringing peace to war-torn eastern Ukraine.
- According to the Armenian Ministry of Foreign Affairs, the country works actively to expand its diplomatic presence in the world. In particular, an Armenian consulate will open in Israel and an Israeli embassy is expected to be established in Yerevan. In addition, Armenia intends to set up some embassies in Southeast Asia.

Economy, Finance, and Energy

- The Islamic Development Bank signed an agreement with Tajikistan's Ministry of Finance to allocate \$80.3 million for the implementation of two social projects in the country's Khatlon region. The projects are aimed at improving the quality of life of rural residents through improved water resources management and improving the health of mothers, newborns and children.
- The Tajik Ministry of Finance and the Japan International Cooperation Agency signed a grant agreement on the project for the rehabilitation of the Kizilkala-Bokhtar section of the Dushanbe-Bokhtar road. The objective of the project is to improve transportation infrastructure and traffic safety, thereby contributing to Tajikistan's economic development.
- The first container train loaded with 41 containers departed from Afghanistan to China in transit through Uzbekistan and Kazakhstan. The train carrying semi-finished stone of mineral talcum powder left for China from the railway station in the Afghan border town of Hairatan via the Friendship Bridge across the Amu Darya river.
- According to the KEGOC Management Board, in 2019, Kazakhstan started exporting its surplus electricity to Uzbekistan, and to date the company has already delivered 500 million kWh to the neighboring country. By the end of 2019, it is planned to supply about a total of 1 billion kWh to the Uzbek power grid.
- During his visit to Mongolia, Russian President Vladimir Putin and his Mongolian counterpart Khaltmaagiin Battulga signed a permanent treaty on friendship and comprehensive strategic partnership, as well as a package of documents enhancing the bilateral economic partnership. In particular, the two countries will establish a joint investment cooperation fund to support Russian-Mongolian projects in the field of new technologies, transport infrastructure, mining, energy, and agriculture.
- The Fifth Eastern Economic Forum was held in Russia's Far Eastern port city of Vladivostok under the motto "The Far East – Development Horizons". The event hosted over 100 panel discussions, roundtables and business breakfasts dedicated to the four thematic areas: new solutions for accelerating economic growth; improving the business environment; fostering collaboration between the Far East and Asia Pacific; new solutions for improving the quality of life.
- After the talks in Moscow, Moldovan President Igor Dodon announced that he had reached an agreement with his Russian counterpart Vladimir Putin to cut the gas price for Moldova. According to Dodon, Moldova will get a \$10-15 discount per 1 thousand cubic meters of gas starting October 1, 2019, while in January 2020 the price should drop by \$45-50 and by \$70 in April 2020.

Society and Culture

- The second regional conference on the right to legal identity and the prevention of statelessness named "Leaving No One Behind at Birth" was held in Nur-Sultan. Officials and civil society representatives from the five Central Asian states participated in the event to discuss the progress and gaps in ensuring the registration of births and the right to a nationality for all children born on the territory of a country.
- The 8th Turkmen-German Health Forum, which serves as an effective platform for developing partnerships in the field of medicine between the two countries, was held in Ashgabat. Healthcare officials, scientists and professionals attended the forum to discuss best practices, medical innovations and advanced technologies introduced in clinics of Turkmenistan and Germany.
- According to a report by the Central Bank of Uzbekistan, the number of people wishing to convert their savings into cash dollars reached 26%. At the same time, the share of respondents who prefer to keep savings on deposits in the national currency decreased by 3% to 29%. The proportion of those who prefer to have their deposits in foreign currency increased from 12% to 16%.
- Kazakhstan, Russia and United Arab Emirates continue negotiations on the project to modernize the Baikonur Cosmodrome that includes the upgrade of the "Gagarin's Start" launch site to ensure its further use for launches of Soyuz-2 carrier rockets. The project is expected to improve the spaceport's ground infrastructure, increasing the competitiveness of the Russian space industry in the global market.
- As part of the days of Chinese culture in Belarus, Minsk hosted a performance by the China National Peking Opera Company for the first time. The classic opera named "Female Generals of the Yang Family" was presented at the Bolshoi Theater of Belarus, involving 79 artists.
- The World Economic Forum published the Travel and Tourism Competitiveness Report 2019 ranking the most competitive countries in the field of tourism. Of 140 nations, Russia ranks 39th ahead of Turkey on the 43rd position, Georgia – 68th and Azerbaijan – 71st, while Kazakhstan occupies the 80th position behind Ukraine and Armenia. Tajikistan and Kyrgyzstan rank 104th and 110th, respectively, while Uzbekistan and Turkmenistan are not included in the ranking.
- According to mayor of Tbilisi Kakha Kaladze, the Georgian capital has become a member of the World Tourism Cities Federation. This membership is expected to bring numerous benefits to Tbilisi in terms of the development of the tourism industry and the establishment of new communications.