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**DIRECTORATE OF INTELLIGENCE**

18 September 1986

**Japan-South Korea: Prime Minister Nakasone's Trip**

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**Summary**

Prime Minister Nakasone's visit to Seoul for the opening of the Asian Games is a largely ceremonial event that spotlights his role in handling the always difficult Japanese-South Korean relationship. Since 1983, the effort of personal diplomacy by Nakasone and President Chun--established through an unprecedented exchange of visits and one-on-one consultations over the last several years--has improved the atmosphere between the two countries. Several contentious issues remain, however, including trade, economic competition, and the ever-present issue of Tokyo's potentially important dealings with P'yongyang. Efforts by South Korean students and opposition parties to exploit anti-Japanese sentiments, moreover, could mar the visit. In the longer run, uncertainties surrounding the leadership transition in Seoul and the tensions that succession politics could generate also increase the possibility that South Korean leaders will manipulate these sentiments, adding major strains to the relationship.

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This memorandum was prepared by  Office of East Asian Analysis. Information available as of 18 September 1986 was used in its preparation. Comments and queries are welcome and may be directed to the Chief, Japan, Northeast Asia, OEA,

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### **Nakasone's Visit: Symbols Over Substance**

Nakasone's 20-21 September trip to South Korea--viewed by many as an attempt to make amends for the cancellation of a long-scheduled visit by the Japanese Crown Prince and Princess this fall--provides the Prime Minister with another opportunity to highlight his role in the management of the Japan-South Korea relationship. Immediately after his election as Prime Minister in 1982, Nakasone pushed the bureaucracy in Tokyo to break an almost two-year-long deadlock over a South Korean request for a \$10 billion aid package. The end of the impasse, which amounted to Japanese agreement to provide \$4 billion, set the stage for an unprecedented trip by Nakasone as the first Japanese postwar leader to visit Seoul. During President Chun's reciprocal visit in 1984--also a first--both Nakasone and the Emperor took the added step of "expressing regret" for the years of Japan's colonial rule over Korea. Although the South Koreans had demanded more explicit statements of Japanese contrition, the remarks were viewed as a Japanese concession and a sign that Nakasone was willing to go the extra mile in symbolically cementing a new relationship with South Korea.

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Nakasone's visit to the Asian Games also has a purpose beyond the original one of pacifying Seoul over the canceled royal trip. Recent comments by Japanese Education Minister Fujio justifying Japan's colonization of Korea provoked a strong reaction in Seoul, including threatened postponement of scheduled foreign ministerial talks. Nakasone put the talks back on track by apologizing for the incident and firing Fujio, but the flap, in our view, underscores both the potential volatility in the relationship and Seoul's inclination to escalate its rhetoric and action if Tokyo missteps. Indeed, South Korean students and opposition parties have protested Nakasone's plans to attend the Asian Games, claiming he symbolizes the resurgence of Japanese nationalism and Japan's desire for "mastery" over Koreans. Despite efforts by the South Korean government to control opposition protests, violence could mar the visit.

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Japan's relationship with South Korea is likely to face several tests in the next few years. The fallout from South Korea's chronic trade deficit with Japan leads the list. The issue has been a fixture for some time, but the trade gap may double this year, reaching some \$6 billion. The stronger yen relative to the Korean won, which is tied to the dollar, has provided a major boost to South Korea's global exports and will probably begin to trim the bilateral deficit beginning next year. Nonetheless, Seoul has already announced measures to reduce the deficit with Japan. For example, South Korean officials are encouraging companies to substitute domestic or US goods for Japanese imports and may increase tariffs on some products that Koreans import primarily from Japan.


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We do not know if the recent appreciation of the yen will lower South Korea's trade deficit with Japan sufficiently to head off other, more politically dramatic steps. In the past, Seoul has raised the trade problem to the "political" level by accusing Tokyo of anti-Korean discrimination in the Japanese market. A burgeoning of the deficit presumably could provoke such behavior again. If fully implemented, the measures

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Seoul has taken also could bring the threat of retaliation from Japanese businessmen and perhaps from the government (see chart). 


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**Relations With North Korea**

Japan's ties to South Korea have limited Tokyo's dealings with P'yongyang to private trade and other low-level exchanges. Although obviously interested in having Japan play a more prominent diplomatic role, Nakasone has supported both US and South Korean policies regarding the North during his tenure. In the past, however, improvements in Japanese-South Korean relations have provided the opportunity for Tokyo to take small steps toward the North. For example, Tokyo used the occasion of the Chun visit in 1984 to announce the lifting of sanctions on private contacts with P'yongyang that were imposed in the wake of the Rangoon bombing in 1983. Notwithstanding Nakasone's record in moving in step with South Korea and the United States on official dealings with P'yongyang, Nakasone and previous prime ministers have watched for the potential for change and the possibility of a more activist approach to P'yongyang:

- For many Japanese, including some in the Foreign Ministry, Tokyo's lack of diplomatic contacts with the North represents a piece of unfinished postwar business. Moreover, the fear that Tokyo could be left behind--as it was when Washington began normalizing relations with Beijing in 1971--is another factor motivating some to argue for a more assertive Japanese approach.
- A minority of ruling party members--particularly those in the Japan-North Korea Friendship Association--also contend that Japan has a special responsibility to help reconcile the two Koreas. The group has never been influential, although its members have been used in the past as unofficial points of contact between several Japanese leaders and P'yongyang. The opposition Socialist and Communist Parties, meanwhile, press for full-fledged recognition of the North. 

