

CHAPTER I

INTRODUCTION

A. Background

Ranged from peaceful until agitated conditions, Japan and South Korea relations have always been complicated since their first encounter within the timeframe of World War, as Japan begin its expansion to Manchuria, Taiwan, and Korea from 1910 to 1945 (Booth & Deng, 2017). The economic ties between two East Asian countries started to exist after the bilateral normalization in 1965, during the reign of Japanese Prime Minister Eisaku Satō and South Korean President Park Chung-hee. After the normalization, the dependency of South Korea in Japan became more apparent – especially in technology chemical industries. Years passed since the normalization, the dependency of South Korea towards Japan has gradually decreased to 20 percent in the 2000s, declined by 10 percent compared to the 1980s (G. Kim, 2017). This dependency slowly moves towards interdependency, whereas in 2001, South Korea exported refined petroleum to Japan, made it the largest export commodity with a trade value that reached US\$2.99 billion, and finally in 2004, Japan included South Korea in its preferential whitelist to ease both countries trade activity, especially in technology market (The Observatory of Economic Complexity, 2021; Yamazaki et al., 2019).

Connected in such a long history, the ups and downs on Japan-South Korea relations surely cannot be avoided. Despite the diplomatic normalization, Japan and South Korea are often involved in disagreements: forced labor issue, comfort women issue, territorial dispute of Dokdo/Takeshima, until the issue of different perception on both country in viewing their past – especially the history during their wartime in

historical textbooks and movies (Deacon, 2021). Several attempts have already been made by both countries to end the tensions that occur; including the attempts did through the accord that happened in December 2015 – during the leadership of Prime Minister Shinzō Abe and President Park Geun-hye. This accord actually could resolve the conflict of these two countries as Park Geun-hye stated that she saw “the urgency to fix the relations between South Korea and Japan” (BBC News, 2015). Unfortunately, in 2017, Park Geun-hye was officially impeached due to corruption and abuse of power. This ‘love-and-hate relations’ between Japan and South Korea worsen after in 2018 – during the reign of Prime Minister Shinzō Abe and President Moon Jae-in, the Supreme Court of South Korea demanding compensation for forced labor during wartime toward two Japanese corporations made the Japanese government finally decided to retaliate by removing South Korea from their preferential ‘whitelist’ trade partners on chemical products (Shin, 2021). Preferential whitelist – in the case of Japan, preferential whitelist often referred as ‘Group A’ – is a list of trade partners which can obtain export license without establishing its own Internal Compliance Program, abbreviated as ICP (METI of Japan, 2021b). ICP is the policy to control the export measures under the relevant export control legislation. This policy includes the standard operating procedures to manage all the risks that related to export activities and controls (METI of Japan, 2021a). This means that the Group A countries listed by the Ministry of Economy, Trade, and Industry of Japan are not subjected to any limitation or control in their trade with Japan. This preferential whitelist included 27 countries inside – including the United States, the United Kingdom, Canada, Germany, etc. – before the exemption of South

Korea from the list, in which South Korea started to be in Japan's preferential whitelist in 2004 (Endo, 2019; METI of Japan, 2021b; Sugihara, 2019; Yamazaki et al., 2019). As a counterattack for their exemption from the Japanese government preferential whitelist, the South Korean government files confinement exports on Japan to World Trade Organization (WTO) (Yang, 2019).

B. Research Question

Based on the explanation of background above, the research question for this study is “**Why does the Japanese government remove South Korea from its preferential whitelist?**”

C. Theoretical Framework

1. Mercantilism Theory

Mercantilism is one of the dominant perspectives in International Political Economy (IPE) along with liberalism and structuralism/Marxism. Mercantilism argue that state's power is the central discussion in international stage, which made mercantilism often associated with realism in political science. As state become the central discussion while also being the highest entity, in which there is no greater power that can control and impose rules upon states. Therefore, the view of anarchical international system proposed by mercantilism is reflected through this assumption. The happening of conflicts and wars is an inevitability, in which it came as a form of self-defense in the premise of anarchical world. Although relatively similar with realism, mercantilism focuses on economics as the tool of the government to achieve national interest. In this case, it can be said that market or economic activities in general, including the enforcement of policy and the securitization of the domestic market is the creation of the state (Cohn, 2016).

2. Power Concept

The discussion about mercantilism, as stated earlier, is significantly weighed upon the concept of power. Power, described by Morgenthau as quoted in Drezner (2021), is always become the goal in international politics. While the term of 'power' itself has not been defined in a consensus of the scholars, an American political scientist, Nye (2017) described 'power' as "the ability to pursue certain outcomes through affecting others by payment, coercion, attraction, and/or persuasion". The discussion of power based on Nye definition weighed its primary focus on the actors as power itself used to achieve the certain outcome for the sake of the actor's satisfaction, but the scope and the domain of the power also plays important role in the discussion. Power, as cited in Rosyidin (2014), should be maximized by states in order to minimize the loss and maximize the benefit that they will gain from their interaction in international stage. The maximization of power cannot be measures by certain rigid variable of resources such as territory, population, arm forces, economy, and social stability, yet a country which possess bigger scale of resources tend to affect other countries that possess lesser scale of resources. On the other hand, the maximization of power can be measured by the combination of the resources, the behavior of the international stage, and the skill of the country to formulate the resources into strategies that will help them to obtain the preferred outcomes. During the development on the definition of power, Nye makes several categorizations about power,

including the power that called as soft power. Soft power is defined as the ability to pursue certain outcomes through affecting other with attraction, and not payment or coercion (Nye, 2017). Thus, soft power is totally different with what many states during World War era practicing as the power itself (at that time) refers to hard power. Soft power is practiced through intangible power, where the strategies are located on how the states attract the other states to pursue certain result – in which in this discussion the result will be reflected as national interests – without the needs to perform tangible power such as invasion, annexation, and so on. For this reason, gaining power to pursue national interest through the practice of economy can be classify as soft power.

From the whole explanation about mercantilism and its core theory, therefore, we can conclude that mercantilism refers to the theory in which state's government as the highest entity in international stage use their power by intervening the economic activities in order to achieve their national interest. Mercantilism as a theory weighed upon the concept of power, as it believes that power is a tool to pursue certain outcome, yet the power meant by mercantilism is soft power as economics become the main focus of the government in pursuing the national interests.

D. Hypothesis

Based on the explanation in theoretical framework, therefore, a hypothesis to answer the research question on why the Japanese government removes South Korea from its preferential whitelist is formed as follows:

The Japanese government removes South Korea from its preferential whitelist because: (1) the rivalry in global technology market with South Korea and (2) the strategic alliance with the United States

need to be the Japanese government ultimate concern to protect their national interest as a state with a strong economy power after the massive economic growth of its fellow East Asian country, South Korea, by intervening the economic activities of the state, in which economy – as a form of soft power – is a crucial factor to make Japan as a strong state in international political stage.

E. Methodology

This study used qualitative approach with descriptive method in order to prove the reason behind the Japanese government decision to remove South Korea from its preferential whitelist. Qualitative approach in research refers to an approach that uses the interpretation of data collection and analysis, and does not rely on quantification method (Anggito & Setiawan, 2018). On the other hand, descriptive method explained by Kim, Sefcik, & Bradway as quoted in Yuliani (2018), focusing on the researches that require answers to the question of who, what, where, and how. This qualitative descriptive method is mainly used in researches which focus on the understanding about problems revolve in social context and require constructions of theoretical framework and hypothesis to reveal the fact in reality (Anggito & Setiawan, 2018). This can be confirmed through the perspective of mercantilism of International Political Economy combined with historical aspect of Japan-South Korea encounter long before the happening of the trade war itself in 2019. The data were collected through secondary sources including scientific journal, reports by both Japanese and South Korean government officials, and other eligible data sources.

F. Scope of Research

The scope of this research is limited to the perspective of the Japanese government in removing South Korea from its preferential whitelist through the

framework of mercantilism. The time interval for this study starts in 2004, the year when Japan included South Korea in its preferential whitelist, until the present day in 2021, where the trade rift of both country after the removal of South Korea from Japan's preferential whitelist happen.

G. Writing System

Chapter I This chapter contains introductory part, where the author presents the background, research question, theoretical framework, hypothesis, research methodology, scope of research, and writing system.

Chapter II This chapter explains the history of Japan and South Korea economic relations since its first encounter in 1965 and the economic rifts that happen between both countries before the happening of the trade war itself. This chapter will also discuss and answer the research question mentioned earlier in the introductory part. It contains the reasons of the Japanese government in removing South Korea from its preferential whitelist, especially from the perspective of the Japanese government through the framework of mercantilism.

Chapter III This chapter presents the conclusion from the whole discussion as the closing part of this study.