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At this point, Tokyo appears to have relatively few items of potential "new business" pending with P'yongyang. But one area of possible movement is an unofficial visit by North Korea's former Foreign Minister Ho Tam. The idea is in limbo because of



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[Redacted]

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Tokyo's standard insistence that North Korean visitors refrain from engaging in political activities during trips to Japan--a demand the North Koreans have rejected so far in this case. [Redacted]

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Whether or not Tokyo allows Ho Tam to enter Japan without these usual restrictions, several key factors will continue to shape the Japanese approach to the North. Foremost among these will be North Korean behavior toward the South, particularly in the sensitive period bracketed by the Asian Games this month and the Olympics in 1988. Tokyo would find a tougher, more violent approach by the North a compelling reason to shelve any new approaches to P'yongyang. South Korean stability will also play a key role in Japanese policy deliberations. In our view, any turbulence in South Korea's political succession process would dampen interest in new initiatives that could further unsettle Seoul or send particularly troublesome signals to the North. As it contemplates its options during this period, Tokyo is also likely to weigh not only its reading of these critical factors, but US views as well. Finally, on the economic side, North Korea's continuing inability to repay its \$240 million debt to Japanese companies could well temper Tokyo's enthusiasm for a more active approach toward the North. [Redacted]

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**Outlook: The Role of the Nakasone-Chun Relationship**

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Both Nakasone and Chun have considered their ability to better manage Japanese-South Korean relations a personal success. Whether their successors will invest as heavily in the bilateral relationship--Nakasone is expected to step down by October 1987 and Chun in 1988--remains to be seen. In our view, friction could increase after the two leave office. We do not expect Nakasone's departure to lead to a change in Tokyo's policies toward the South. But we would not expect the next prime minister to display Nakasone's flair for personal diplomacy or necessarily to give as high a priority to promoting goodwill in Seoul, evident in the Prime Minister's effort to stay in personal touch with Chun. [Redacted]

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In South Korea, the transition also could encourage both opposition and government leaders to manipulate anti-Japanese sentiments, a technique often used in the past. President Chun's early policies, for example, such as his demands for a \$10 billion aid package--which Japan "owed" Korea--and his dismantling of the old boy network between the two countries, strained the relationship. [Redacted]

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In the longer run, as the process of generational change in Japan and South Korea has its effects on popular attitudes, both sides may be able to distance themselves from the emotionalism that marks the current relationship and better recognize shared interests. Tokyo and Seoul's shared security interests in stability in Korea will continue to make the North-South military balance a common concern in the 1990s. Moreover, South Korea's attractiveness as a site for direct investment may also increase the ties that bind as the two economies become more closely intertwined. Nonetheless, we do not expect that even under these circumstances trade frictions will abate. [Redacted]

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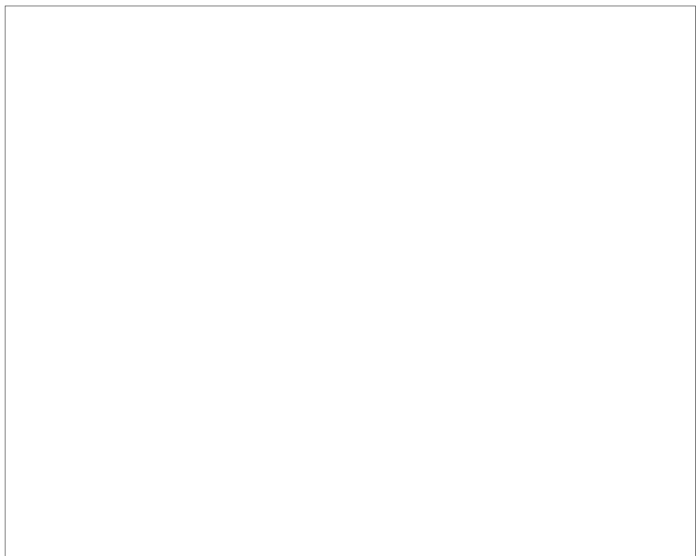
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Status of Bilateral Issues

<u>Issue</u>	<u>Movement During 1985-6</u>
South Korean Trade Deficit	Projected to increase by \$3 billion in 1986
Technology Transfer	Signed S & T agreement last December but neither side is obligated to take specific action; substantive talks continue at working level
Fingerprinting Korean Residents in Japan	Went to inkless system last year; Tokyo is now considering change from every five years to once in a lifetime system
Textbook Controversy	Tokyo acceded to Seoul's request and ordered revisions in a high school text that downplayed the treatment of Koreans under Japanese rule



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SUBJECT: Japan-South Korea: Prime Minister Nakasone's Trip [Redacted]

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